Direct Line Group

Half year results 2024

4 September 2024

Today’s agenda

Introduction
Adam Winslow, CEO

H1 2024 financial results
Neil Manser, CFO

Motor update
Lucy Johnson, Motor MD

Strategy update
Adam Winslow, CEO

Q&A

Direct Line Group

Introduction

Adam Winslow, CEO

Key messages

1. Turnaround strategy underway, focused on delivery of published targets

2. Repricing of Motor complete, disciplined trading in tough market conditions and return to profitability

3. Strong margin and double-digit GWP growth in Non-Motor

4. Operating expense ratio reduced through focus on cost control

5. Strong capital generation, dividend of 2.0p, solvency ratio of 198% post dividend

H1 2024 financial results

Neil Manser, CFO

Returned to profitability

Results summary

	H1 2024 £m	H1 2023 £m	Change
Gross written premium and associated fees[1]	1,839	1,198	53.5%
Insurance service result[1]	25	(100)	126
Ongoing operating profit / (loss)[1]	64	(94)	157
Group operating profit / (loss)	84	(94)	179
Profit / (loss) before tax	62	(76)	138
Key metrics			
Net insurance margin (NIM)[1]	1.8%	(8.8%)	+10.6ppts
Operating earnings / (loss) per share (pence)	2.7	(6.3)	9.0
Dividend per share (pence)	2.0	0.0	-
Operating return on tangible equity[2] (RoTE)	5.8%	(17.0%)	+22.8ppts
	30 Jun 2024	**31 Dec 2023**	**Change**
In-force policies (IFPs)[1] 000's	8,951	9,235	(3.1%)
Solvency capital ratio post dividend[3,4]	198%	188%	+10ppts

Category performance	H1 2024		H1 2023	
	Operating profit £m	NIM	Operating profit / (loss) £m	NIM
Motor	3	(3.0%)	(180)	(25.6%)
Non-Motor	61	11.6%	87	19.7%
Total ongoing[1]	64	1.8%	(94)	(8.8%)

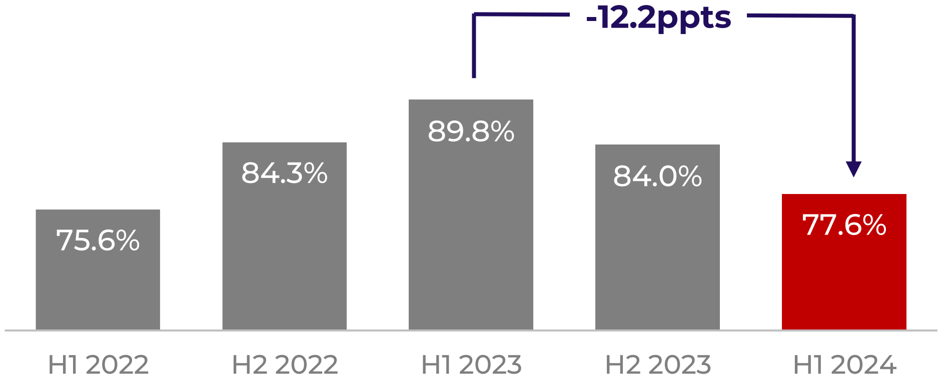
- GWP grew 54%, driven by rating action in Motor, six months' premium from Motability partnership and double-digit growth in Non-Motor
- IFP reduction predominantly driven by Motor own brands which were 7.5% lower
- Ongoing operating result returned to profit at £64m, driven by improved Motor performance and higher investment return
- Positive NIM of 1.8%; 11.6% in Non-Motor, partly offset by minus 3.0% in Motor
- Strong capital generation, solvency ratio of 198% post 2.0p dividend, well above 180% solvency ratio target

(1) Ongoing operations (Group excluding Non-core and run-off Rescue and Travel partnerships and the Brokered commercial business) (2) Annualised (3) Estimates based on the Group's Solvency II partial internal model (4) The full year 2023 solvency capital ratio has been represented as explained in the Chief Financial Officer review of the 2024 half year report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%)

Early signs of improvement

	H1 2024	H1 2023	Change
Gross written premium and associated fees £m	**1,339**	759	76.5%
Of which own brands £m	***815***	*744*	*9.5%*
Insurance service result £m	**(28)**	(184)	156
Of which prior year development £m	***(7)***	*(60)*	*53*
Operating profit / (loss) £m	**3**	(180)	184
Net insurance margin	**(3.0%)**	(25.6%)	+22.6ppts
Current year net insurance margin	**(2.3%)**	(17.3%)	+15.0ppts
	30 Jun 2024	**31 Dec 2023**	**Change**
In-force policies 000's	**3,979**	4,181	(4.8%)
Of which own brands 000's	***3,119***	*3,373*	*(7.5%)*

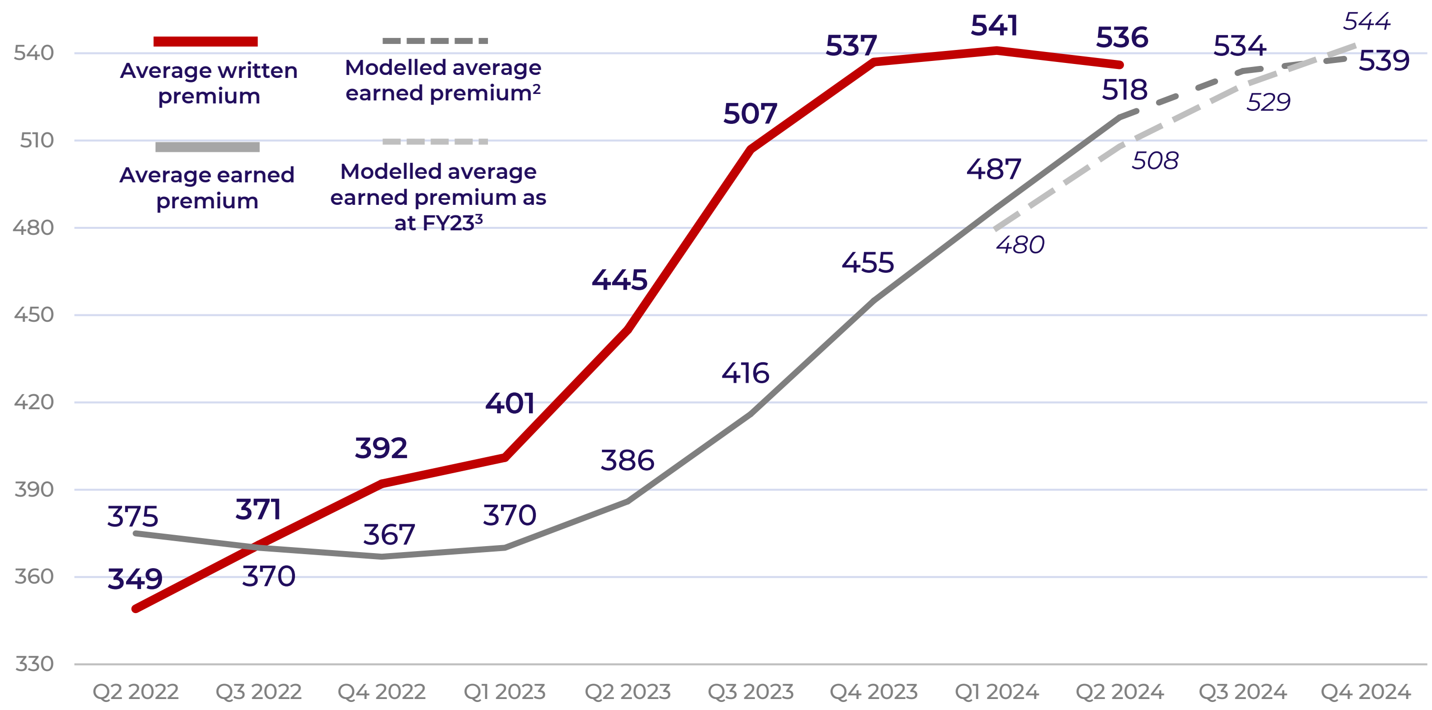
Current year claims ratio



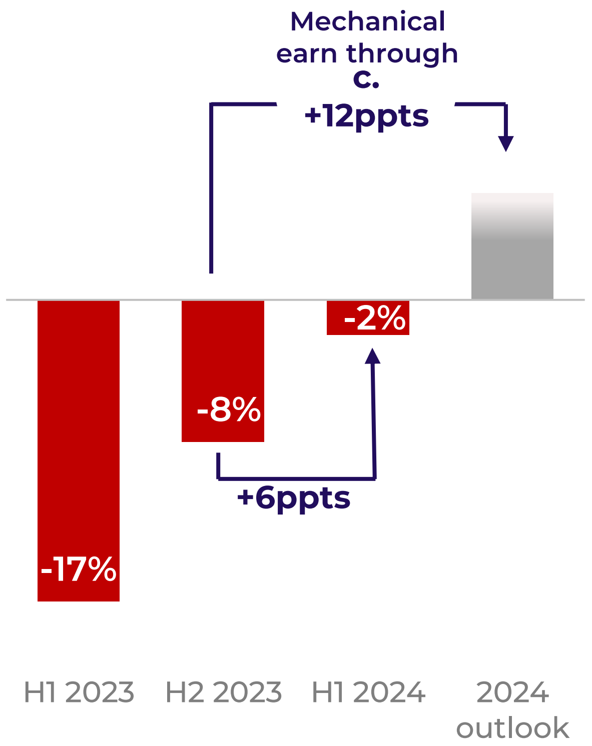
- Reduction of 7.5% across own brand policies partly offset by growth in partners due to Motability
- Written margins maintained above 10% during H1
- Earn through of higher margin business written since H2 2023 beginning to take effect
- Operating profit driven by improved insurance service result and higher investment return

Increased earned premiums driving margin improvement

Written vs earned average premium[1,2] £



Current year net insurance margin[4]



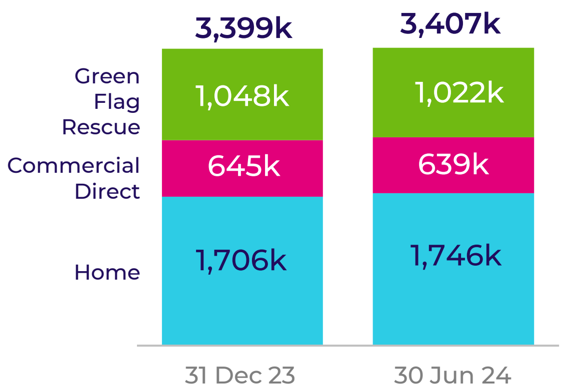
(1) Own brands excluding By Miles. Average earned premium excludes adjustments and cancellations (2) Modelled view of future earned premium using business written premium up to the end of Q2 2024. Q4 2024 earned premium is above Q4 2023 written premium due to increased weighting of higher written premium (3) Modelled view of future earned premium using business written up to the end of Q4 2023 (4) Total Motor including Motability

Strong premium growth and 11.6% NIM

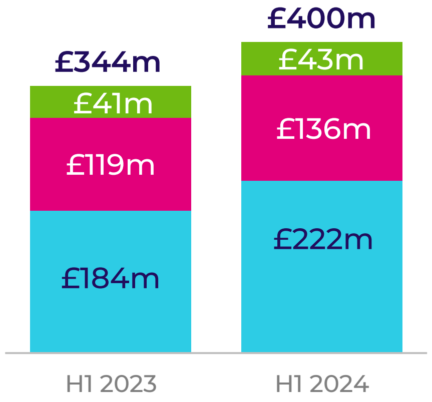
	H1 2024	H1 2023	Change
Gross written premium and associated fees £m	**499**	439	13.7%
Of which own brands £m	***400***	*344*	*16.4%*
Insurance service result £m	**54**	84	(30)
Of which prior year development £m	***(9)***	*14*	*(23)*
Operating profit / (loss) £m	**61**	87	(26)
Net insurance margin	**11.6%**	19.7%	(8.1ppts)
Net insurance margin normalised for event weather	**10.1%**	15.2%	(5.1ppts)
	30 Jun 2024	**31 Dec 2023**	**Change**
In-force policies 000's	**4,972**	5,054	(1.6%)
Of which own brands 000's	***3,407***	*3,399*	*0.2%*

Own brands

+0.2% IFP growth

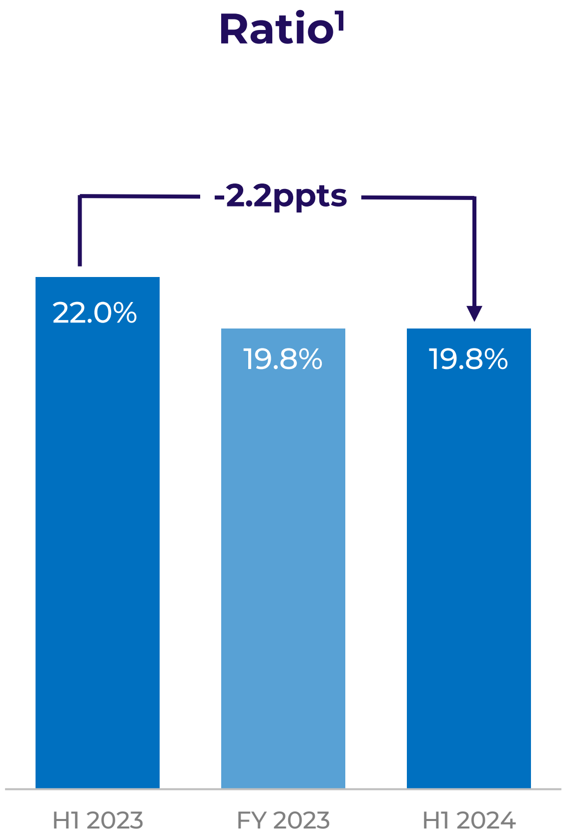


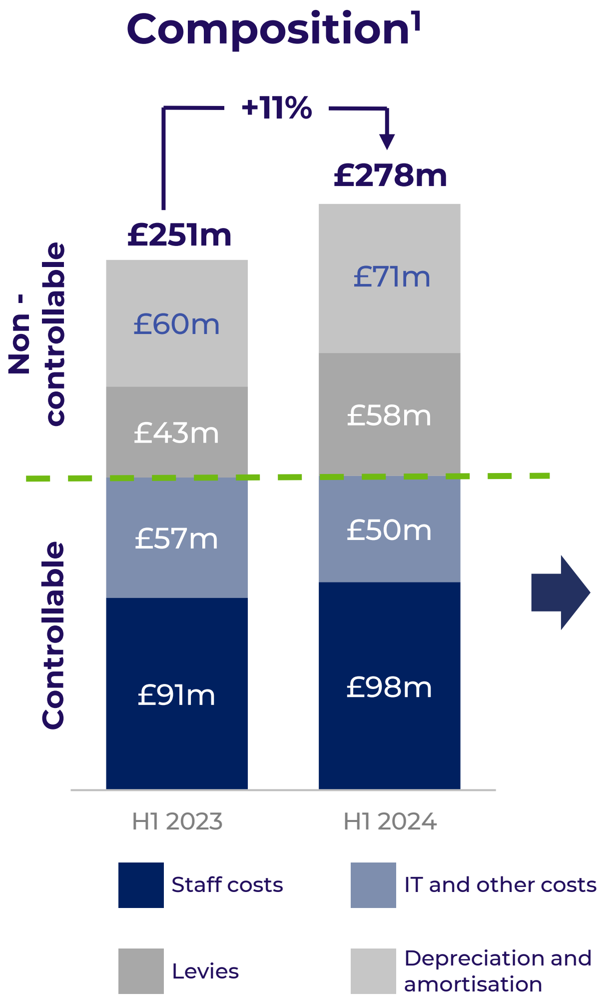
+16.4% GWP growth

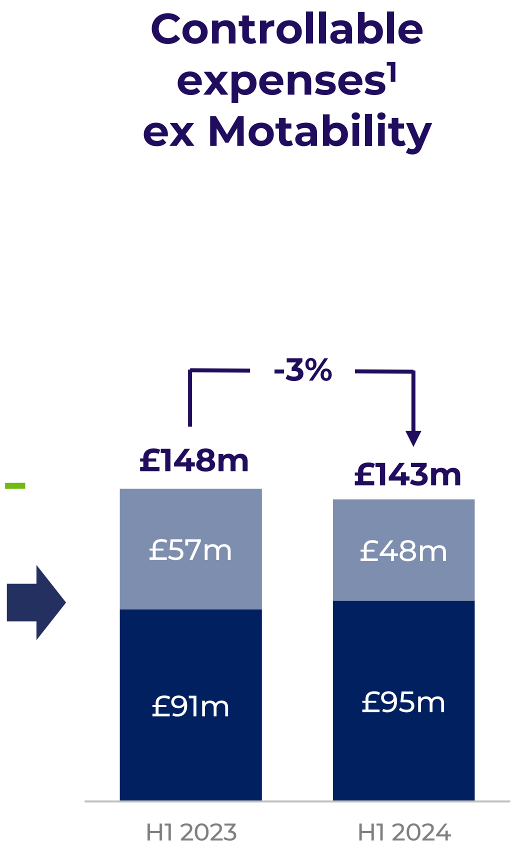


- Increase in own brands policy count of 0.2%
- 16.4% own brands premium growth ahead of annual growth target, driven by Home and Commercial Direct
- Net insurance claims ratio increased due to higher weather-related claims in Home and Commercial, and prior year strengthening
- NIM normalised for event weather of 10.1%

Operating expense ratio[1] improvement







- Operating expenses increased 11% to £278m primarily due to additional costs from Motability and higher amortisation
- Excluding Motability, controllable costs were 3% lower than prior year

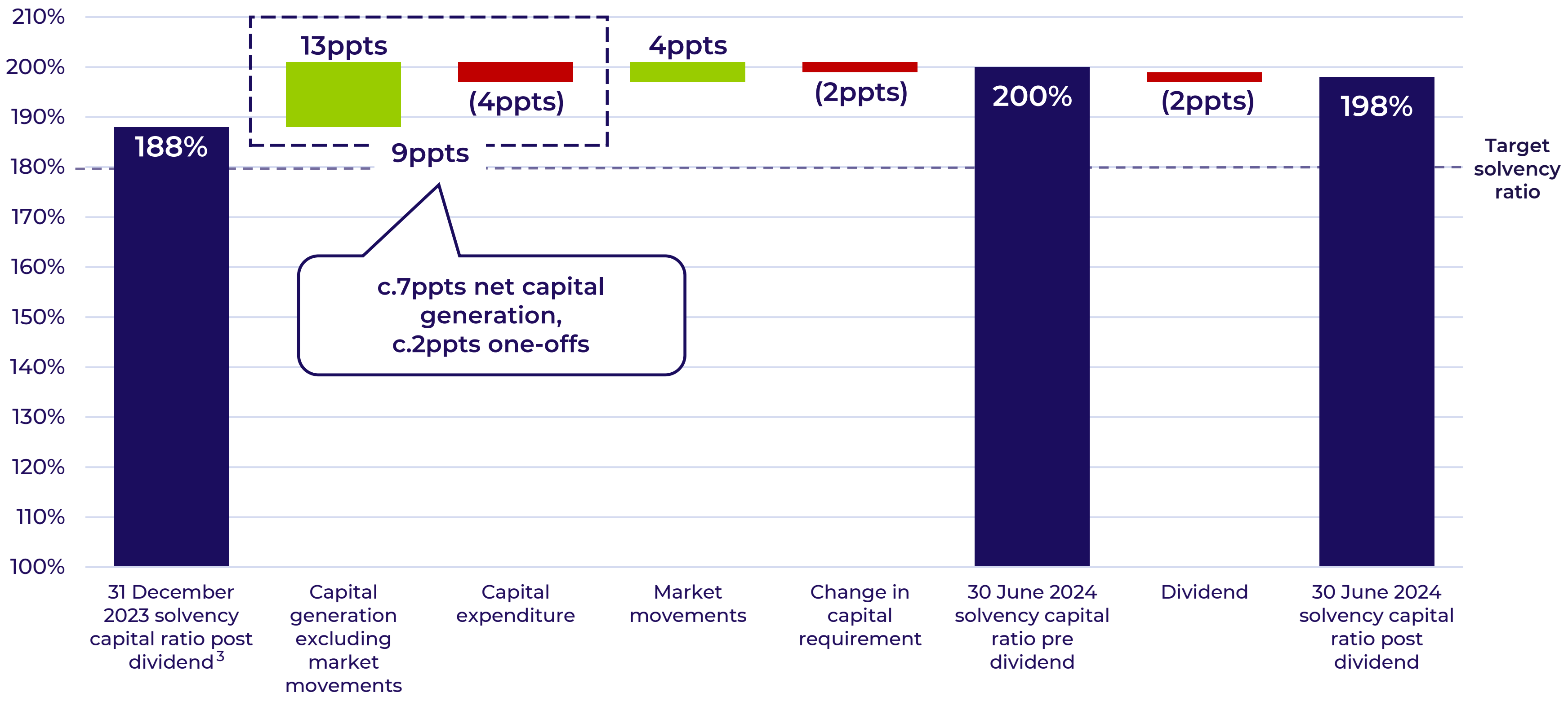
Outlook

- Expense ratio expected to be broadly flat year-on-year in 2024

(1) Ongoing operations

Strong solvency ratio and 2.0p dividend

Solvency ratio walk[1,2]



2.0p dividend

(1) Estimates based on the Group's Solvency II partial internal model (2) Due to roundings, the movements presented in the chart do not cast to the 30 June 2024 pre-dividend solvency capital ratio of 200%
(3) The full year 2023 solvency capital ratio has been represented as explained in the Chief Financial Officer review of the 2024 half year report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%)

Results summary

1. Strong premium growth of 53.5%
2. Returned to profitability with a net insurance margin of 1.8%
3. Strong solvency, capital ratio 198% post dividend of 2.0p

Motor update

Lucy Johnson, Motor MD

Motor: Key messages

1. Focused on executing strategy to drive sustained profitable growth
2. Claims inflation in line with expectations and showing signs of moderation
3. Experienced team traded with discipline; written margins maintained above 10%
4. Initiatives are building momentum, supporting performance in future years
5. Transitional year for Motor earnings, further improvement expected in H2 2024

Framework for sustained, profitable growth in Motor

Pricing and Underwriting

Technical pricing accuracy and proactive underwriting management

Customer Experience

Brilliant digital customer journeys and strong renewal outcomes

Claims

Regaining leadership in claims cost control

Distribution

Winning on PCWs with the best brands

Motor market scorecard

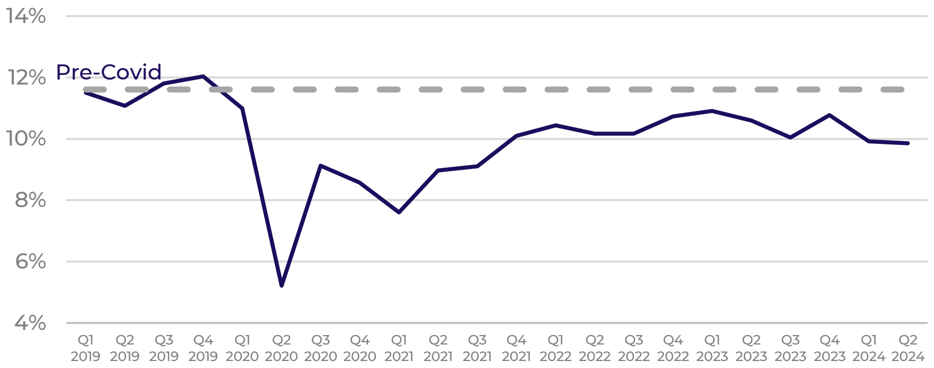
Claims inflation

Continue to see elevated claims inflation, with some areas of moderation

Drivers of severity inflation

	Parts[1]	Labour[1]
H1 24 vs H2 23	↑	↑
H1 24 vs H1 23	↑	↑↑

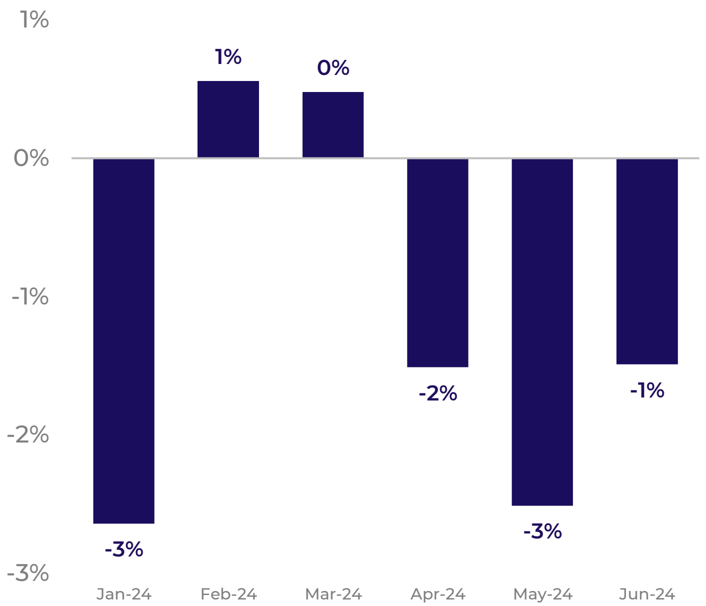
Market notified frequency[2]



Premiums

Following record YoY market increases, new business premiums reduced in Q2

Market new business premium changes month on month[3]

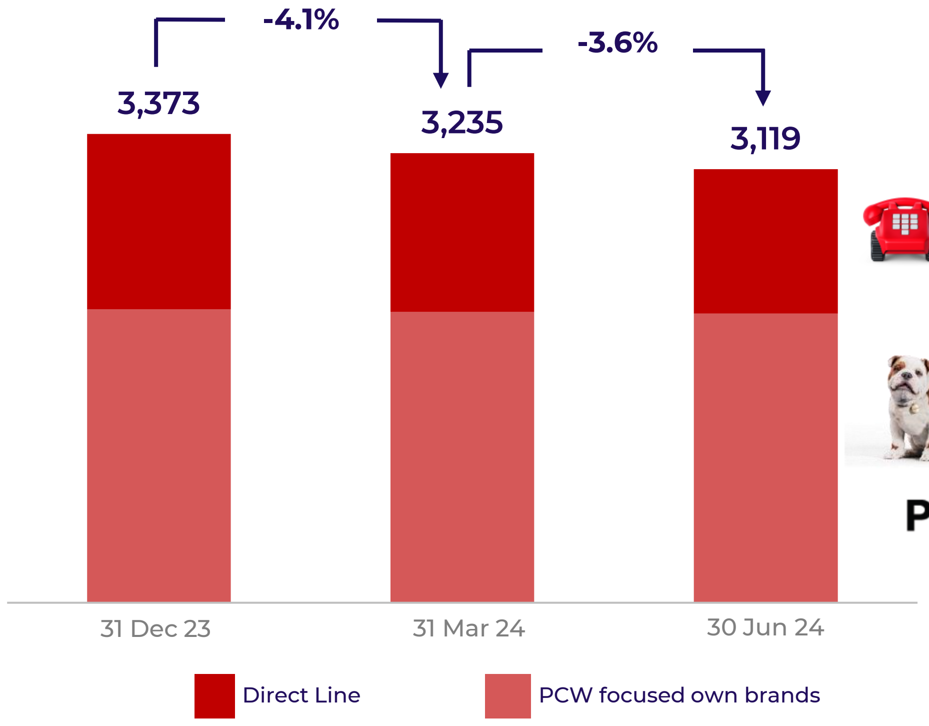


(1) DLG Auto Services (2) ABI claims frequency (exposure and claims) for private car (3) Top 5 ranks on PCW sourced from Pearson Ham Group

Traded with discipline, written margin maintained above 10%

Despite the headline reduction, our PCW policies grew in Q2

Own brands in-force policies 000's[1]



Winning Strategy

- Planning launch of Direct Line on PCWs, customers' preferred channel
- Well established Churchill product set, alongside Privilege and Darwin
- Renewed focus on customer retention
- Technical pricing accuracy, new pricing models and data enrichment
- Well defined and managed underwriting strategy

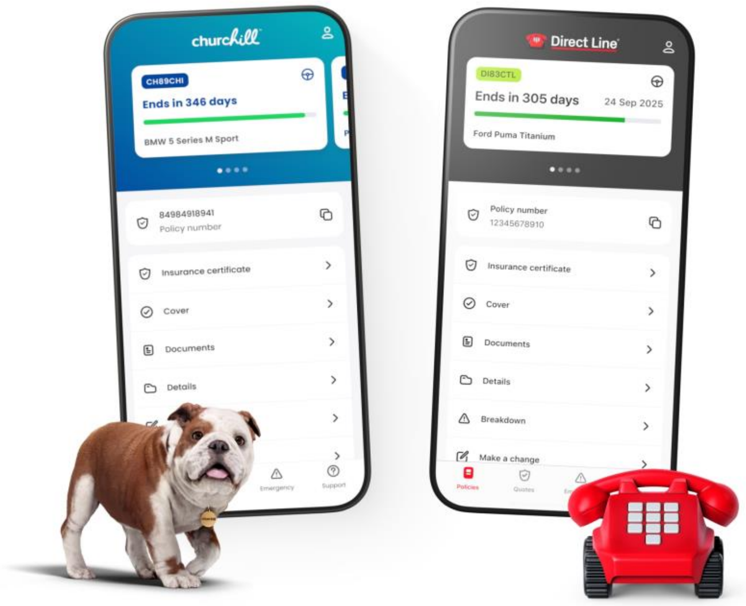
(1) Own brands, excluding By Miles

Initiatives building momentum, supporting performance in 2024 and beyond

Improving new business competitiveness

- Improved PCW pricing capability: Increased new business conversion
- PCW customer journey changes: Increased click to sale and higher sales of Rescue add-on
- Lowered premium finance deposits for customers: Increased customer take-up

Launched new customer apps



- Churchill launched in 12 weeks
- Customers can make policy changes, see policy details and manage claim in app
- Over 16 thousand customer downloads
- Positive customer usage and reviews

Outlook: Confident in readiness to drive sustained profitable growth

H2 strategic focus

Continued focus on improving technical pricing accuracy

Drive benefits from renewal transformation programme

Simplify customer journeys, drive higher digital take-up

Prepare to launch Direct Line on PCWs

Full year outlook

- Maintain underwriting discipline; prioritise margin over growth
- Claims inflation expectation unchanged at high single digits
- Further NIM improvement expected as higher margins continue to earn through

Strategy update

Adam Winslow, CEO

Progress against our clear strategy

Strategic ambitions	Progress to date
Target leading positions in Home, Commercial Direct and Rescue	Decided to focus our portfolio on lines of business where we can win
Reduce cost base	Progressing significant cost saving opportunities across technology, operations and simplification
Rejoin front-runners in Motor	Preparing to launch Direct Line Motor on PCW
	Launched Churchill and Direct Line apps for Motor customers
Achieve top quartile insurance technical excellence	Expansion in Rescue partnerships progressing well
Build a high-performance culture	Expanded Tradesperson cover in Commercial Direct

Strong premium growth and 11.6% NIM

GWP growth

Home	17.0%
Commercial Direct	13.7%
Rescue	1.2%

7-10% CAGR target

13.7%

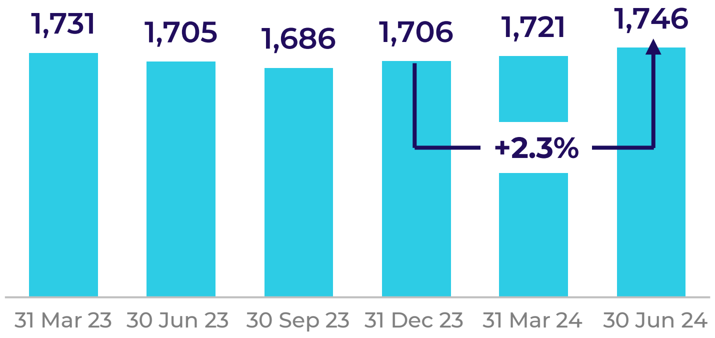
Net insurance margin	11.6%
Operating profit	£61m
Own brands policy count across H1	+0.2%

Policy count and premium growth

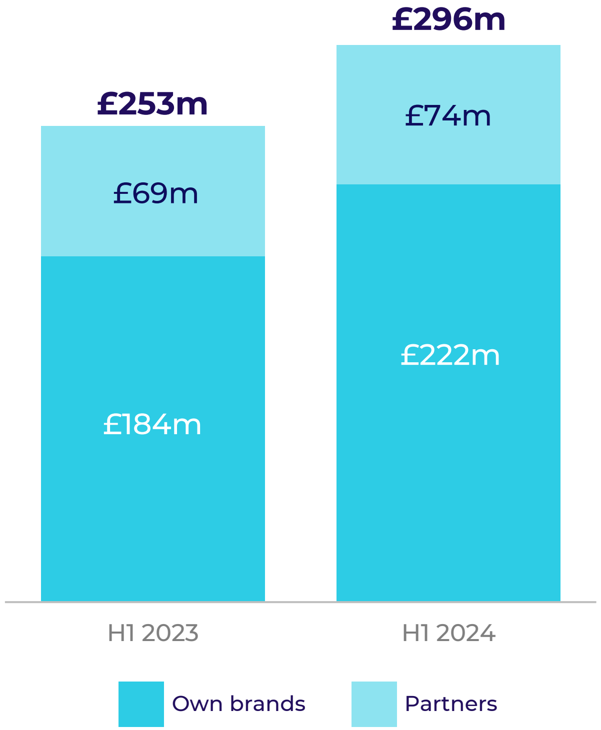
H1 Trading

Own brands:
3 consecutive quarters of IFP growth and GWP growth of 21% in H1

Own brands in-force policies 000's



17% GWP growth
21% own brands



Strategic focus

Pricing and underwriting: Continue to roll out new platform to leverage new pricing engine (Radar Live) and analytics platform

Distribution: Develop new routes to customers through cross-sell using insights and data enrichment

Product and service: Launch new products and improve customer service

Strong premium growth of 14%

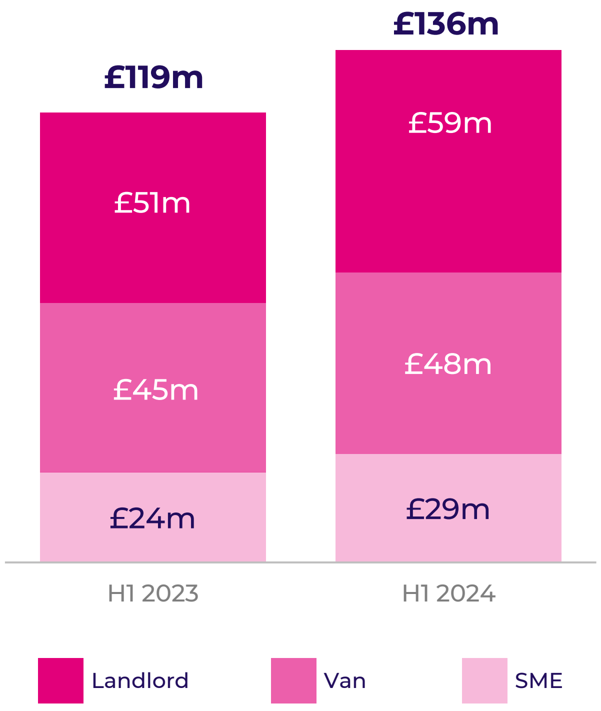
H1 Trading

Landlord:
- Resilient market, 16% GWP growth through rating and better serving customer needs

Van:
- 7% GWP growth reflects rating action to address claims inflation, modest decline in IFPs reflects disciplined trading

SME:
- 21% GWP growth and increase in IFPs, footprint expansion in Tradesperson will support future growth opportunity

14% GWP growth



Strategic focus

Pricing and underwriting: Enable expansion through new risk models for Van and Landlord

Distribution: Expand within existing profitable segments and channels

- Premises cover option added to Tradesperson, increasing average premiums

Product and service: Improve customer journeys and further develop digital servicing

Challenge market incumbents

H1 Trading

1% GWP growth

Green Flag:
- 5% GWP growth in H1 as higher average premiums more than offset lower volumes

Partnerships:
- GWP broadly stable in H1

Linked:
- Lower volumes across H1 reflecting Motor IFP decline, improved trajectory in Q2

Strategic focus

Green Flag: Boost brand presence

- Summer marketing campaign launched
- Recruitment underway for Green Flag Patrol expansion

Partnerships: New partnerships provide scale

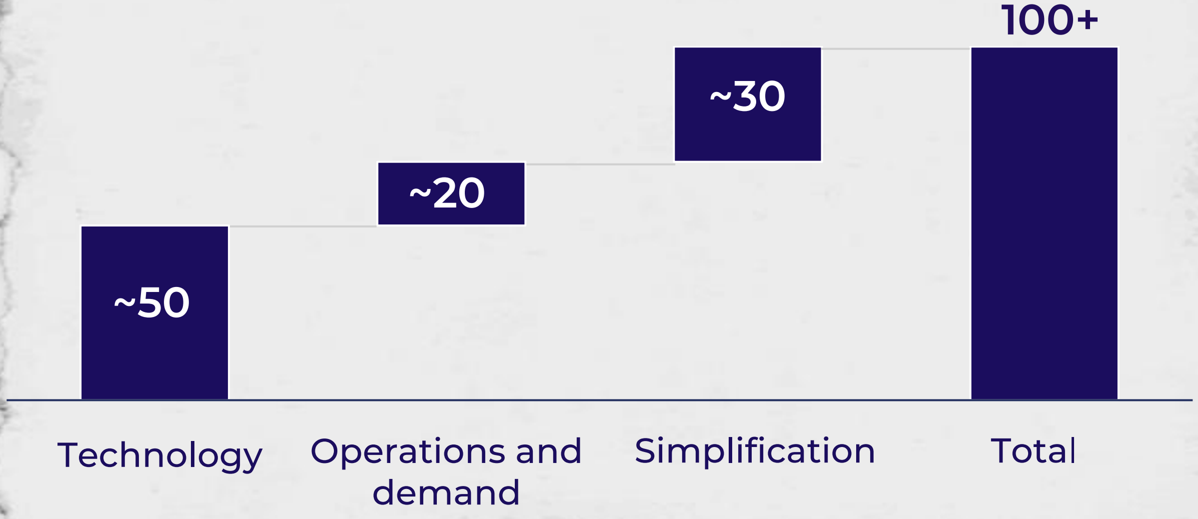
Linked: Enhanced customer journeys

- Returned to growth in Q2 following changes to Motor customer sales journeys

Progressing our cost ambitions

Confident in delivery of at least £100m gross run-rate savings by exit 2025 across the three levers set out at Capital Markets Day

Three strategic delivery themes building up to DLG's cost saving ambition
Estimated gross run-rate cost savings by exit 2025, £m



Progress to date

- Mobilised third party expertise to expedite new Target Operating Model
- Launched two new apps
- Accelerated supplier reductions

Targets and outlook

Turnaround strategy with a focus on technical excellence to drive sustained profitable growth

CAGR of 7%-10% in Non-Motor GWP between 2023-26[1]

At least £100m gross run-rate cost savings by exit 2025

13% NIM in 2026[2]

2024 outlook

- Maintain performance and grow in Non-Motor
- Broadly stable operating expense ratio in 2024
- Transitional year for Motor, further improvement in current year margin expected in H2

(1) Gross written premium and associated fees (2) Ongoing operations, normalised for event weather

Key messages

1. Turnaround strategy underway, focused on delivery of published targets
2. Repricing of Motor complete, disciplined trading in tough market conditions and return to profitability
3. Strong margin and double-digit GWP growth in Non-Motor
4. Operating expense ratio reduced through focus on cost control
5. Strong capital generation, dividend of 2.0p, solvency ratio of 198% post dividend

Q&A

Appendix

Notes to financial disclosures

1. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly

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

3. See slide 50 for a summary glossary. A full glossary of terms can be found within the Group's 2024 half year report[1]

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

Net insurance margin normalised for event weather

Ongoing operations, £m	H1 2024 Total	H1 2024 Non-Motor	H1 2023 Total	H1 2023 Non-Motor
Expected event weather claims (annual)	(62)	(62)	(59)	(59)
Actual event weather claims incurred	(24)	(24)	(11)	(11)
Event weather normalisation	(7)	(7)	(19)	(19)
Net insurance margin (NIM)	**1.8%**	**11.6%**	**(8.8%)**	**19.7%**
Effect of weather – net claims ratio	(0.5%)	(1.5%)	(1.7%)	(4.5%)
Effect of weather – net acquisition ratio	-	-	-	-
Net insurance margin (NIM) normalised for event weather	**1.3%**	**10.1%**	**(10.5%)**	**15.2%**

Weather event normalisation is based on 2024 event weather assumptions

- Home £54m
- Commercial Direct £8m
- Total ongoing operations £62m

Reconciliation of ongoing operating profit to Group profit after tax

£m	H1 2024	H1 2023
Motor	3	(180)
Non-Motor	61	87
Operating profit / (loss) from ongoing operations[1]	**64**	**(94)**
Brokered commercial business	34	11
Non-core and Run-off	(14)	(12)
Operating profit / (loss)	**84**	**(94)**
FV gains / (losses)	5	(6)
Effect of change in yield curve	51	40
Interest expense on funds withheld liabilities (£23m)	(7)	-
Restructuring and one-off costs	(65)	(9)
Other finance costs	(7)	(7)
Profit / (loss) before tax	**62**	**(76)**
Tax (charge) / credit	(17)	24
Profit / (loss) after tax	**44**	**(52)**
Earnings / (loss) per share (pence)	**2.8**	**(4.6)**

- Fair value gains improved to £5m, driven by a tightening of credit spreads and interest rate movements
- Effect of change in yield curve of £51m, reflects changes in discounting from movements in interest rates on claims previously recognised
- Restructuring and one-off costs were £65m, driven by several items including cost efficiency initiatives, non-cash impairments of software development and response work carried out in relation to the non-solicited and highly conditional proposal from Ageas NV
- Other finance costs were £7m in relation to the Group's £260m subordinated debt due in 2032
- The effective tax rate was 27.9% in H1 2024, higher than the standard UK corporation rate of 25%, driven primarily by disallowable expenses, partly offset by tax relief for coupon payments on the Group's Tier 1 notes
- EPS increased to a 2.8p gain in H1 2024, reflecting the Group's return to a post-tax profit when compared to H1 2023

(1) Ongoing operations (Group excluding Non-core and run-off Rescue and Travel partnerships and the Brokered commercial business)

Motability partnership

Overview	The Motability scheme enables people to exchange their qualifying mobility allowance for a brand new car, wheelchair accessible vehicle, scooter or powered wheelchair. Vehicles come with insurance cover which DLG provides. If a customer has an accident, they contact Direct Line Motability to arrange repair.
Pricing and premiums	Fleet policy, entire portfolio is repriced every six months Majority of gross written premiums recognised in April and October A 80% is reinsured back to Motability B
Claims and costs	We fulfil 100% of the claims C Higher claims frequency than our other brands Call centre operation drives higher expenses although fully recovered D through an operating expenses element of premiums
Operating profit	Finance income generated on reserves E
Capital	Minimal regulatory capital Low capital consumption

	Motability income statement[1]: key line items
A	Gross written premium and associated fees
	Insurance revenue
B	Expenses from reinsurance contracts held
	Net insurance revenue
C	Incurred claims
C	Insurance claims recoverable from reinsurers
	Net insurance claims
	Operating expenses
D	**Other directly attributable expenses**
	Insurance service result
E	Net investment income
	Unwind of discounting of claims
	Other operating income and expenses
	Operating profit

(1) Management view. For presentational purposes

Motor and Non-Motor results

Motor	H1 2024	H1 2023
In-force policies (000s)	**3,979**	**3,673**
Of which own brands	3,119	3,607
Gross written premium and associated fees £m	**1,339**	**759**
Net insurance revenue £m	941	715
Net insurance margin	**(3.0%)**	**(25.6%)**
Net insurance claims ratio – current year	77.6%	89.8%
Net insurance claims ratio – prior years	0.7%	8.4%
Net insurance claims ratio	78.3%	98.2%
Net acquisition costs ratio	5.0%	4.5%
Net expense ratio	19.7%	22.9%
Insurance service result £m	**(28)**	**(184)**
Of which prior year development £m	*(7)*	*(60)*
Investment income £m	73	48
Unwind of discounting on claims £m	(40)	(35)
Other operating income and expenses £m	(2)	(9)
Operating profit / (loss) £m	**3**	**(180)**

Non-Motor	H1 2024	H1 2023
In-force policies (000s)	**4,972**	**5,171**
Of which own brands	3,407	3,443
Gross written premium and associated fees £m	**499**	**439**
Net insurance revenue £m	462	424
Net insurance margin	**11.6%**	**19.7%**
Net insurance margin normalised for event weather[1]	10.1%	15.2%
Net insurance claims ratio – current year	53.0%	51.7%
Net insurance claims ratio – prior years	1.9%	(3.3%)
Net insurance claims ratio – major weather events	5.2%	2.5%
Net insurance claims ratio	60.1%	50.9%
Net acquisition costs ratio	8.4%	9.0%
Net expense ratio	19.9%	20.4%
Insurance service result £m	**54**	**84**
Of which prior year development £m	*(9)*	*14*
Investment income £m	17	14
Unwind of discounting on claims £m	(10)	(11)
Other operating income and expenses £m	0	(0)
Operating profit £m	**61**	**87**

(1) Weather event normalisation is based on 2024 event weather assumptions (Home: £54m, Commercial Direct: £8m, Total ongoing operations: £62m)

Brokered commercial business, Non-core and Run-off partnerships results

Brokered commercial business

	H1 2024	H1 2023	Change
In-force policies 000's	**272**	293	(7.2%)
Gross written premium and associated fees £m	**349**	354	(1.4%)
Net insurance revenue £m	**70**	253	(72.4%)
Insurance service result £m	**18**	3	513.3%
Of which prior year £m	***6***	*21*	*(71.8%)*
Operating profit £m	**34**	11	206.3%

- H1 2024 results reflects business written up until the risk transfer date (1 October 2023)
- Back book is retained, driving prior year reserve movements
- Investment income generated from back book reserves
- Following the sale of the Group's Brokered commercial business to RSA Insurance Limited, quota share reinsurance between the two parties incepted on 1 October 2023, on an earned basis, covering 100% of all premiums earned, and claims incurred, after this date

Non-core and Run-off

	H1 2024	H1 2023	Change
In-force policies 000's	**376**	2,426	(84.5%)
Of which run-off partnerships	**185**	2,199	(91.6%)
Gross written premium and associated fees £m	**109**	136	(20.2%)
Net insurance revenue £m	**108**	132	(18.1%)
Insurance service result £m	**(14)**	(12)	(17.4%)
Of which prior year £m	***4***	*(2)*	*300%*
Operating loss £m	**(14)**	(12)	(14.3%)

Other personal lines ("OPL")

- Results of Other personal lines products now reported in Non-core and Run-off
- OPL was predominantly made up of Travel and Pet
- As announced at the Group's Capital Markets Day in July 2024, the decision was taken to pause investment in these products

Run-off partnerships

- Rescue: Contract with NatWest ended in December 2022 and has fully run-off
- Travel: Two partnerships
  - NatWest contract ended 31 Jan 2024 and all existing business is transferred to new provider
  - Nationwide contract ended 30 April 2024, the Group will continue to underwrite policy upgrades until 30 April 2025

Group consolidated balance sheet

Group balance sheet £m	30 Jun 2024	31 Dec 2023
Goodwill and other intangible assets	**785**	819
Insurance contract assets	**2**	5
Reinsurance contract assets	**1,675**	1,346
Financial investments and cash and cash equivalents	**5,462**	5,464
Other assets	**733**	783
Total Assets	**8,657**	**8,417**
Insurance contract liabilities	**5,322**	5,239
Reinsurance contract liabilities	**265**	117
Other liabilities	**678**	657
Total Liabilities	**6,265**	**6,013**
Shareholders’ equity	**2,045**	2,058
Tier 1 notes	**347**	347
Total Equity	**2,392**	**2,405**

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

Motability

- **Motor excess of loss reinsurance purchased and incepted on 1 September 2023**
    - Retained £5m deductible (indexed), cover up to an unlimited amount
- **Policies are 80% quota share reinsured back to Motability Operations Reinsurance Limited, Motability's captive**

Excess of loss (Motor)

Accident year	Deductible £m
2024	5[1]
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

- **Cover renewed on 1 January 2024**
- 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)

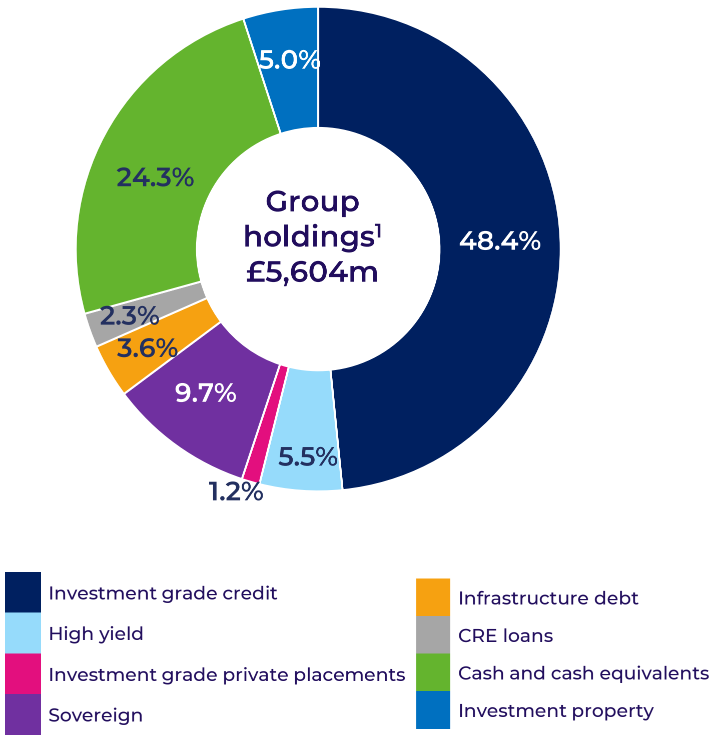
Accident year	Limit[4] £m	Deductible £m
2024	**1,000**	**100**
1/7 – 31/12 2023	1,450	150
2022/23	1,350	150
2021/22	1,150	150
2020/21	1,125	130
2019/20	c. 1,132	c. 132
2018/19	c. 1,205	c. 139
2017/18	c. 1,275	c. 150
2016/17	1,250	c. 150

- **Cover renewed on 1 January 2024**
- The limit and retention was reduced in line with the reduction in exposure following the sale of the Brokered commercial business
- The cover has one full reinstatement for the whole programme and one additional reinstatement up to £400m
- 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 (4) From ground up
Following the Group's sale of its Brokered commercial business to RSA Insurance Limited, quota share reinsurance between the two parties incepted on 1 October 2023, on an earned basis, covering 100% of all premiums earned and claims incurred after this date

Well diversified investment portfolio, income yield above expectation

Assets under management



Total Group investment return (including Commercial Broker and Non-core and Run-off)

£m	H1 2024	H1 2023
Investment income	**121**	85
Investment fees	**(4)**	(5)
Net investment income	**117**	80
Investment income yield	**4.1%**	3.2%
Net FV gains / (losses)[2]	**5**	(6)
Of which financial assets held at FV	*6*	*(9)*
Of which investment property	*(1)*	*3*
Of which credit impairment losses	*0*	*0*
Net investment return	**122**	74

- Net investment income increased by £37m primarily driven by higher interest rate environment
- Net investment return of £122m, resulting in a £48m improvement when compared to H1 2023

Outlook:

- Investment income yield expected to be c.4.1% in 2024

(1) Includes £253.6m funds withheld asset, held in association with quota share reinsurance contracts, which are included within the cash and cash equivalents asset class under statutory reporting. Excludes equity investments of £20.7m

Investment portfolio

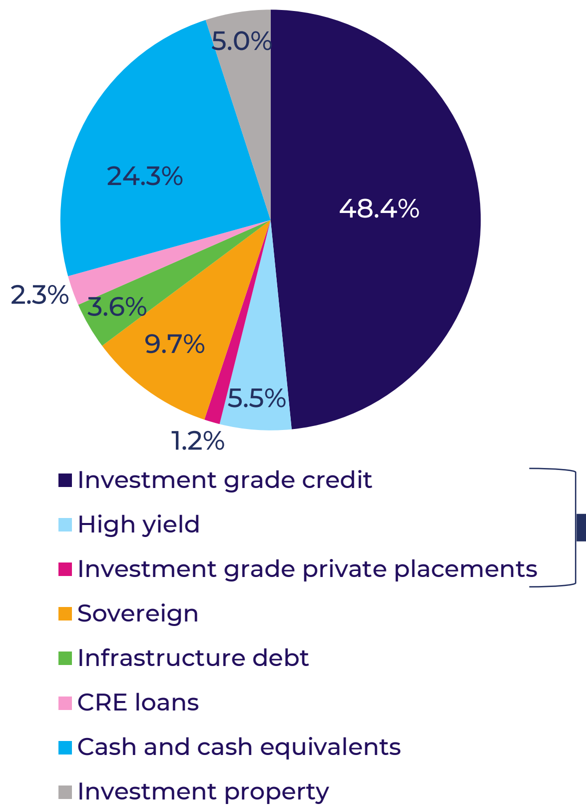
Direct Line Group

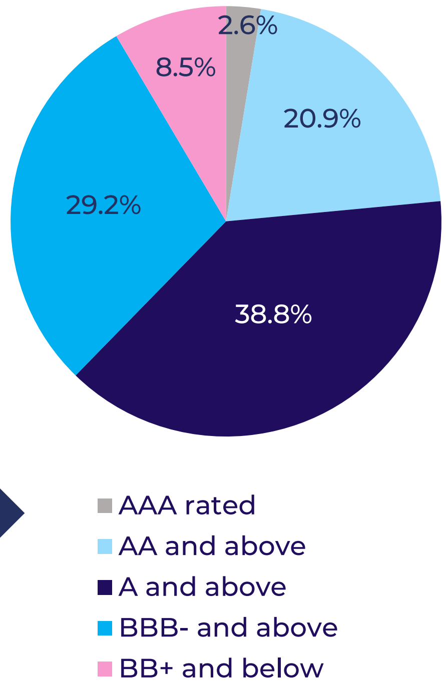
As at 30 June 2024	U K Insurance target allocation	U K Insurance current holding[1]	Total Group income yield[2]	Total Group interest rate duration (years)
Investment grade (incl private placements)	60%	54.1%	2.7%	2.2
High yield	6.0%	6.0%	6.5%	2.0
Total credit	**66.0%**	**60.1%**	**3.1%**	**2.2**
Sovereign	10.0%	10.6%	4.5%	1.4
Total debt securities	**76.0%**	**70.7%**	**3.3%**	**2.1**
Infrastructure debt	4.0%	4.0%	7.4%	-
Commercial real estate loans	6.5%	2.5%	7.5%	-
Investment property	5.5%	5.4%	6.2%	-
Cash and cash equivalents	8.0%	17.4%	5.5%	-
Total	**100.0%**	**100.0%**	**4.1%**	**1.5**

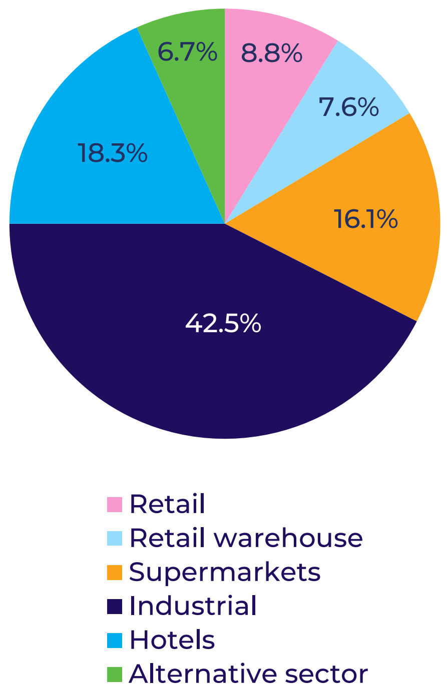
(1) Excludes £253.6m funds withheld asset, held in association with quota share reinsurance contracts, which are included within the cash and cash equivalents asset class under statutory reporting (2) Gross investment income yield (annualised)

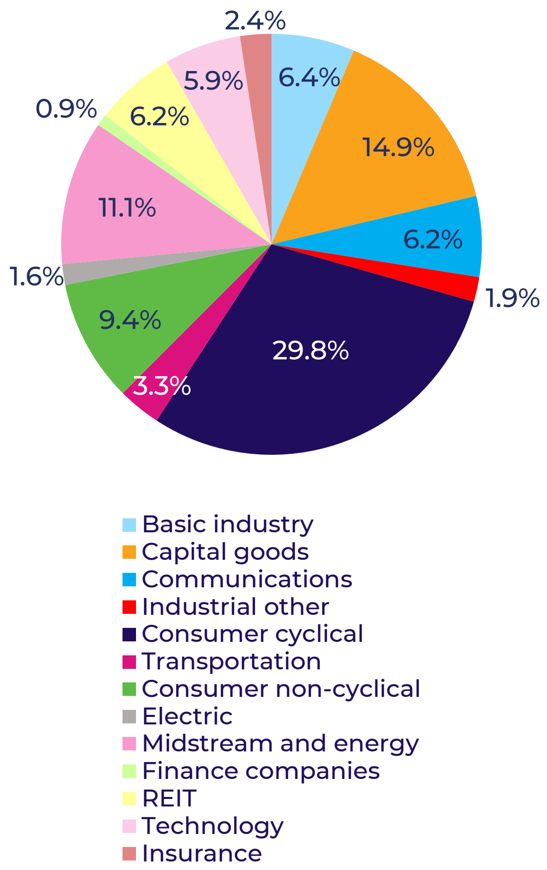
Investment portfolio analysis

Group holdings[1] £5,604m	Debt securities credit quality	Property by sector[2] £277.0m	High yield by sector £306.7m





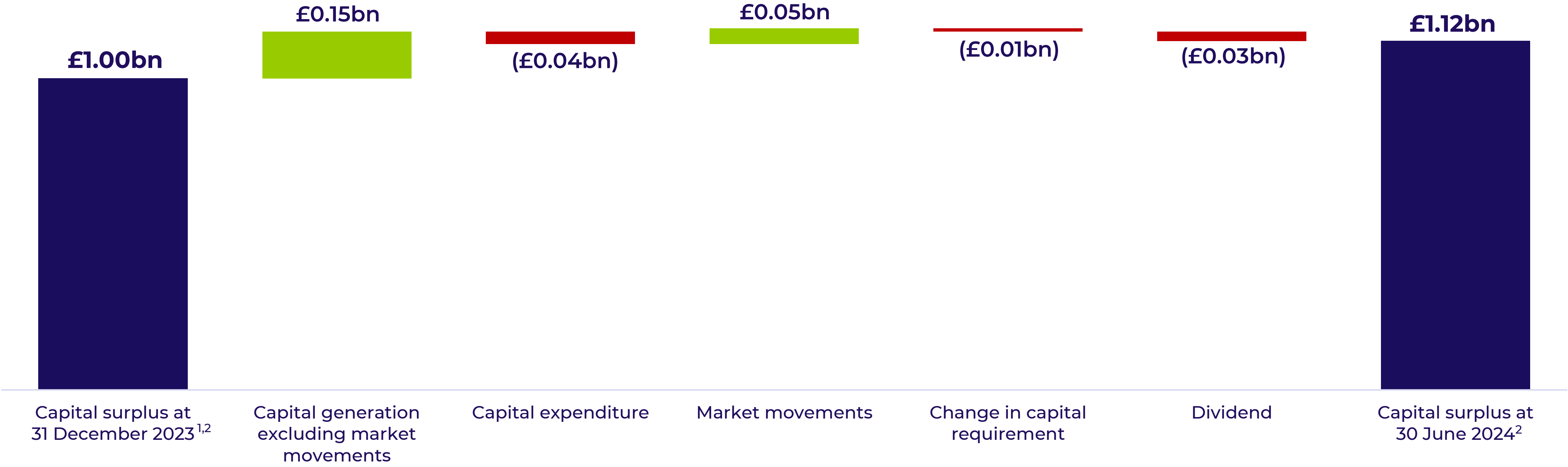




(1) Includes £253.6m funds withheld asset, held in association with quota share reinsurance contracts, which are included within the cash and cash equivalents asset class under statutory reporting. Excludes equity investments of £20.7m (2) Investment property by sector based on fair value as at 30 June 2024 (excludes in-house properties owned by Direct Line Group Insurance Services)

Movement in surplus capital

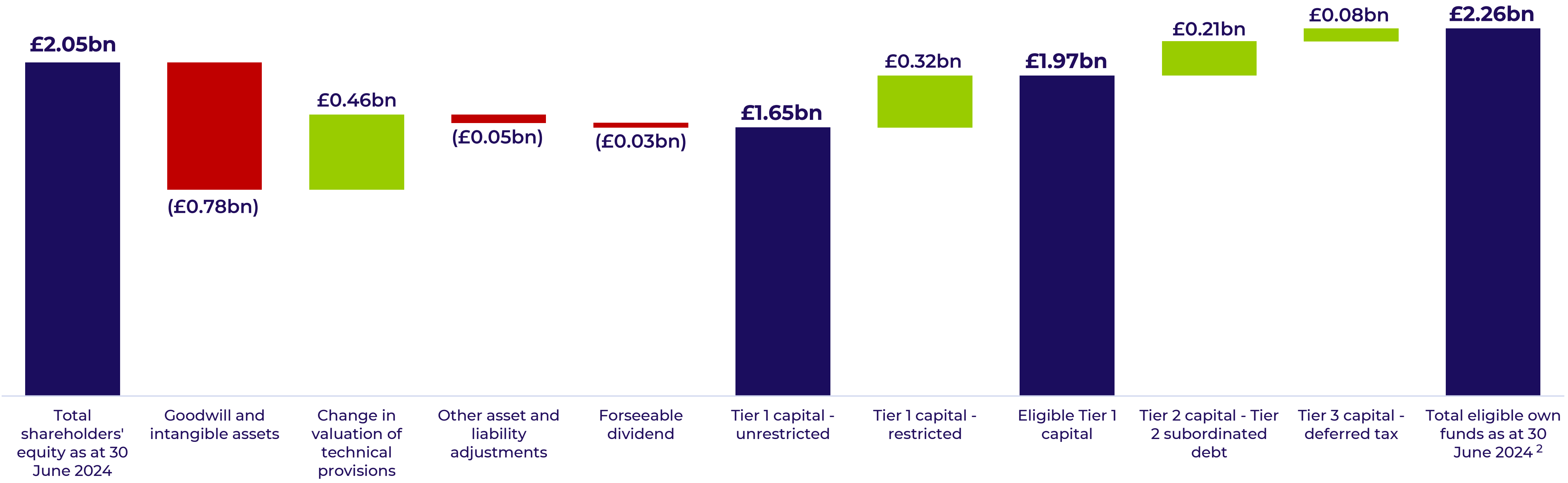
Surplus capital walk



(1) The full year 2023 capital surplus has been represented as explained in the text in the Capital position section of the 2024 half year report (2) At 30 June 2024 and 31 December 2023 no ineligible Tier 3 capital arose as the Group's available Tier 3 capital was under the amount of Tier 3 capital permitted under the Solvency II regulations (15% of the Group's SCR). In FY 2023 there was a £0.03 billion reduction in ineligible Tier 3 capital as ineligible Tier 3 capital reported at FY 2023 reduced to £nil

IFRS to Solvency II bridge

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



(1) Full year 2023 eligible own funds have been represented as explained in the Movement in capital position section of the 2024 half year report (2) At 30 June 2024 no ineligible Tier 3 capital arose as the Group's available Tier 3 capital was under the amount of Tier 3 capital permitted under the Solvency II regulations (15% of the Group's SCR).

Solvency scenario and sensitivity analysis[1]

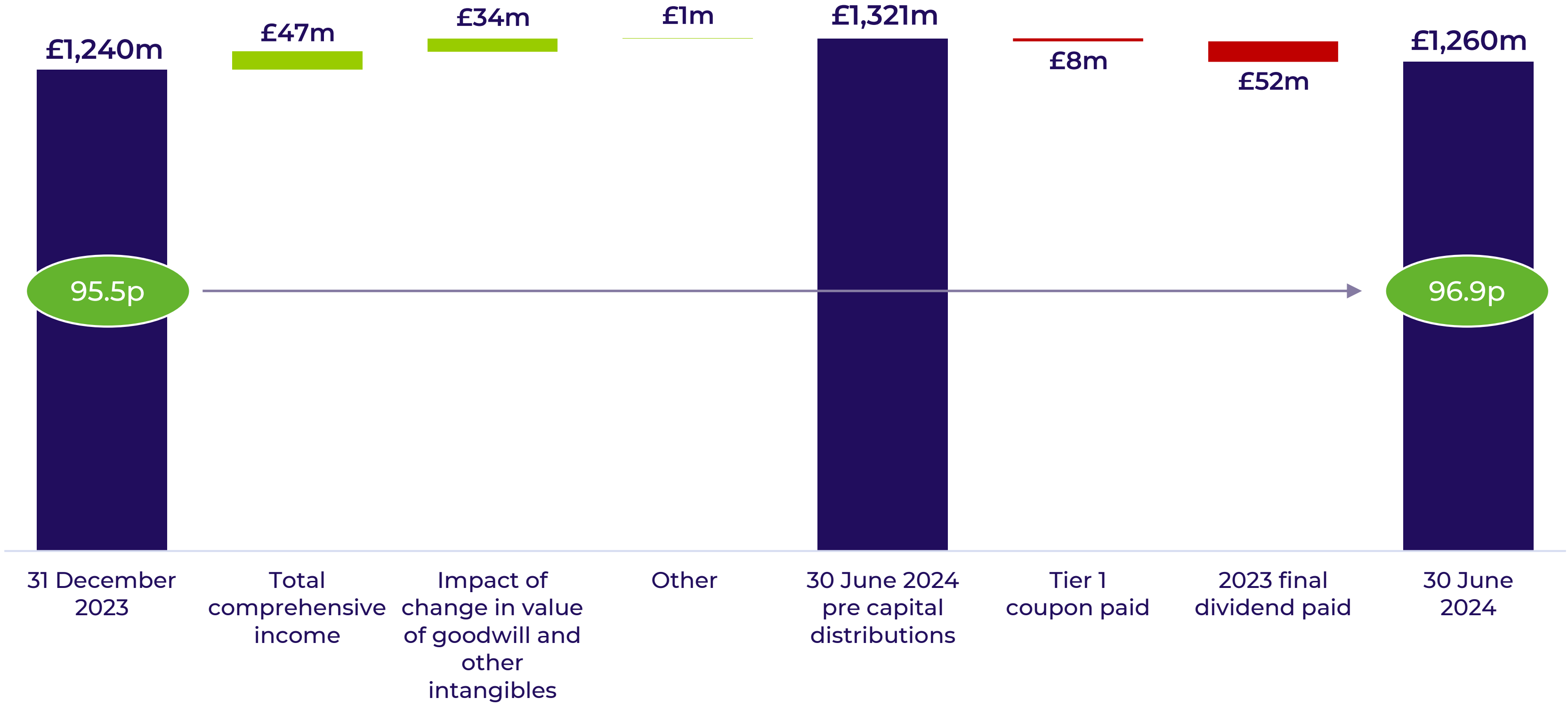
Solvency sensitivity: Impact on solvency capital ratio

	30 Jun 2024	31 Dec 2023
Deterioration of small bodily injury motor claims equivalent to accident years 2008 and 2009	(5ppts)	(5ppts)
One-off catastrophe loss equivalent to the 1990 storm 'Daria'	(8ppts)	(9ppts)
One-off catastrophe loss based on extensive flooding of the River Thames	(7ppts)	(7ppts)
100 bps increase in PPO real discount rate[2]	(16ppts)	(15ppts)
100 bps increase in credit spreads[3,4]	(5ppts)	(5ppts)
100 bps decrease in interest rates with no change in the PPO discount rate[3]	(6ppts)	(6ppts)

(1) Sensitivities are calculated under the assumption full tax benefits can be realised (2) The periodic payment order ("PPO") real discount rate is an actuarial judgement which is based on a range of factors including the economic outlook for wage inflation relative to the PRA discount rate curve. The sensitivity was previously labelled, "Increase in Solvency II inflation assumption for PPOs by 100 basis points". The underlying sensitivity and historic results remain the same (3) The sensitivity has been updated to include assets that are accounted for at amortised cost. Previously only assets that were treated as FVTPL were included. The comparative period has been restated on a consistent basis (4) Assumes no change to the SCR

Book value and TNAV

Movement in tangible net asset value



	30 Jun 2024	31 Dec 2023
Net asset value per share (pence)	157.2	158.6
Tangible net asset value per share (pence)	96.9	95.5

EPS and RoTE

Operating earnings / (loss) per share

	H1 2024 £m	H1 2023 £m
Operating profit / (loss) – ongoing operations	63.7	(93.7)
Other finance costs	(7.4)	(7.2)
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Adjusted operating profit / (loss) before tax – ongoing operations	**48.0**	**(109.2)**
Tax (charge) / credit (2024 UK standard tax rate of 25%, 2023 UK standard tax rate of 23.5%)	(12.0)	25.7
Adjusted operating profit / (loss) after tax – ongoing operations	**36.0**	**(83.5)**
Weighted average number of Ordinary Shares for the purpose of operating earnings per share (millions)	1,318.4	1,315.6
Operating earnings/(loss) per share	**2.7**	**(6.3)**

Earnings / (loss) per share

	H1 2024 £m	H1 2023 £m
Profit / (loss) after tax	44.4	(51.9)
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Profit / (loss) for the calculation of EPS	**36.1**	**(60.2)**
Weighted average number of shares (millions)	1,300.2	1,299.5
Earnings / (loss) per share (pence)	**2.8**	**(4.6)**

Operating RoTE

	H1 2024 £m	H1 2023 £m
Operating profit / (loss) – ongoing operations	63.7	(93.7)
Other finance costs	(7.4)	(7.2)
Coupon payments in respect of Tier 1 notes	(8.3)	(8.3)
Adjusted operating profit / (loss) before tax – ongoing operations	**48.0**	**(109.2)**
Tax (charge) / credit (2024 UK standard tax rate of 25%, 2023 UK standard tax rate of 23.5%)	(12.0)	25.7
Adjusted operating profit / (loss) after tax – ongoing operations	**36.0**	**(83.5)**
Opening shareholders' tangible equity	1,239.6	1,023.1
Closing shareholders' tangible equity	1,260.3	945.8
Average shareholders' tangible equity	**1,250.0**	**984.5**
Operating RoTE	**2.9%**	**(8.5%)**
Operating RoTE annualised	**5.8%**	**(17.0%)**

H1 2024 segmental results

Income statement (management view) £m	Motor	Non-Motor	Total ongoing operations	Brokered commercial	Non-core and Run-off	Total Group
Gross written premium and associated fees	1,339	499	1,839	349	109	2,296
Instalment income	36	13	49	1	-	50
Movement in liability for remaining coverage	(67)	(14)	(81)	(21)	2	(100)
Insurance revenue	**1,308**	**498**	**1,806**	**329**	**111**	**2,246**
Expenses from reinsurance contracts held	(367)	(37)	(403)	(259)	(3)	(665)
Net insurance revenue	**941**	**462**	**1,403**	**70**	**108**	**1,581**
Incurred claims	(1,160)	(277)	(1,436)	(193)	(96)	(1,724)
Amounts recoverable from / (payable to) reinsurers	423	(1)	422	224	(2)	643
Net insurance claims	**(737)**	**(277)**	**(1,014)**	**31**	**(98)**	**(1,081)**
Of which prior-year reserves development	*(7)*	*(9)*	*(15)*	*6*	*4*	*(6)*
Acquisition costs	(47)	(39)	(86)	(35)	(3)	(123)
Operating expenses	(186)	(92)	(278)	(48)	(22)	(347)
Other directly attributable expenses	**(233)**	**(131)**	**(363)**	**(82)**	**(25)**	**(470)**
Insurance service result	**(28)**	**54**	**25**	**18**	**(14)**	**30**
Investment income	73	17	90	25	3	117
Unwind of discounting of claims	(40)	(10)	(50)	(8)	(2)	(59)
Other operating income and expenses	(2)	0	(2)	(1)	-	(3)
Operating profit / (loss)	**3**	**61**	**64**	**34**	**(14)**	**84**
Net insurance margin	**(3.0%)**	**11.6%**	**1.8%**	**n/a**	**n/a**	**1.9%**
Net insurance margin normalised for event weather	**n/a**	**10.1%**	**1.3%**	**n/a**	**n/a**	**1.5%**
Net expense ratio	19.7%	19.9%	19.8%	n/a	n/a	22.0%
Net acquisition costs ratio	5.0%	8.4%	6.1%	n/a	n/a	7.8%
Net insurance claims ratio	**78.3%**	**60.1%**	**72.3%**	**n/a**	**n/a**	**68.4%**
– current-year attritional	*77.6%*	*53.0%*	*69.5%*	*n/a*	*n/a*	*66.5%*
– prior-year reserves development	*0.7%*	*1.9%*	*1.1%*	*n/a*	*n/a*	*0.4%*
– event weather	*n/a*	*5.2%*	*1.7%*	*n/a*	*n/a*	*1.5%*

H1 2023 segmental results

Income statement (management view) £m	Motor	Non-Motor	Total ongoing operations	Brokered commercial	Non-core and Run-off	Total Group
Gross written premium and associated fees	759	439	1,198	354	136	1,688
Instalment income	32	12	44	1	-	45
Movement in liability for remaining coverage	(46)	(1)	(47)	(81)	(2)	(130)
Insurance revenue	**745**	**450**	**1,195**	**274**	**134**	**1,603**
Expenses from reinsurance contracts held	(30)	(26)	(56)	(21)	(2)	(79)
Net insurance revenue	**715**	**424**	**1,139**	**253**	**132**	**1,524**
Incurred claims	(669)	(218)	(888)	(137)	(118)	(1,143)
Amounts (payable to) / recoverable from reinsurers	(33)	3	(31)	5	1	(25)
Net insurance claims	**(702)**	**(216)**	**(918)**	**(132)**	**(118)**	**(1,168)**
Of which prior-year reserves development	*(60)*	*14*	*(46)*	*21*	*(2)*	*(26)*
Acquisition costs	(33)	(38)	(71)	(75)	(11)	(156)
Operating expenses	(164)	(87)	(251)	(44)	(15)	(310)
Other directly attributable expenses	**(197)**	**(125)**	**(321)**	**(118)**	**(27)**	**(466)**
Insurance service result	**(184)**	**84**	**(100)**	**3**	**(12)**	**(109)**
Investment income	48	14	62	16	2	80
Unwind of discounting of claims	(35)	(11)	(46)	(9)	(2)	(56)
Other operating income and expenses	(9)	(0)	(10)	1	(0)	(8)
Operating (loss) / profit	**(180)**	**87**	**(94)**	**11**	**(12)**	**(94)**
Net insurance margin	**(25.6%)**	**19.7%**	**(8.8%)**	**n/a**	**n/a**	**(7.2%)**
Net insurance margin normalised for event weather	**n/a**	**15.2%**	**(10.5%)**	**n/a**	**n/a**	**(9.1%)**
Net expense ratio	22.9%	20.4%	22.0%	n/a	n/a	20.3%
Net acquisition costs ratio	4.5%	9.0%	6.2%	n/a	n/a	10.3%
Net insurance claims ratio	**98.2%**	**50.9%**	**80.6%**	**n/a**	**n/a**	**76.6%**
– current-year attritional	*89.8%*	*51.7%*	*75.7%*	*n/a*	*n/a*	*74.1%*
– prior-year reserves development	*8.4%*	*(3.3%)*	*4.0%*	*n/a*	*n/a*	*1.7%*
– event weather	*n/a*	*2.5%*	*0.9%*	*n/a*	*n/a*	*0.8%*

FY 2023 segmental results

Income statement (management view) £m	Motor	Non-Motor	Total ongoing operations	Brokered commercial	Non-core and Run-off	Total Group
Gross written premium and associated fees	2,048	930	2,978	666	279	3,922
Instalment income	66	25	91	2	-	93
Movement in liability for remaining coverage	(309)	(35)	(344)	(67)	(2)	(413)
Insurance revenue	**1,805**	**919**	**2,725**	**601**	**276**	**3,602**
Expenses from reinsurance contracts held	(241)	(62)	(302)	(163)	(5)	(470)
Net insurance revenue	**1,565**	**858**	**2,423**	**437**	**272**	**3,132**
Incurred claims	(1,744)	(524)	(2,268)	(357)	(249)	(2,874)
Amounts recoverable from reinsurers	249	31	279	141	3	423
Net insurance claims	**(1,495)**	**(494)**	**(1,988)**	**(216)**	**(246)**	**(2,450)**
Of which prior-year reserves development	*(138)*	*(6)*	*(145)*	*32*	*(12)*	*(124)*
Acquisition costs	(90)	(76)	(166)	(116)	(10)	(292)
Operating expenses	(312)	(168)	(480)	(91)	(44)	(616)
Other directly attributable expenses	**(402)**	**(245)**	**(646)**	**(208)**	**(54)**	**(908)**
Insurance service result	**(332)**	**120**	**(212)**	**14**	**(29)**	**(227)**
Investment income	108	31	139	35	4	179
Unwind of discounting of claims	(94)	(22)	(117)	(20)	(4)	(140)
Other operating income and expenses	(1)	1	(1)	(1)	(1)	(3)
Operating (loss) / profit	**(320)**	**130**	**(190)**	**28**	**(29)**	**(191)**
Net insurance margin	**(21.1%)**	**14.0%**	**(8.7%)**	**n/a**	**n/a**	**(7.2%)**
Net insurance margin normalised for event weather	**n/a**	**10.2%**	**(10.0%)**	**n/a**	**n/a**	**(8.8%)**
Net expense ratio	19.9%	19.6%	19.8%	n/a	n/a	19.7%
Net acquisition costs ratio	5.7%	8.9%	6.8%	n/a	n/a	9.3%
Net insurance claims ratio	**95.5%**	**57.5%**	**82.1%**	**n/a**	**n/a**	**78.2%**
– current-year attritional	*86.7%*	*53.7%*	*75.0%*	*n/a*	*n/a*	*73.3%*
– prior-year reserves development	*8.8%*	*0.7%*	*6.0%*	*n/a*	*n/a*	*4.0%*
– event weather	*n/a*	*3.1%*	*1.1%*	*n/a*	*n/a*	*0.9%*

Glossary of key terms

Target	Additional information
CAGR of 7%-10% in Non-Motor GWP between 2023-26	Gross written premium and associated fees
13% net insurance margin ("NIM") in 2026	NIM for ongoing operations, normalised for weather, in 2026
£100m cost savings by exit 2025	Run-rate annualised gross cost savings of at least £100 million by the end of 2025
~60% payout ratio	Operating profit from ongoing operations after other finance costs, coupon payments in respect of Tier 1 notes and tax at the standard rate

Term	Definition
Average written premium	The total written premiums at inception, before amendments and cancellations, divided by the number of policies incepted in the period
GIPP	General Insurance Pricing Practices
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 historically included in gross written premium is included in service fee income. Gross written premium is included for the Motability contract for the following six months at the commencement of each six month pricing period
Net acquisition cost 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 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 insurance revenue	The total insurance contract revenue (consisting of gross written premium and associated fees, instalment income and movement in liability for remaining coverage) less expenses from reinsurance contracts held (consisting of reinsurance premium paid and movement in asset for remaining coverage)
Operating profit / (loss) from ongoing operations	The pre-tax profit that the Group's ongoing activities generate, including insurance and investment activity, but excluding FV gains/(losses), change in yield curve, other finance costs and restructuring and one-off costs
Operating earnings / (loss) per share	The operating earnings attributable to the owners of the Company. Operating profit from ongoing operations is adjusted to include other finance costs and coupon payments in respect of Tier 1 notes and is divided by the weighted average of Ordinary Shares outstanding in the relevant financial period, excluding Ordinary Shares held by as employee trust shares, adjusted for the dilutive potential Ordinary Shares. The Group's Long-term Incentive Plan outcomes are partly based on this metric
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 25% (2023: 23.5%)

Full glossary of terms can be found within the 2024 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", "ensures", "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, statement of financial position, financial condition, prospects, growth, net insurance margin, insurance service result, 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, net insurance margin, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in net 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:

- changes to law, regulation or regulatory approach following any change in government;
- United Kingdom ("UK") domestic and global economic business conditions, and changes of a geo-political and/or macro-economic nature;
- 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 GIPP 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 and/or the conflict in the Middle East involving Israel and Gaza;
- 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) 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, requirements, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards 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.

Neither the content of Direct Line Group's website nor the content of any other website accessible from hyperlinks on the Group's website is incorporated into, or forms part of, this document.