Innovating for the future

2021 preliminary results
8 March 2022

2021 highlights

1. Strong financial performance and successfully navigated a challenging market

2. Main elements of technology build are complete and beginning to deliver improved competitiveness

3. Refreshed leadership team to utilise the significant capability coming online in 2022

Direct Line Group

Financial results

Neil Manser
CFO

Direct Line Group

2021 financial highlights

Grew operating profit	Direct own brands policy count growth	Progress on operating expenses	Delivered current year contribution above 50%[1]
£582m	**+1.0%**	**£706m**	**53%**
(2020: £522m)	+4.2% growth excluding Motor own brands	(2020: £724m)	(2020: 65%)

Our financial performance continues to drive strong shareholder returns

22.7p
Includes final ordinary dividend of 15.1p representing 2.7% growth on 2021

£100m
Share buyback programme

Direct Line Group

1. Group operating profit normalised for weather, excludes restructuring and one-off costs

2021 results summary: Strong financial performance

Financials £m	2020	2021	Change
Gross written premium	3,180	3,172	(0.3%)
Underwriting profit	**268**	**292**	**8.8%**
Instalment and other income	159	144	(9.5%)
Investment return	95	146	53.8%
Operating profit	**522**	**582**	**11.4%**
Restructuring and one-off costs	(39)	(102)	(157.6%)
Finance costs	(31)	(34)	(9.6%)
Profit before tax	**451**	**446**	**(1.2%)**
Profit after tax	**367**	**344**	**(6.4%)**
Key metrics	**2020**	**2021**	**Change**
Current year contribution	**65%**	**53%**	(12pts)
Combined operating ratio (COR)	**91.0%**	**90.1%**	0.9pts
Return on tangible equity (RoTE)	**19.9%**	**23.6%**	3.7pts

Observations

- Strong gross written premium growth across Commercial, Home and Green Flag Rescue offset by reductions in Motor and Travel
- Operating profit increased by 11.4% to £582m, driven by:
  - Normalisation of some Covid-19 factors; non-repeat of Travel claims and investment losses in 2020, partially offset by higher Motor claims
  - Strong Home result including benign weather conditions
  - Increased prior year reserve releases
  - Reduction in operating expenses of £18m
- Combined operating ratio within 90% to 92% expectation; normalised for weather was 91.1% (2020: 91.7%)
- Profit before tax fell by 1.2% as the increase in operating profit was almost fully offset by higher restructuring and one-off costs and finance costs

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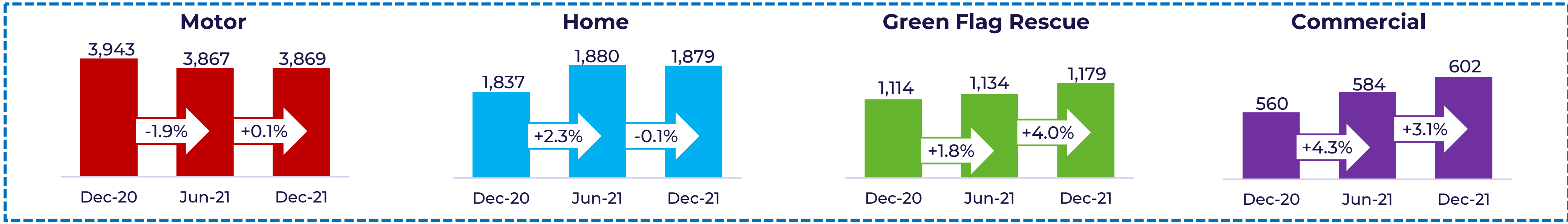
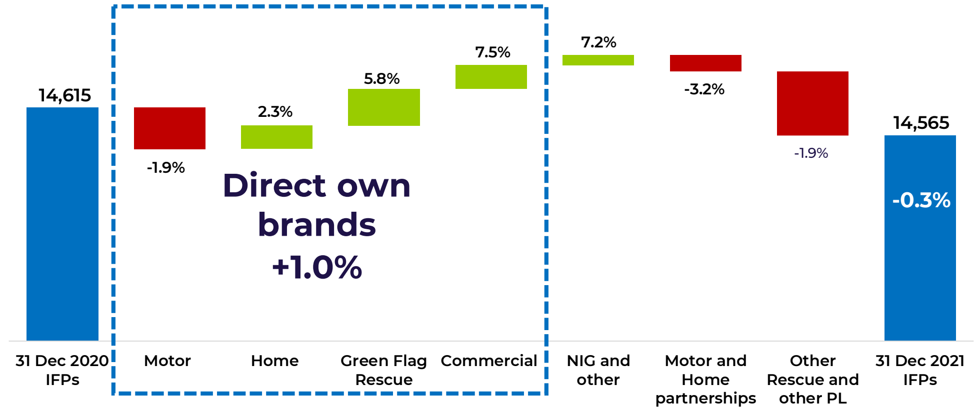
See notes on slide 32 and glossary of terms on slides 53 to 56

In-force policies and premiums: Continued growth in direct own brands policies, Motor stabilised in H2

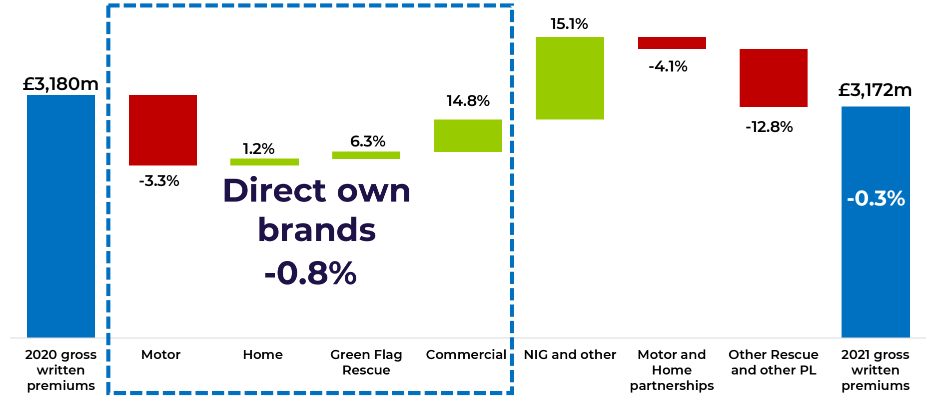
Direct own brands in-force policy progression (000's)



In-force policies (000's)



Gross written premiums (£m)



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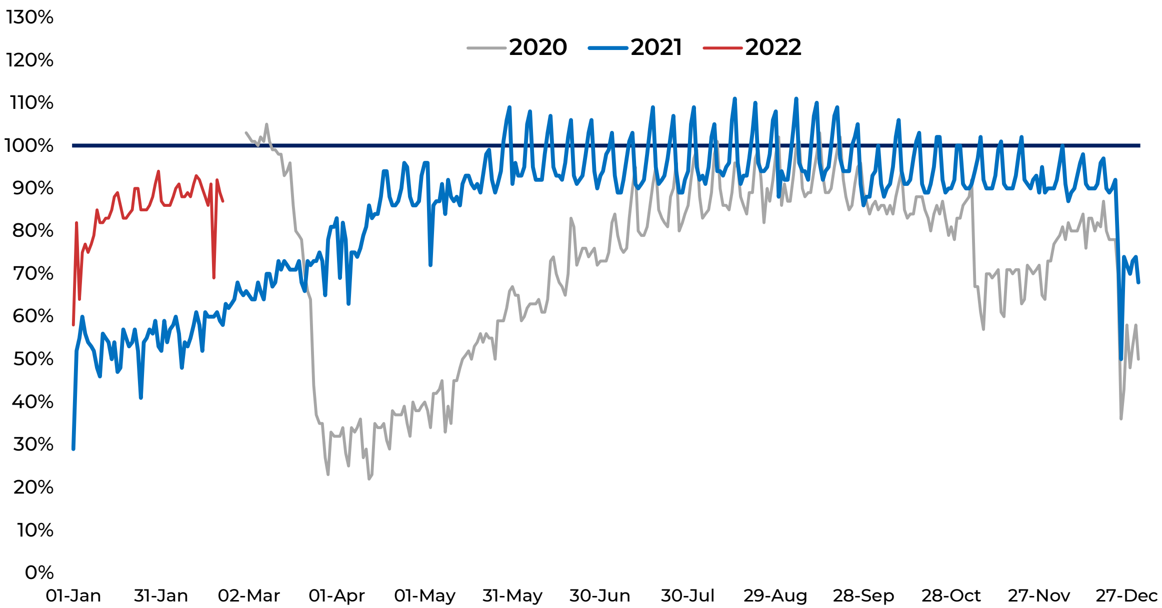
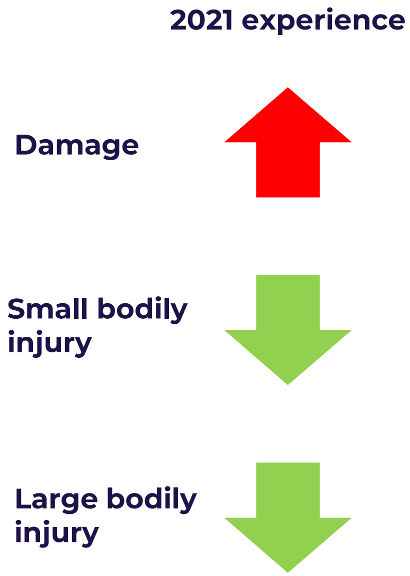
Other Rescue and other personal lines includes Pet, Travel, Creditor and our mid-to high-net worth business, UK Select
See notes on slide 32 and glossary of terms on slides 53 to 56

Motor: Claims frequency returned to expected levels during H2

Department of Transport use of transport modes (cars), Great Britain, since 1 March 2020[1]



Severity versus 3% - 5% expectation



Observations

- Driving miles close to pre-pandemic levels since May ‘21
- Claims frequency returned to expected levels during H2
- Whiplash reforms went live in May, designed to reduce the cost of small BI claims
- Severity inflation was slightly above the top end of our 3% to 5% medium-term expectation
- We believe we have a competitive advantage through our repair network and supply chain
- We expect severity inflation to remain elevated over the short-term

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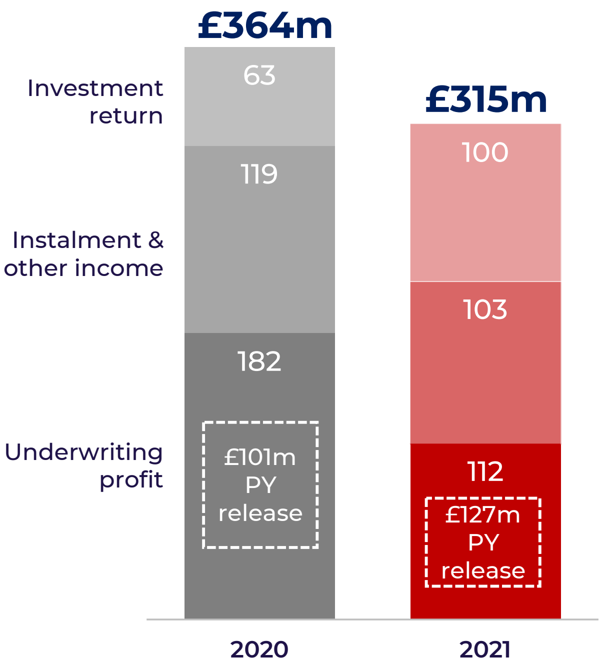
1. Percentages of the equivalent day or week

Motor: Underwriting discipline

Key metrics

	2020	2021
In-force policies 000's	4,061	**3,971**
Gross written premium £m	1,617	**1,561**
Current year loss ratio	66.6%	**72.9%**
Prior year ratio	(6.8%)	**(8.6%)**
Loss ratio	59.8%	**64.3%**
Commission ratio	3.2%	**3.3%**
Expense ratio	24.7%	**24.8%**
COR	87.7%	**92.4%**

Operating profit



Observations

- Direct own brands average premiums reduced 2.5%
- Claims frequency was higher than 2020 and drove an increase in the current year loss ratio. The current year loss ratio was 79% in H2, in line with expectations and 2ppts better than 2019
- Prior year reserve releases were £26m higher due to favourable development in large bodily injury claims
- Underwriting profit reduced by £70m and the combined operating ratio increased to 92.4%
- Operating profit of £315m, was £49m lower than 2020 as higher investment return partially offset lower underwriting profit

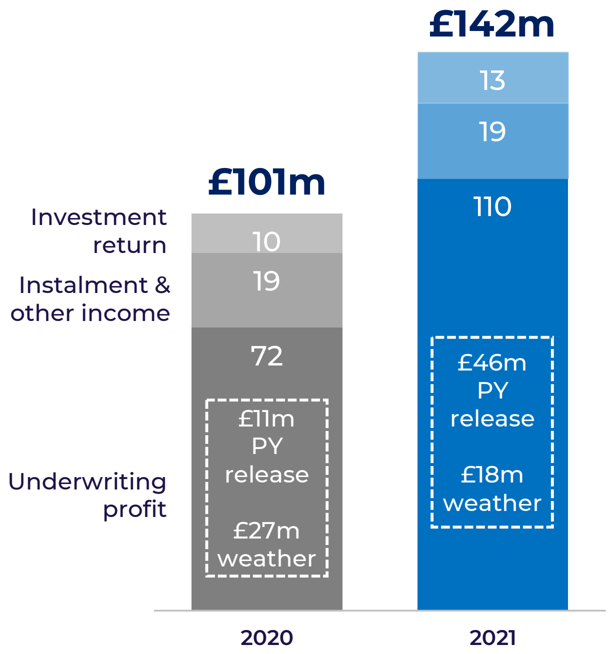
See notes on slide 32 and glossary of terms on slides 53 to 56

Home: Operating profit growth

Key metrics

	2020	2021
In-force policies 000's	2,638	**2,667**
Gross written premium £m	578	**578**
Current year attritional loss ratio	52.7%	**55.6%**
Prior year ratio	(1.9%)	**(8.3%)**
Major weather events	4.8%	**3.3%**
Loss ratio	55.7%	**50.7%**
Commission ratio	8.1%	**6.9%**
Expense ratio	23.4%	**22.5%**
COR	87.1%	**80.1%**
COR normalised for weather	90.3%	**85.2%**

Operating profit



Observations

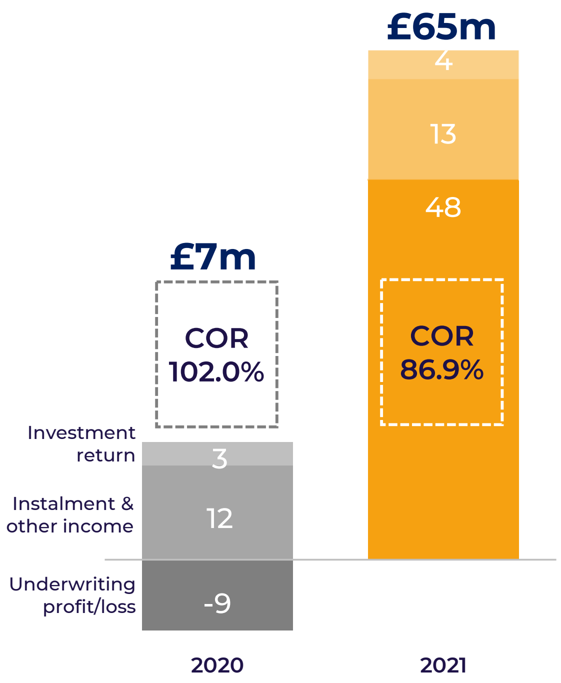
- In-force policies grew 1% as we capitalised on a buoyant new business market
- Direct own brands average premiums were 1.6% lower than 2020 due to mix and pricing actions
- Current year attritional loss ratio increased due predominantly to large claims (freeze and fire)
- Claims severity inflation was within our 3% to 5% medium-term expectation
- Underwriting profit was £38m higher due to higher prior year releases and lower weather events
- Normalised for weather, the COR improved to 85.2%
- 2022 normalised COR expected to be similar to 2020

1. 2022 weather budget is £52m (2021: £49m)

See notes on slide 32 and glossary of terms on slides 53 to 56

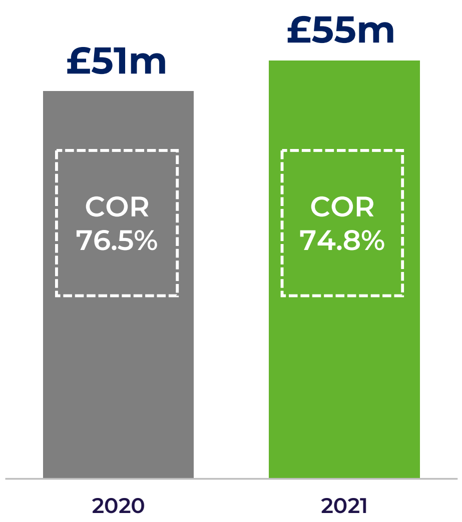
Rescue and other personal lines: Green Flag growth

Rescue and other personal lines



- This segment comprises Rescue, Pet, Travel, Creditor and UK Select, our mid-to high-net worth business
- In-force policies reduced by 0.7%
- Gross written premiums were 9% lower with reductions across most products except Rescue
- Profit increased to £65m following the non-repeat of Covid-19 related claims in Travel

Of which, Rescue



- Rescue in-force policies were stable with strong growth of 6% in Green Flag offset by lower linked and partner volumes
- Rescue premiums were 2% higher driven by strong growth in Green Flag of 6%
- Rescue operating profit increased to £55m
- Combined operating ratio improved to 74.8% (2020: 76.5%)

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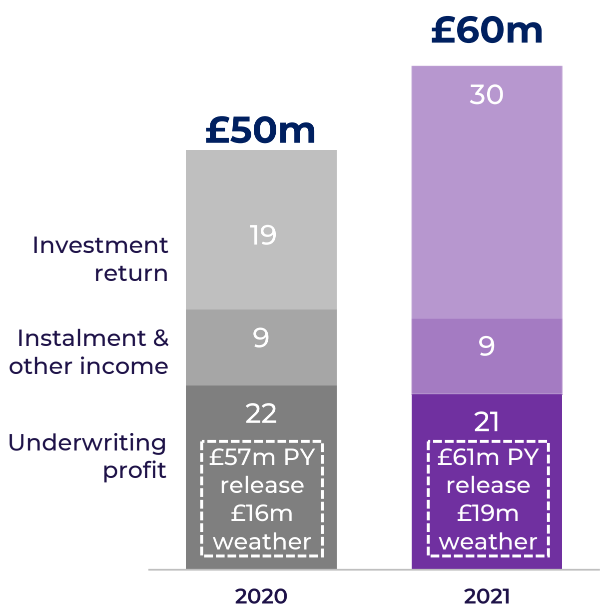
See notes on slide 32 and glossary of terms on slides 53 to 56

Commercial: Double-digit premium growth

Key metrics

	2020	2021
In-force policies 000's	811	**871**
Gross written premium £m	568	**653**
Current year attritional loss ratio	59.6%	**62.0%**
Prior year ratio	(11.4%)	**(10.9%)**
Major weather events	3.2%	**3.4%**
Loss ratio	51.4%	**54.5%**
Commission ratio	18.7%	**20.0%**
Expense ratio	25.4%	**21.7%**
COR	95.5%	**96.2%**
COR normalised for weather	95.9%	**96.3%**

Operating profit



Observations

- Double-digit premium growth across direct own brands and NIG
- Current year attritional loss ratio increased to 62% due to large claims (largely fire)
- Underwriting profit was broadly stable as higher prior year releases were offset by higher weather event costs
- The combined operating ratio normalised for weather was 96.3%
- Operating profit of £60m was £10m higher than 2020 as Commercial benefitted from higher investment returns

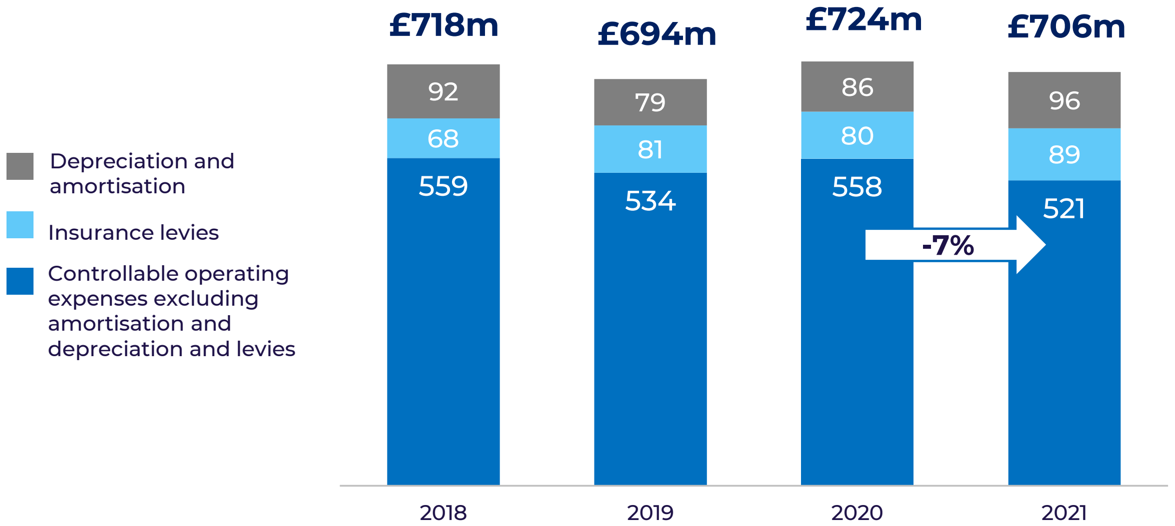
1. 2022 weather budget is £21m (2021: £20m)

See notes on slide 32 and glossary of terms on slides 53 to 56

Operating expenses: Controllable costs down 7% in 2021

Operating expenses before restructuring costs[1]

Expense ratio:	23.2%	23.2%	24.5%	23.9%



Restructuring and one-off costs:	£11m	£39m	£102m

Observations

- Underlying operating expenses of £521m, were 7% lower than 2020 demonstrating progress on our transformation agenda and lower Covid-19 related costs
- Strong track record of reducing controllable operating expenses, more than offsetting inflation and higher levies as well as rising depreciation and amortisation charges
- Exited 2021 at a cost run rate of less than £700m
- Restructuring and one-off costs of £102m, with £84m of these costs relating to our site strategy. The remainder are in respect of redundancy programmes and one-off costs

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1. IFRS16 adopted in 2019 and 2018 was re-stated together with the removal of restructuring and one-off costs
See notes on slide 32 and glossary of terms on slides 53 to 56

Expense ratio: Reiterating our 20% expense ratio target in 2023

Making DLG more cost competitive versus the market

Expense ratio 23.9%

£706m

2021
Operating expenses

1. **Further absolute reductions in the cost base over 2022 and 2023**
2. **Modest net earned premium growth**
3. **Mitigate higher inflationary environment**

- Increase digitisation across sales, service and claims
- Reduce technology run costs and cost of change
- Simplify organisation design and further embed agile ways of working
- Reduce property footprint and running costs
- Drive further efficiencies in marketing

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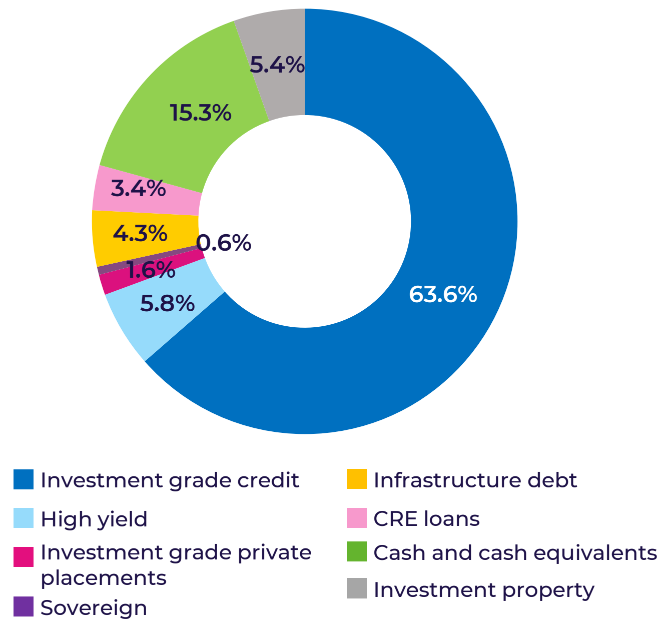
Investment return: High quality portfolio and commercial property revaluation gains

Investment return

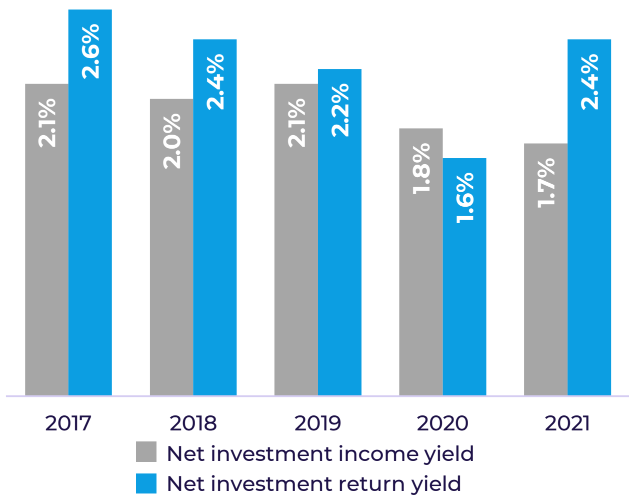
£m	2020	2021
Investment income	127	116
Hedging to sterling floating rate	(20)	(13)
Net investment income	**107**	**103**
Net realised and unrealised gains/(losses)	(12)	44
Of which property fair value	*(10)*	*38*
Total Investment return	**95**	**146**
Available for sale reserve net of tax	**84**	**9**

Group holdings[1] £5,855m

No exposure to Russia or Ukraine



Group yields



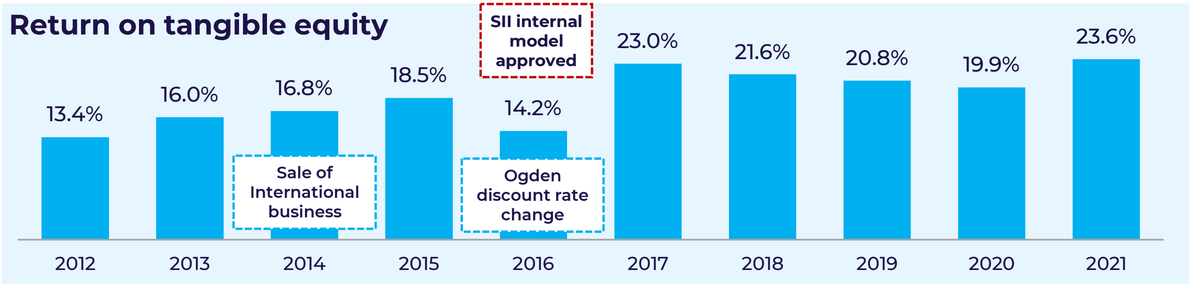
Outlook:
Net investment income yield c. 1.7% in 2022 and expected to be between 1.8% and 1.9% in 2023 based on current yield curves

1. Excludes equity investment
See notes on slide 32 and glossary of terms on slides 53 to 56

Capital and balance sheet management: Further opportunities

	1 2010 - 2013	2 2014 - 2019	3 2020 onwards
Motor XoL reinsurance	Deductible reduced from £10m to £3m in 2011	Reduced further to £1m in 2014 to manage PPOs and reduce exposure to Ogden	**Increased deductible to £5m in 2022**
Use of debt	£500m Tier 2 debt issued prior to listing in 2012 at a coupon of 9.25%	£350m of Restricted Tier 1 debt issued and £250m of Tier 2 debt was redeemed in 2017	**£260m Tier 2 debt issued at 4.0% coupon in 2020**

Improved current year profitability



Strong balance sheet with further opportunities to improve capital efficiency and improve flexibility

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See notes on slide 32 and glossary of terms on slides 53 to 56

Capital and balance sheet management: Announcing another £100 million share buyback programme

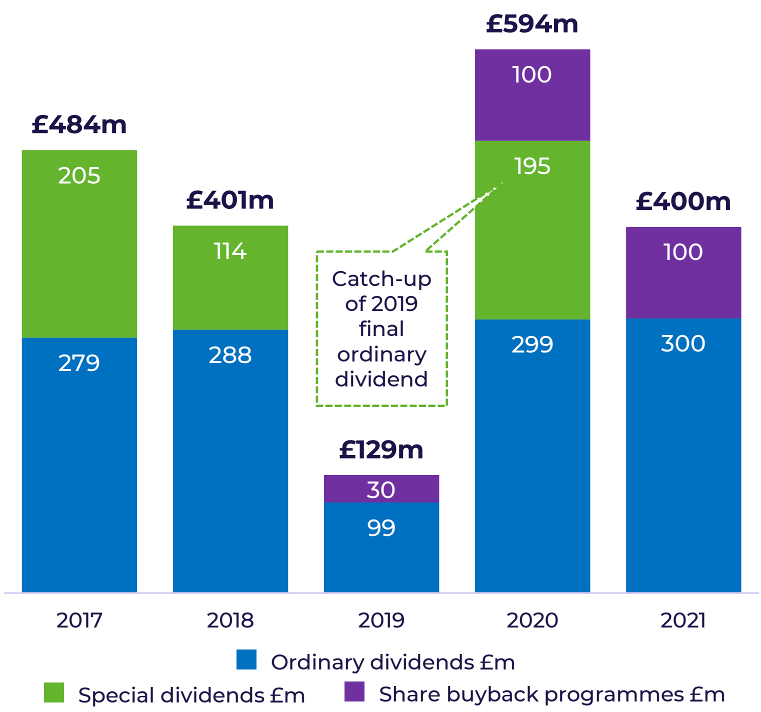
Key points

Capital allocation approach:

- Invest in the business and pay the ordinary dividend
- Consider inorganic opportunities
- Return excess capital to shareholders

- Final ordinary dividend of 15.1p per share[1]; 2.7% growth
- Announcing a £100m share buyback programme
- **Solvency capital ratio after dividend and buyback of 176% and 160% excluding Tier 2 debt (callable in 2022)**

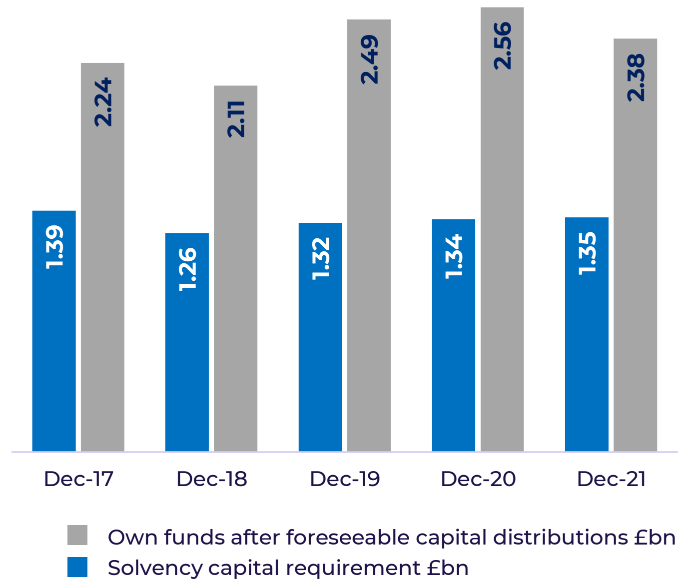
Capital distributions[4]



Solvency ratios and capital

Solvency capital ratio after foreseeable distributions

165%	170%	189%[2]	191%[3]	**176%[3]**



1. Dividend due to be paid 17 May 2022
2. The impact of the cancellation of the dividend and buyback was 24 percentage points to give a solvency ratio of 189% as at 31 December 2019. The solvency capital ratio as reported as at 31 December 2019 after taking account of the then expected 14.4p final dividend and £150m share buyback was 165%
3. Solvency ratio including Tier 2 debt callable in 2022 and after dividends and buybacks. 2021 figures estimated and based on partial internal model (PIM) output as at 31 December 2021
4. Adjusted to exclude the expected dividend waivers in relation to shares held by the employee share trusts, which are held to meet obligations arising on the various share option awards

See notes on slide 32 and glossary of terms on slides 53 to 56

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Financial targets and outlook

2022 outlook

- Estimated claims cost of the recent storms is £30m to £40m across Home and Commercial[1]
- Strong market new business premium inflation across Motor and Home in January and February
- Retention remains strong
- Leveraging diversified model to protect value whilst competing on new business
- Combined operating ratio is expected to be between 93% and 95%[2]
- Net investment income yield expected to be around 1.7%
- Capital expenditure: Expected to be around £120m

Medium-term targets

Combined operating ratio:

93% - 95% in 2022 and throughout the medium-term[2]

Expense ratio:

20% in 2023

Long-term target

Return on tangible equity (RoTE):

At least 15% per annum over the long-term

1. 2022 weather budget is £73m comprising £52m in Home and £21m in Commercial
2. Normalised for weather

See notes on slide 32 and glossary of terms on slides 53 to 56

Strategy update

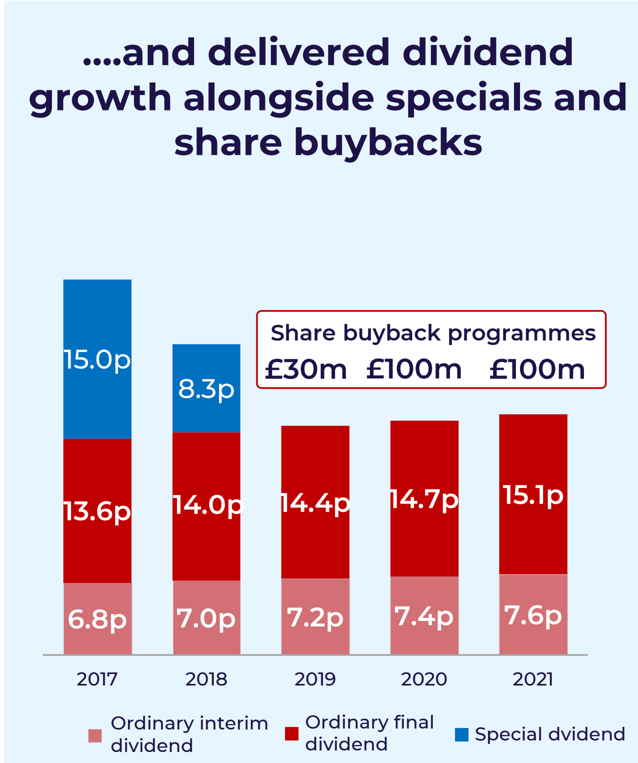
Penny James
Group CEO

Direct Line Group

Key investment points

1. Strong track record of returns to shareholders with further balance sheet options
2. Scale and expertise across multiple brands, products and channels
3. Main elements of technology build are complete
4. Realising the benefits of new technology in Motor and Home
5. Refreshed leadership team and agile ways of working to harness technology and drive business growth

Strong balance sheet and a track record of delivering for our shareholders



1. Normalised for weather and Ogden discount rate changes
2. The 2019 final ordinary dividend was cancelled in Q2 2020 and subsequently paid as a special interim dividend in 2020

See notes on slide 32 and glossary of terms on slides 53 to 56

Scale and expertise across multiple brands, channels and products

Our famous brands are some of the most recognised in the market

Direct Line · Churchill · GreenFlag (No Matter What) · DLG Auto Services · Privilege · Direct Line for Business · DLG Partnerships · NIG

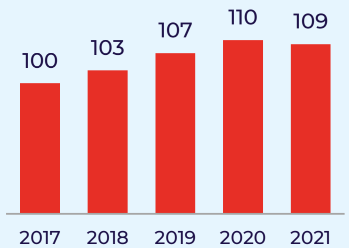
We've continued to expand our brands, products and services

New Motor own brand launched in 2019	Expanded our Direct Line propositions	Extended our reach through partnerships	Expanded our Auto Services network
Darwin	MAKING ELECTRIC EASY Mileage money back For you, your bike and your ride Direct Line	Motability Operations Ltd NatWest Group CAZOO DLG Partnerships	DLG Auto Services

Our customer focus drives strong NPS and retention rates

Churchill brand NPS[1]

Direct Line brand NPS[1]



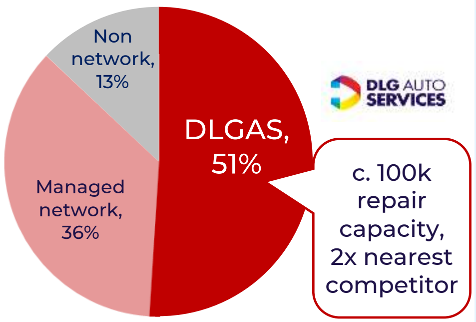
Direct own brands retention rates[2]

Motor	Home	GreenFlag
77%	85%	80%

1. Net Promoter research is carried out by an independent research company (TLF) and is an aggregate measure of customers experiencing DLG journeys including sales, policy changes, claims, cancellations and renewals. Performance indexed against 2017 performance
2. Management estimate

Vertically integrated claims model provides advantage

We've expanded our vertically integrated motor claims model

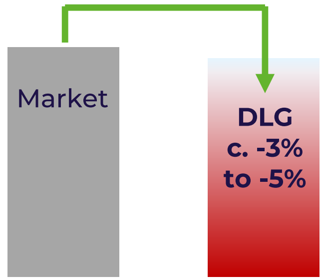


- Largest insurer owned network in the UK with 22 sites
- Provides a sustainable advantage and insight to drive performance across the wider network

Our digital first claims strategy is helping us deliver automated journeys at lower cost

- Online First Notification Of Loss (FNOL) for 100% of claim types across Home and Motor
- Direct booking of motor repairs at FNOL via integration / automation

These capabilities enabled us to deliver top quartile indemnity control



Average claims cost DLG vs the market[1]

- Scale and expertise provides rich data for pricing
- Advanced counter-fraud capabilities
- Faster and lower cost repairs drives NPS and retention

1. Management estimate for motor and home based on a range of benchmark studies

3 Main elements of technology build are complete

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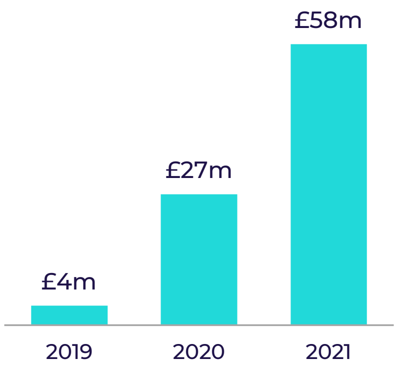
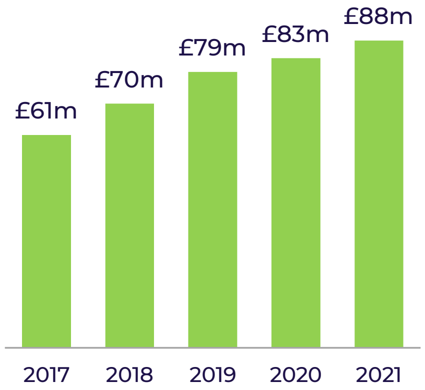
Business areas that are fully agile and technology enabled have delivered strong premium growth

Darwin Motor



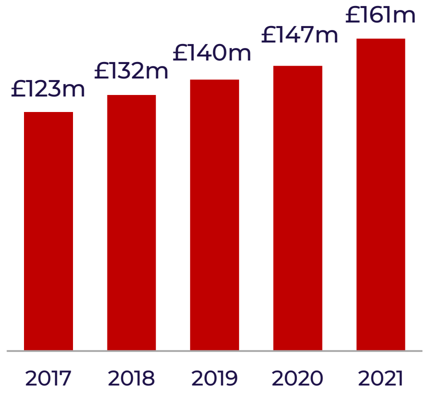
- PCW brand launched in 2019
- Alternative pricing model and fully agile team
- 118% GWP growth in 2021

Green Flag Rescue



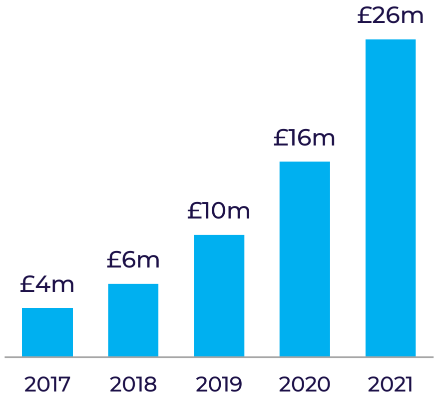
- New claims and policy systems in place
- 50 year old brand brought up to date
- Plans to go further than traditional Rescue

Direct Line for Business



- Agile team with new technology and capabilities
- Utilising DL brand to deliver flexible, modular products
- More to come; potential £3bn direct SME market

Churchill business



- Utilising brand strength and PCW capabilities
- 64% GWP growth in 2021
- Further growth potential in Direct SME

These business areas now represent 15% of direct own brand premiums (up from 9% in 2017)

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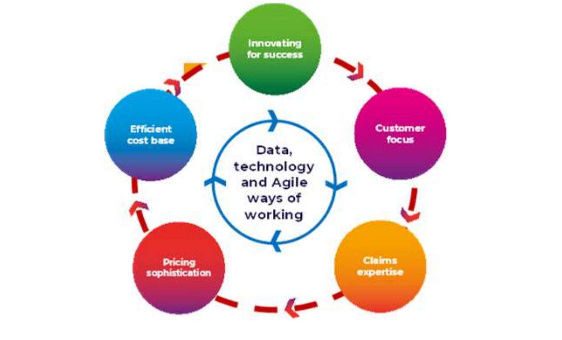
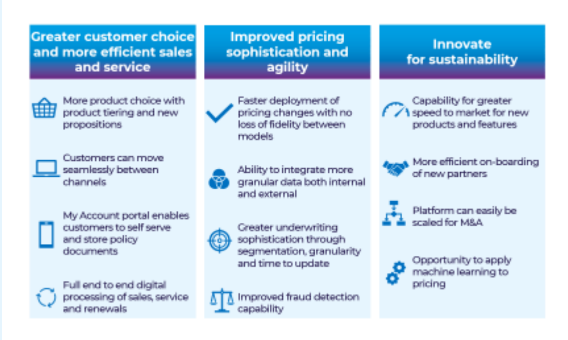
Realising the benefits of new technology in Motor and Home

Motor: Step change in pricing sophistication and agility



- Leverage our new pricing tools and modelling techniques to improve competitiveness
- New risk models due to be delivered in 2022 alongside machine learning pricing models; driving increased speed and accuracy
- Further data enrichment through use of external sources

Home: Re-platform to drive pricing and digital benefits



- Builds on same technology infrastructure as Motor
- New capability will support improved competitiveness and new product capability

Innovation: Be the insurer of choice for EVs

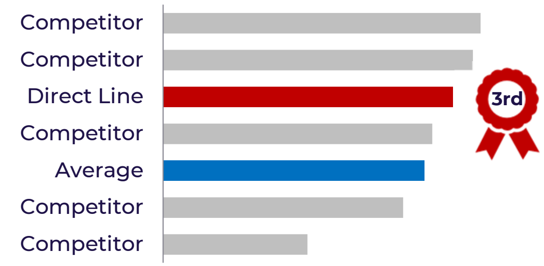
- Brand new Direct Line EV proposition launched in 2021 in partnership with Zoom EV
- Invested in our own training facility in Stechford to help us stay at the forefront of rapidly changing car technology
- Enabling customers to transition to net zero

Direct Line Group

Realising the benefits of new technology in Motor and Home

Efficiency:
Realise the benefits of digital

Digital claims registration[1]



- Build on our digital first approach in claims with straight through processing to drive improved customer journeys at lower cost

Partnerships:
Continue to extend our reach

Motability Operations | Ltd

NatWest Group

- 10 year partnership with Motability Operations Ltd[2], supporting more than 640,000 customers, with 80% of risk reinsured
- Extended[3] our Home partnership with NatWest Group until 2027

Brands:
New disruptive advertising

- We will keep reinforcing our credentials, awareness and consideration with customers through engaging new marketing
- New Direct Line '*Superheroes*' planned alongside new campaigns for Churchill and Green Flag

1. Independent benchmark based on user experience testing by 990 consumers across 7 of the UK's leading personal lines insurers' websites. Conducted by Lumivo Ltd.in July 2020
2. Partnership planned to start in H2 2023
3. Until 2027

Refreshed leadership team to drive the business forward

Who's who?

A	Ash Jokhoo	Chief Information Officer
B	Kate Syred	MD of Household, Partnerships, Data, Pricing & Underwriting
C	Vicky Wallis	Chief People Officer
D	Aurore Lecanon	Chief Risk Officer
E	Neil Manser	Chief Financial Officer
F	Penny James	Group CEO
G	Humphrey Tomlinson	General Counsel
H	Jasvinder Gakhal	MD of Motor
I	Jessie Burrows	MD of Sales, Service & Claims
J	Mark Evans	MD of Marketing & Digital
K	Jon Greenwood	MD of Commercial & Rescue

People are at the heart of our future success

- Proud to be 13th on the Inclusive Companies Top 50 UK Employers List
- Women represent 40% of our Board and leadership
- We have a Social Mobility action plan
- Within five years, 5% of our workforce will be apprentices
- We've signed up to the ABI's 'flexible work charter' and the charter for Faith and Belief Inclusion

RACE AT WORK CHARTER

Making Flexible Work

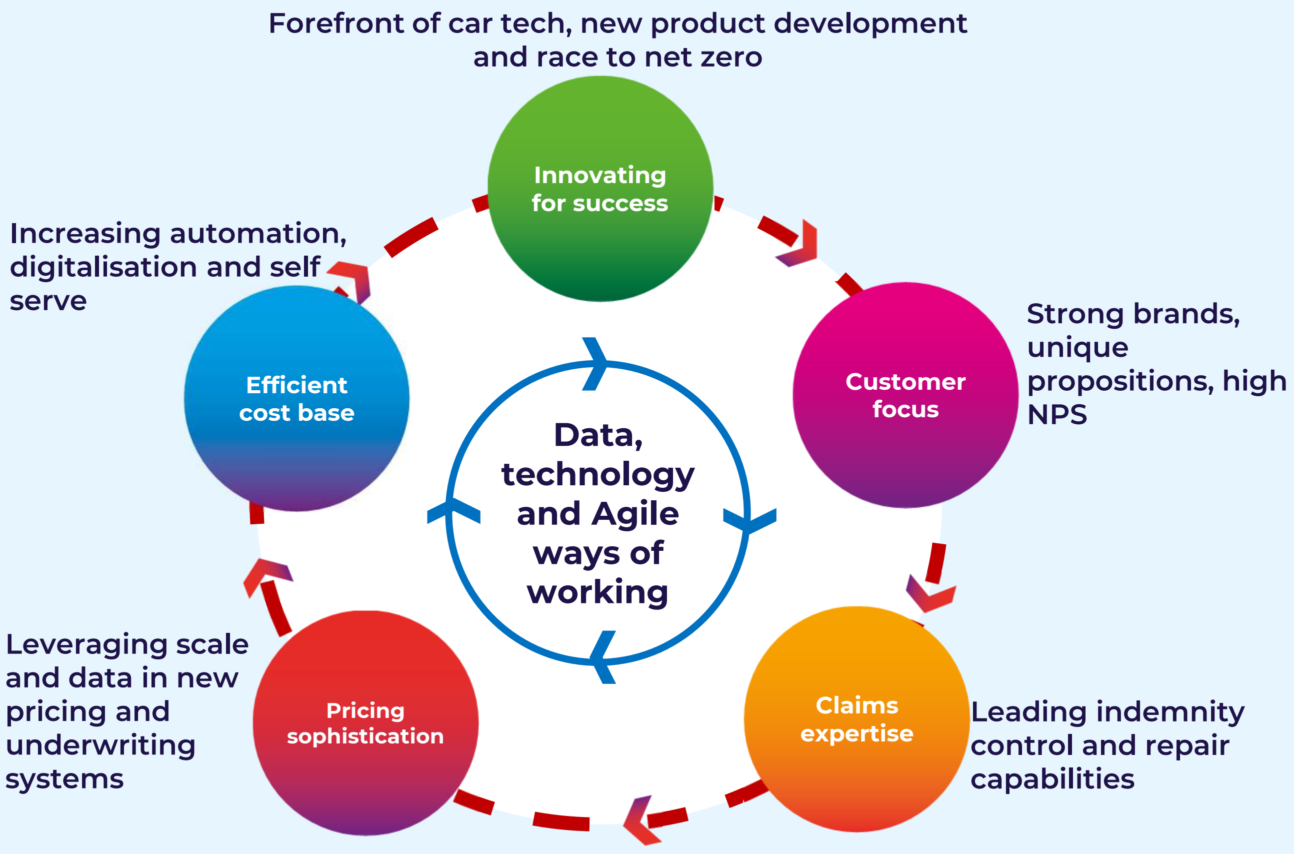
Member of The 5% Club

Our values

Do the right thing	Aim higher	Work together	Take ownership	Say it like it is	Bring all of yourself to work

Direct Line Group

Utilising our diversified business model and core strengths to navigate the new market



2022 trading strategy

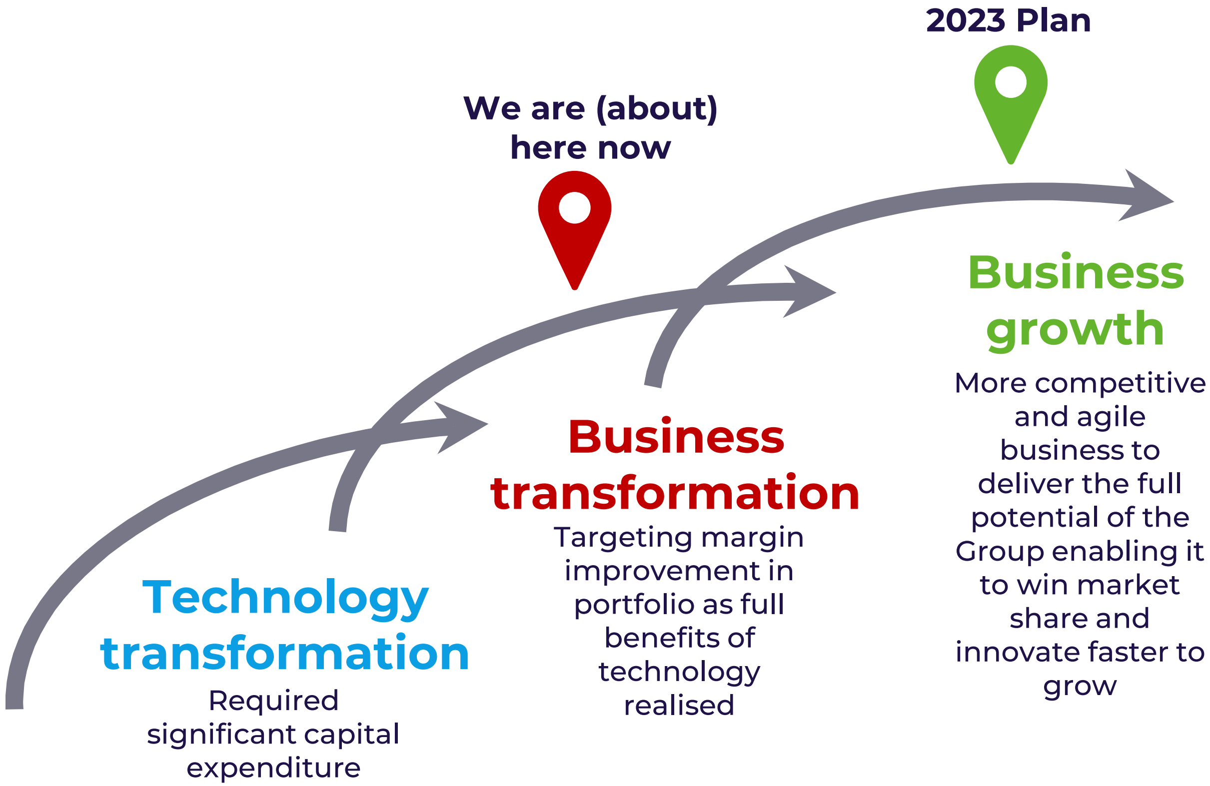
- Market dynamics to date have been within our range of expectations
- Strong new business market inflation in Home and Motor
- Retention rates look strong
- We have initially pulled back on marketing spend in order to prioritise value as the market settles
- Plan to dial up marketing and pricing capability as we move through Q2
- Utilising our diversified business model to target growth later in the year and beyond

Direct Line Group

Closing messages: A clear plan for growth

We want to create a world where insurance is personal, inclusive and a force for good.

We help people carry on with their lives, giving them peace of mind now and in the future.



APPENDIX

Upcoming events

March	2021 Full year results roadshow
16 March	Morgan Stanley European Financials Conference (London)
4 May	2022 First quarter trading update
10 May	KBW European Financials Conference (London)
14 June	J.P. Morgan European Insurance Conference (London)

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Notes to financial disclosures

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

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

3. See glossary of terms on pages 53 to 56

Motor

	2020	2021
In-force policies (000s)	**4,061**	**3,971**
Own brand in-force policies (000s)	3,943	3,869
Partnerships in-force policies (000s)	118	102
Gross written premium £m	**1,617**	**1,561**
Net earned premium £m	1,485	1,473
Loss ratio – current year	66.6%	72.9%
Loss ratio – prior years	(6.8%)	(8.6%)
Loss ratio	59.8%	64.3%
Commission ratio	3.2%	3.3%
Expense ratio	24.7%	24.8%
Combined operating ratio	**87.7%**	**92.4%**
Underwriting profit £m	**182**	**112**
Of which prior year releases £m	101	127
Instalment and other income £m	119	103
Investment return £m	63	100
Operating profit £m	**364**	**315**

Direct Line Group

See notes on slide 32 and glossary of terms on slides 53 to 56

Home

	2020	2021
In-force policies (000s)	**2,638**	**2,667**
Own brand in-force policies (000s)	1,837	1,879
Partnerships in-force policies (000s)	801	788
Gross written premium £m	**578**	**578**
Net earned premium £m	556	553
Loss ratio – current year attritional	52.7%	55.7%
Loss ratio – prior years	(1.9%)	(8.3%)
Loss ratio – major weather events	4.8%	3.3%
Loss ratio	55.6%	50.7%
Commission ratio	8.1%	6.9%
Expense ratio	23.4%	22.5%
Combined operating ratio	**87.1%**	**80.1%**
COR Normalised for weather	***90.3%***	***85.2%***
Underwriting profit £m	**72**	**110**
Of which prior year releases £m	*11*	*46*
Instalment and other income £m	19	19
Investment return £m	10	13
Operating profit £m	**101**	**142**

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

Direct Line Group

See notes on slide 32 and glossary of terms on slides 53 to 56

Rescue and other personal lines

Rescue and other personal lines	2020	2021
In-force policies (000s)	**7,105**	**7,056**
Rescue (000s)	3,400	3,417
Travel (000s)	3,499	3,445
Pet (000s)	145	138
Other personal lines (000s)	61	56
Gross written premium £m	**418**	**380**
Net earned premium £m	423	370
Loss ratio – current year	63.0%	56.5%
Loss ratio – prior years	(1.3%)	(6.4%)
Loss ratio	61.7%	50.2%
Commission ratio	16.4%	11.4%
Expense ratio	23.9%	25.3%
Combined operating ratio	**102.0%**	**86.9%**
Underwriting profit / (loss) £m	**(9)**	**48**
Of which prior year releases £m	*6*	*24*
Operating profit £m	**7**	**65**

Rescue	2020	2021
In-force policies (000s)	3,400	3,417
Of which Green Flag (000s)	1,114	1,179
Gross written premium £m	**167**	**170**
Of which Green Flag £m	**83**	**88**
Combined operating ratio	**76.5%**	**74.8%**
Operating profit £m	**51**	**55**

In 2022, Green Flag is developing its customer proposition. As a result, the amount new customers pay will be split between premium and a service fee, which could result in up to approximately £10 million being recognised as other income instead of premium

See notes on slide 32 and glossary of terms on slides 53 to 56

Commercial

	2020	2021
In-force policies (000s)	**811**	**871**
Own brands (000s)	560	602
NIG and other (000s)	251	269
Gross written premium £m	**568**	**653**
Net earned premium £m	497	561
Loss ratio – current year attritional	59.6%	62.0%
Loss ratio – prior years	(11.4%)	(10.9%)
Loss ratio – major weather events	3.2%	3.4%
Loss ratio	51.4%	54.5%
Commission ratio	18.7%	20.0%
Expense ratio	25.4%	21.7%
Combined operating ratio	**95.5%**	**96.2%**
COR Normalised for weather	***95.9%***	***96.3%***
Underwriting profit £m	**22**	**21**
Of which prior year releases £m	*57*	*61*
Instalment and other income £m	9	9
Investment return £m	19	30
Operating profit £m	**50**	**60**

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

Instalment and other operating income

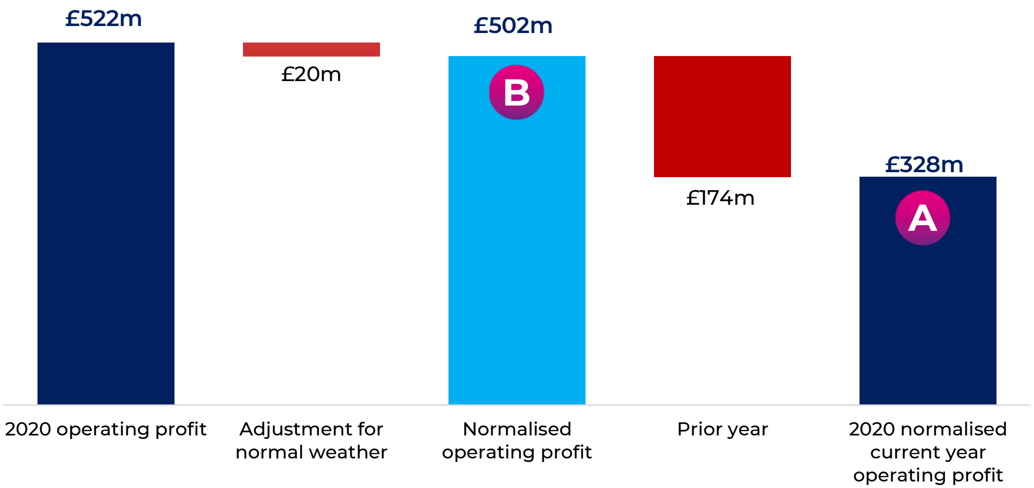
£m	2020	2021
Instalment income	**109.3**	**97.3**
Other operating income:		
Revenue from vehicle recovery and repair services	24.0	19.7
Vehicle replacement and referral income	12.2	13.1
Legal services income	8.8	7.2
Other income	4.9	6.7
Other operating income	**49.9**	**46.7**
Total instalment and other operating income	**159.2**	**144.0**

See notes on slide 32 and glossary of terms on slides 53 to 56

Current year contribution to operating profit

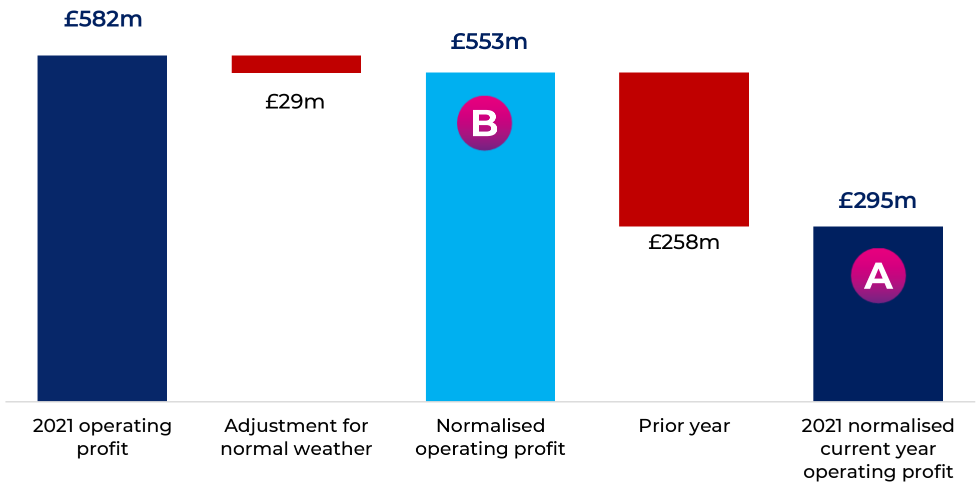
2020 normalised operating profit[1]

A / B = 65%



2021 normalised operating profit[1]

A / B = 53%



1. Group operating profit normalised for weather, and Ogden rate changes, excludes restructuring and one-off costs

See notes on slide 32 and glossary of terms on slides 53 to 56

Reinsurance

Motor Excess of Loss (unlimited)

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

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

Property catastrophe

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

- Cover renewed on 1 July 2021 for 12 months
- Cover has one full reinstatement for all programme and one additional reinstatement up to £530m
- Placed with a panel of reinsurers who are all at least 'A-' rated

Direct Line Group

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

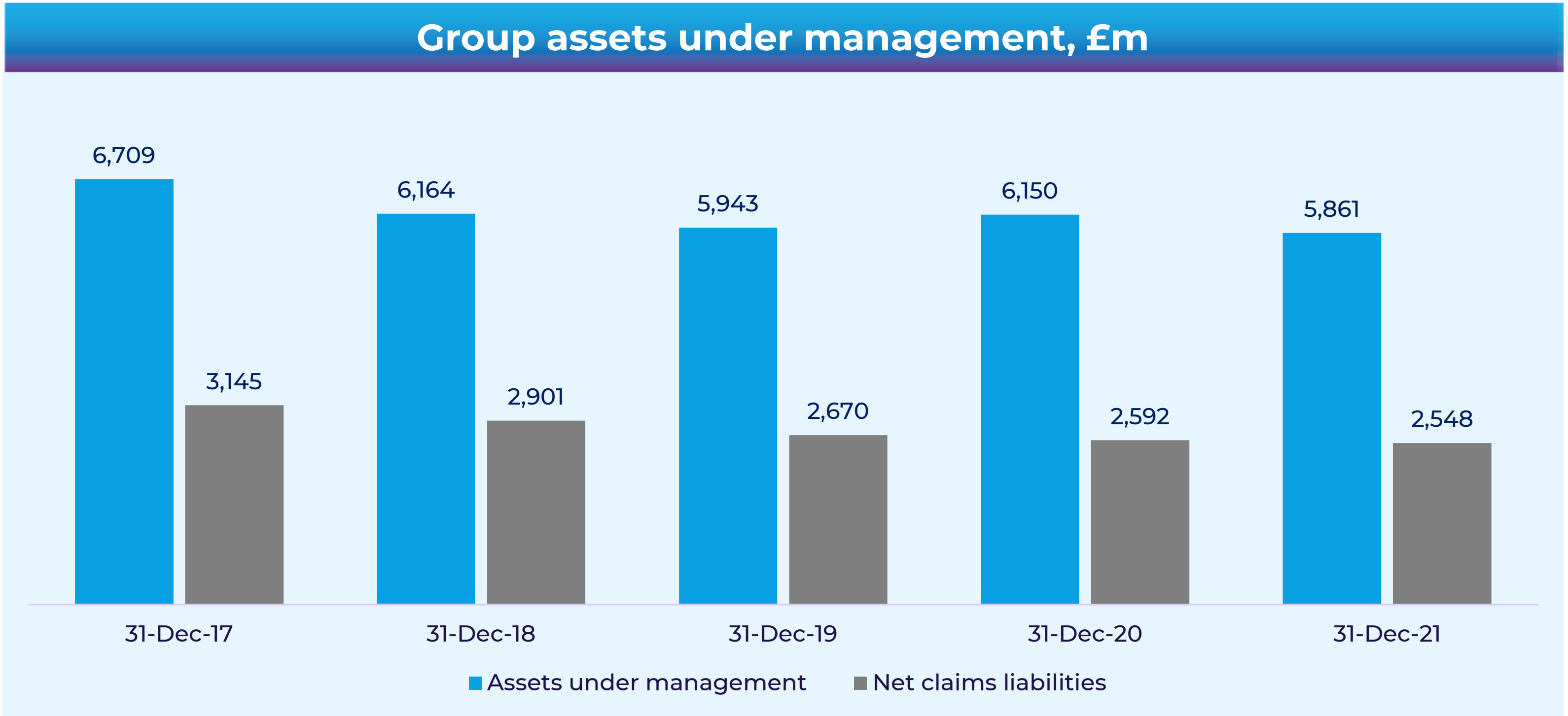
Balance sheet

Group balance sheet £m	Dec-18	Dec-19	Dec-20	Dec-21
Goodwill and other intangible assets	567	703	787	**823**
Financial investments and cash	6,214	5,914	6,194	**5,906**
Reinsurance assets	1,209	1,251	1,129	**1,212**
Other assets	1,545	1,566	1,512	**1,368**
Total Assets	**9,535**	**9,434**	**9,622**	**9,309**
Unearned premium reserve	1,506	1,506	1,497	**1,501**
Insurance liabilities	4,006	3,820	3,617	**3,680**
Other liabilities	1,119	1,118	1,462	**1,231**
Total Liabilities	**6,631**	**6,444**	**6,576**	**6,412**
Shareholders' equity	2,558	2,644	2,700	**2,551**
Tier 1 notes	346	346	346	**346**
Total Equity	**2,904**	**2,990**	**3,046**	**2,897**

Direct Line Group

See notes on slide 32 and glossary of terms on slides 53 to 56

Assets under management



See notes on slide 32 and glossary of terms on slides 53 to 56

Investment portfolio

As at 30 June 2021	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%	67.4%	1.9%	2.6
High yield	6.0%	6.1%	5.1%	1.9
Credit	**75.0%**	**73.5%**	**2.2%**	**2.5**
Sovereign	3.0%	0.6%	0.2%	2.5
Total debt securities	**78.0%**	**74.1%**	**2.2%**	**2.5**
Infrastructure debt	4.0%	4.5%	1.7%	0.2
Commercial real estate loans	6.5%	3.6%	2.9%	0.3
Investment property	5.5%	5.7%	4.8%	-
Cash and cash equivalents	6.0%	12.1%	0.0%	-
Total	**100.0%**	**100.0%**	**1.9%**	**1.9**

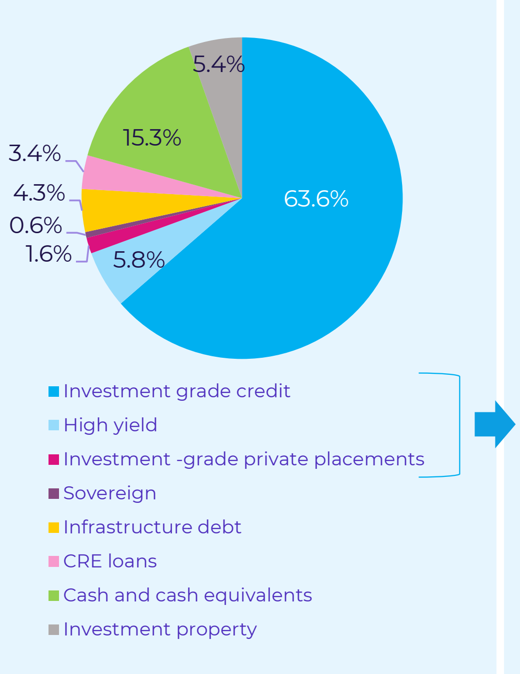
2.1% of total debt securities rated as 'AAA' and 54.7% rated as 'AA' or 'A'

Direct Line Group

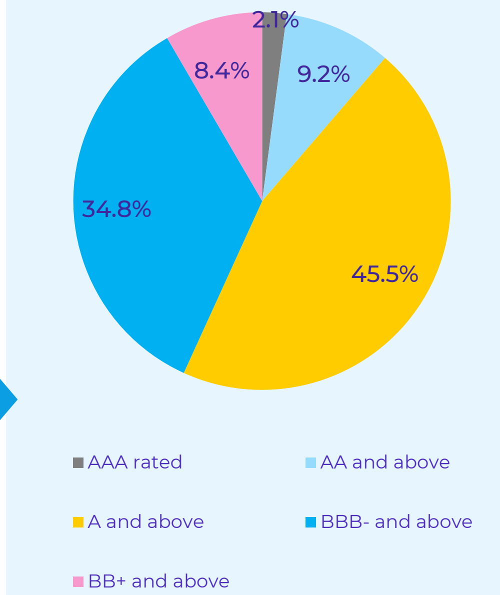
1. Gross investment income yield
See notes on slide 32 and glossary of terms on slides 53 to 56

Investment portfolio

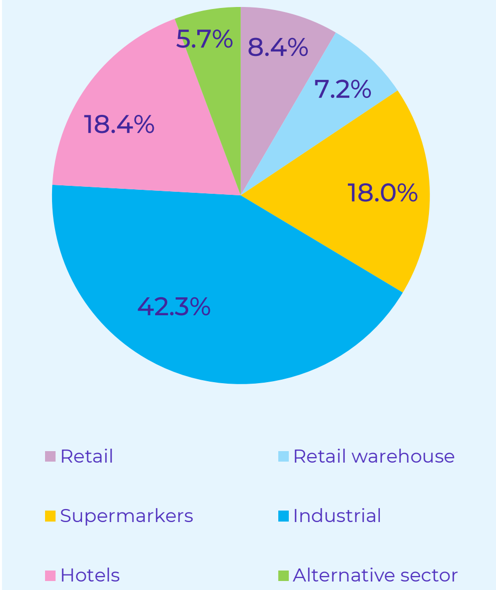
Group holdings[1] £5,855m



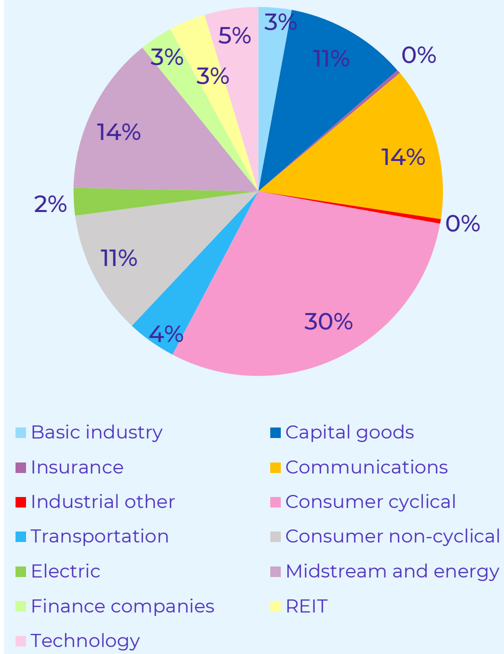
Debt securities credit quality



Property by sector[2] £317m



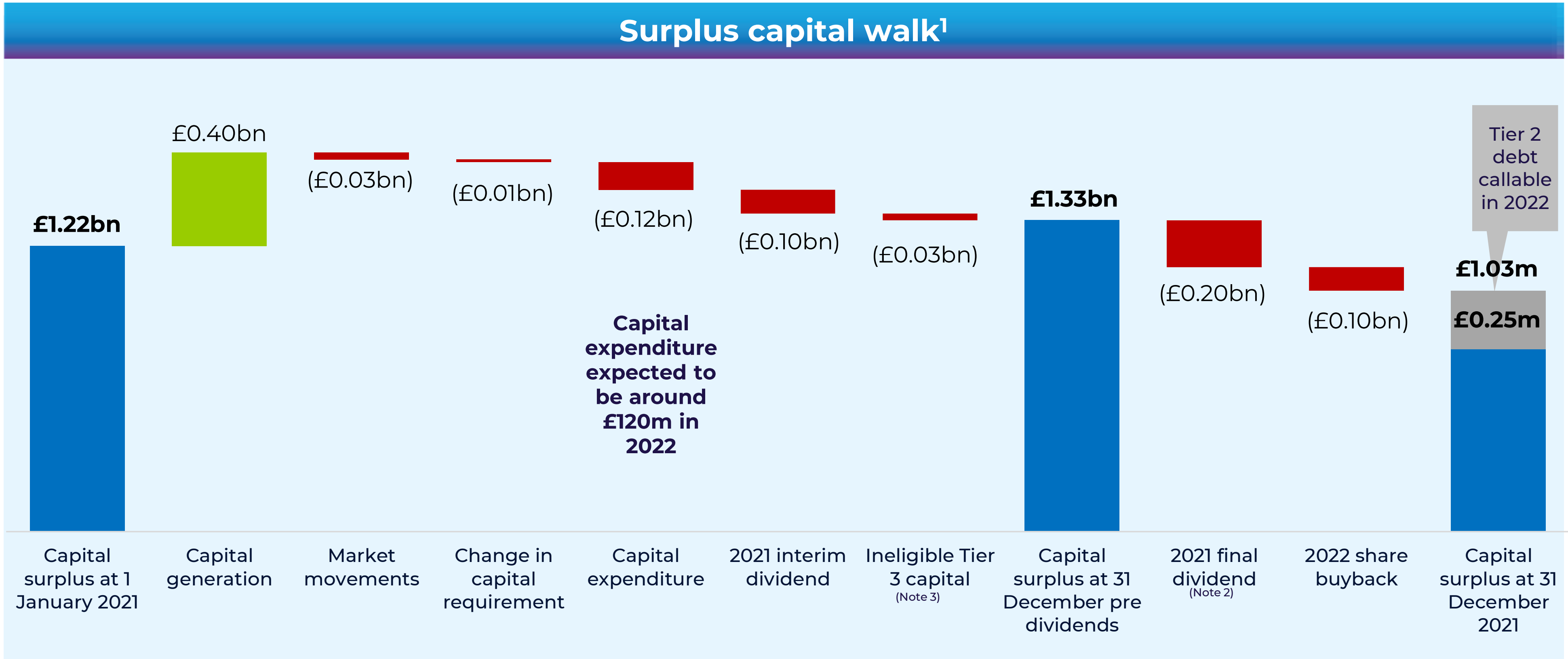
High yield by sector £342m



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 32 and glossary of terms on slides 53 to 56

Movement in surplus capital

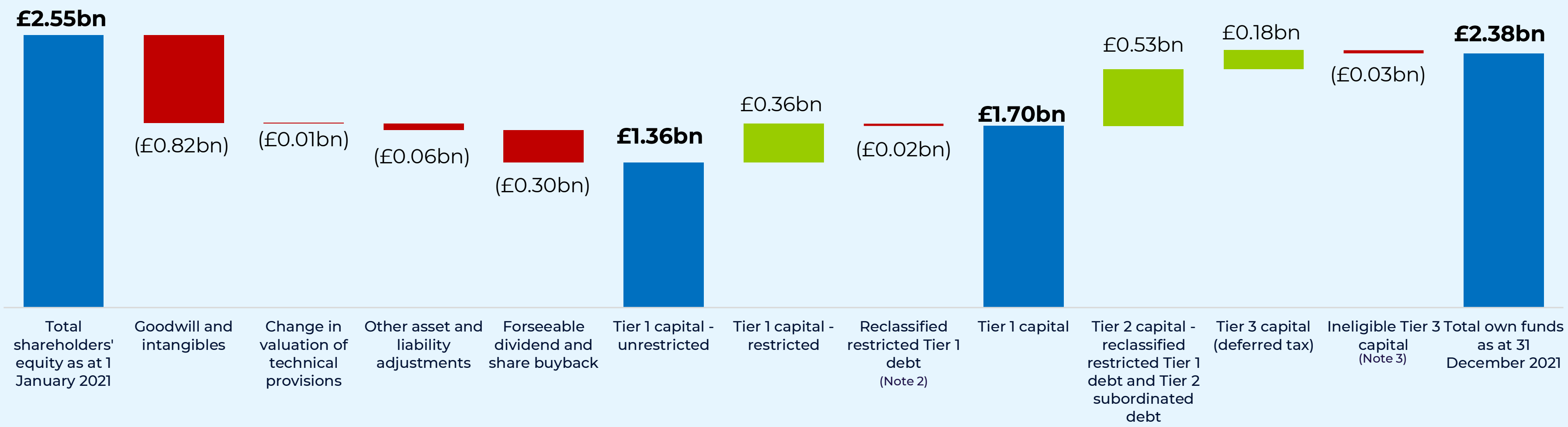


1. Figures estimated and based on partial internal model (PIM) output as at 31 December 2021
2. Foreseeable dividends included are adjusted t exclude the expected dividend waivers in relation to shares held by the employee share trusts, which are held to meet obligations arising on the various share option awards
3. The amount of Tier 2 and Tier 3 capital permitted under Solvency II regulations is 50% of the Group's SCR

See notes on slide 32 and glossary of terms on slides 53 to 56

IFRS to Solvency II bridge

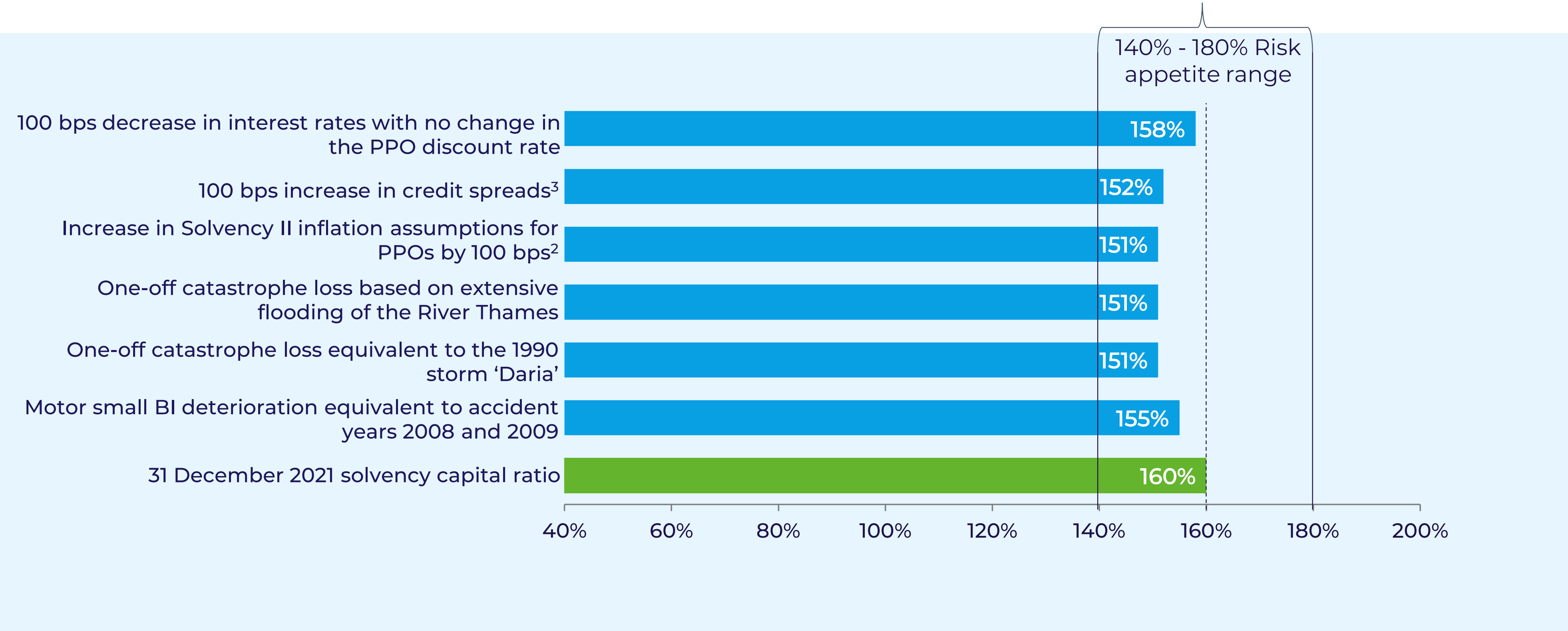
Reconciliation of IFRS shareholders' equity to solvency II own funds[1]



1. Figures estimated and based on partial internal model (PIM) output as at 31 December 2021
2. As at 31 December 2021 £19million (2020: £nil) of the Group's restricted Tier 1 capital was reclassified as Tier 2 due to Solvency II tiering restrictions
3. The amount of Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR which resulted in ineligible capital of £38 million

See notes on slide 32 and glossary of terms on slides 53 to 56

Solvency scenario and sensitivity analysis[1]

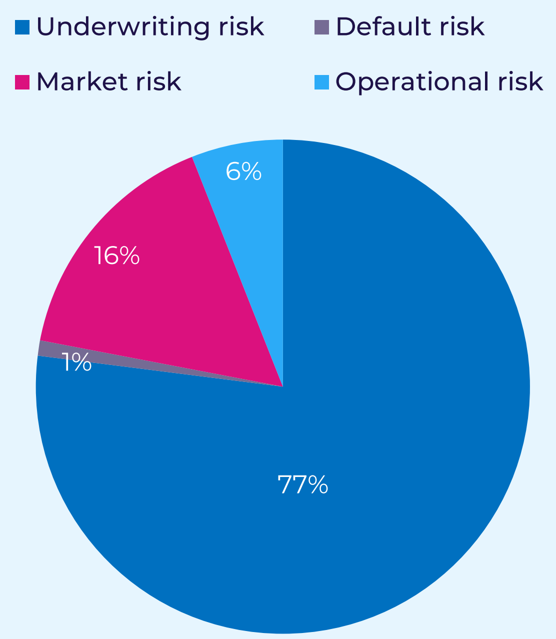


1. 2021 figures exclude from own funds the value of the £250 million Tier 2 subordinated debt which has a first call date of 27 April 2022
2. The PPO inflation assumption used is an actuarial judgement which is reviewed annually based on a range of factors including the economic outlook for wage inflation relative to the PRA discount rate curve
3. Only includes the impact on AFS assets (excludes illiquid assets such as infrastructure debt) and assumes no change to the SCR

Solvency capital requirements by risk type

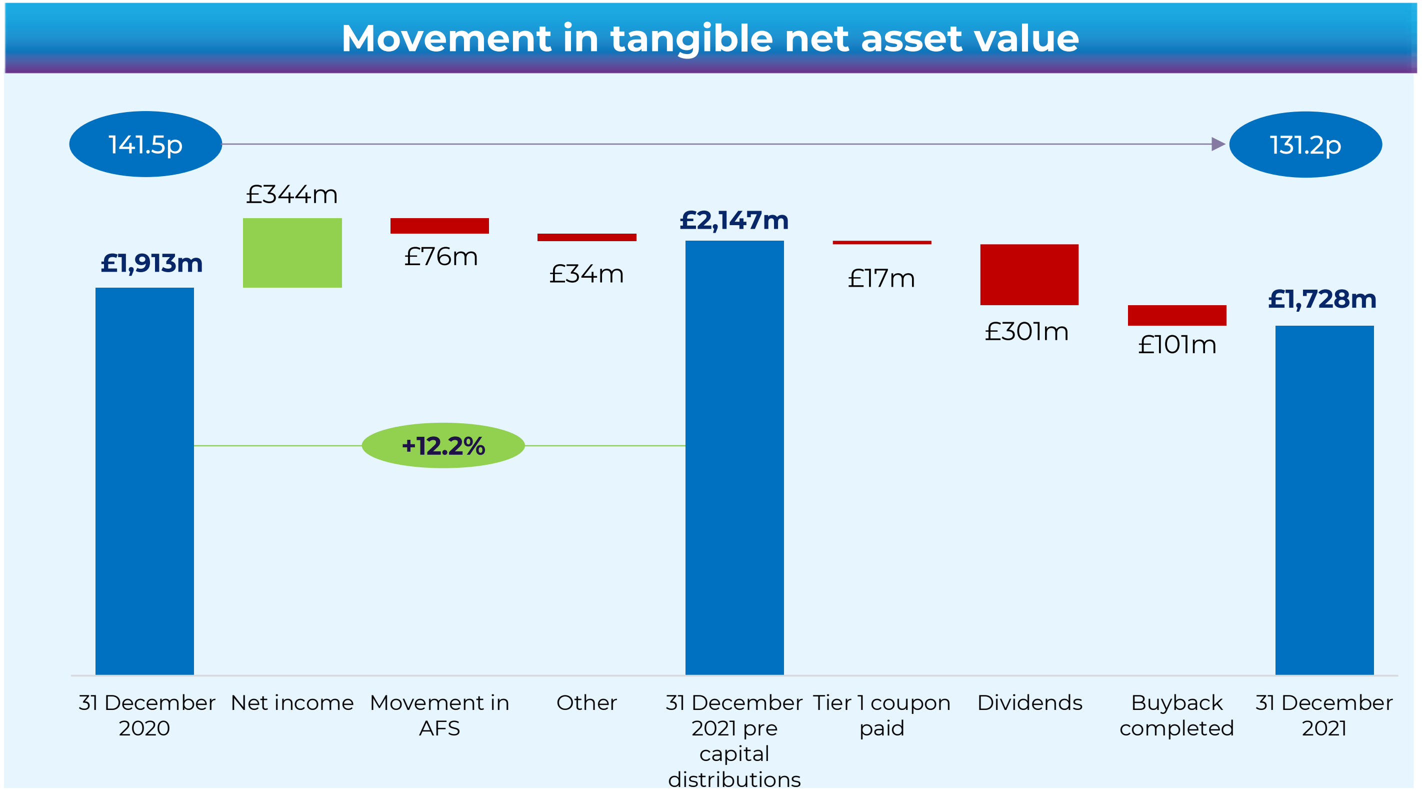
£m	31 Dec 2020[1]	31 Dec 2021[1]
Non-Life underwriting risk	**947**	**1,000**
- *Premium risk*	***420***	***374***
- *Reserve risk*	***253***	***272***
- *Catastrophe risk*	***264***	***339***
- *Other underwriting*	***9***	***15***
Default risk	**16**	**19**
Market risk	**244**	**206**
Operational risk	**92**	**80**
U K Insurance solvency capital requirement	**1,300**	**1,305**
Other entity Solvency capital requirement	**40**	**49**
Group solvency capital requirement	**1,340**	**1,354**

2021 SCR by risk type[2]
(post diversification)



1. Figures estimated and based on partial internal model (PIM) output as at 31 December 2021
2. U K Insurance

Book value and TNAV



	31 Dec 2020	31 Dec 2021
Net asset value per share (pence)	199.7	193.6
Tangible net asset value per share (pence)	141.5	131.2

Total unrealised AFS reserves of £9m (net of tax) as at 31 December 2021

Direct Line Group

See notes on slide 32 and glossary of terms on slides 53 to 56

Return on tangible equity and earnings per share calculations

Return on tangible equity (RoTE)

	2020 £m	2021 £m
Profit before tax	451.4	446.0
Add back: Restructuring and one-off costs	39.4	101.5
Coupon payments in respect of Tier 1 notes	(16.6)	(16.6)
Adjusted profit before tax	**474.2**	**530.9**
Tax charge (using 2020 and 2021 UK standard tax rate of 19%)	(90.1)	(100.9)
Adjusted profit after tax	**384.1**	**430.0**
Opening shareholders tangible equity	1,941.1	1,912.9
Closing shareholders' tangible equity	1,912.9	1,727.7
Average shareholders' tangible equity	**1,927.0**	**1,820.3**
RoTE annualised	**19.9%**	**23.6%**

Basic earnings per share (EPS)

	2020 £m	2021 £m
Profit after tax	367.2	343.7
Coupon payments in respect of Tier 1 notes	(16.6)	(16.6)
Profit for the calculation of EPS	**350.6**	**327.1**
Weighted average number of shares (millions)	1,356.5	1,345.8
Basic earnings per share (pence)	**25.8**	**24.5**

Direct Line Group

See notes on slide 32 and glossary of terms on slides 53 to 56

2021 segmental results

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

See notes on slide 32 and glossary of terms on slides 53 to 56

2020 segmental results

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

See notes on slide 32 and glossary of terms on slides 53 to 56

2019 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total Group
GWP	1,651.6	586.6	436.0	528.9	**3,203.1**
Net earned premium	1,507.7	573.6	425.2	478.4	**2,984.9**
Net insurance claims	(1,043.3)	(268.4)	(284.4)	(251.5)	**(1,847.6)**
Commission expenses	(39.9)	(55.7)	(27.2)	(88.7)	**(211.5)**
Operating expenses	(345.6)	(136.7)	(94.0)	(117.4)	**(693.7)**
Underwriting profit / (loss)	**78.9**	**112.8**	**19.6**	**20.8**	**232.1**
Investment return	88.6	16.7	5.6	23.7	**134.6**
Instalment and other operating income	135.1	21.1	13.9	10.1	**180.2**
Operating profit / (loss)	**302.6**	**150.6**	**39.1**	**54.6**	**546.9**
Restructuring and one-off costs	-	-	-	-	**(11.2)**
Finance costs	-	-	-	-	**(26.0)**
Profit before tax	-	-	-	-	**509.7**
Tax	-	-	-	-	**(89.8)**
Profit after tax	-	-	-	-	**419.9**
Loss ratio – current year	81.2%	54.0%	68.7%	66.3%	**71.8%**
Loss ratio – prior year	(11.9%)	(7.2%)	(1.8%)	(13.6%)	**(9.9%)**
Commission ratio	2.6%	9.7%	6.4%	18.5%	**7.1%**
Expense ratio	22.9%	23.8%	22.1%	24.5%	**23.2%**
Combined operating ratio	**94.8%**	**80.3%**	**95.4%**	**95.7%**	**92.2%**
Combined operating ratio normalised for weather	**n/a**	**86.9%**	**n/a**	**99.2%**	**93.5%**

See notes on slide 32 and glossary of terms on slides 53 to 56

Glossary of terms

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

Glossary of terms

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

Glossary of terms

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

Glossary of terms

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

Disclaimer

Forward-looking statements

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

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

- United Kingdom ("**UK**") domestic and global economic business conditions;
- the direct and indirect impacts and implications of the coronavirus Covid-19 pandemic on the economy, nationally and internationally, on the Group, its operations and prospects, and on the Group’s customers and their behaviours and expectations;
- the Trade and Cooperation Agreement between the UK and the European Union ("**EU**") regarding the terms, following the end of the Brexit transition period, of the trading relationships between the UK and the EU and its implementation, and any subsequent trading and other relationship arrangements between the UK and the EU and their implementation;
- the terms of trading and other relationships between the UK and other countries following Brexit;
- the impact of the FCA pricing practices report and the rules and regulations arising as a result of that report and of responses by insurers, customers and other third parties and of interpretations of such rules by any relevant regulatory authority;
- market-related risks such as fluctuations in interest rates, exchange rates and credit spreads;
- the policies and actions and/or new principles, rules and/or changes to, or changes to interpretations of principles, rules and/or regulations, of regulatory authorities and bodies (including changes made directly or indirectly as a result of Brexit or related to capital and solvency requirements or related to the Ogden discount rate or rates or made in response to the Covid-19 pandemic and its impact on the economy and customers) and 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 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 obligations 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.