Brilliant for customers every day

2022 Preliminary Results
13 March 2023

Today’s speakers

Jon Greenwood
Acting CEO

Neil Manser
CFO

2022 key messages

1. Challenging year: high inflation, regulatory reforms, exceptional weather, difficult investment markets

2. Poor performance in Motor mainly due to pricing not reflecting claims inflation; also impacted by PPR regulatory changes; actions being taken to return Motor to profitability

3. Excluding elevated weather costs, all other business areas performed in line; Home navigated PPR and inflation well; Commercial delivered double-digit premium growth

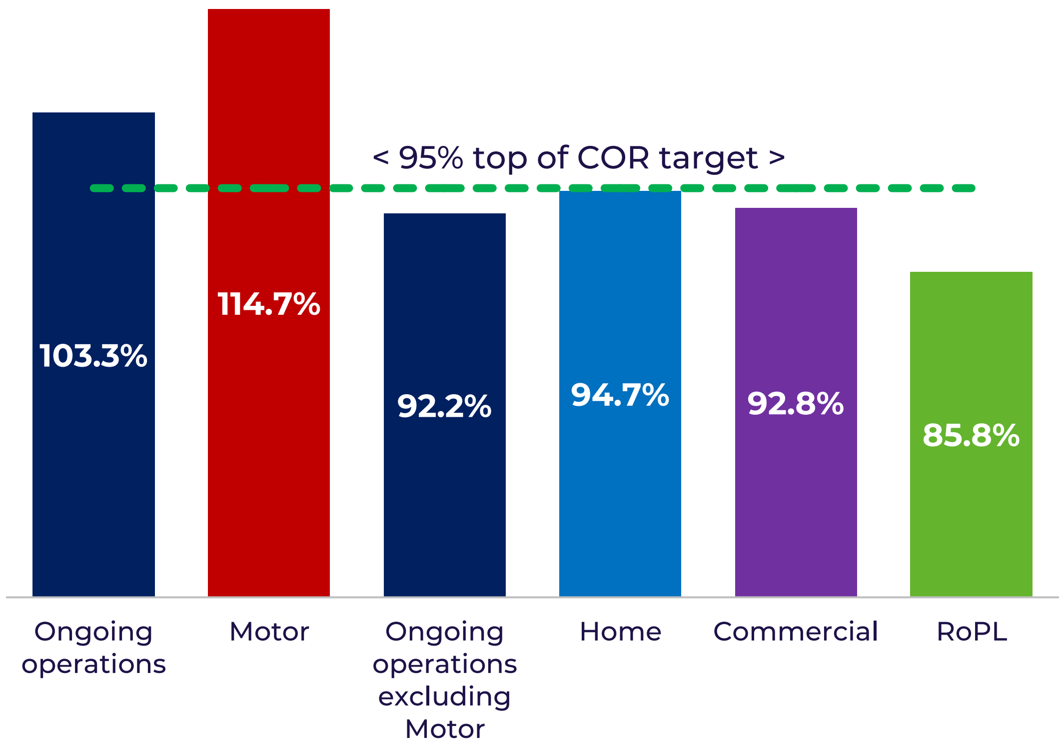
4. Performance in Motor, adverse weather and investments impacted capital generation; action taken to restore capital resilience; further self-help options in train to restore solvency ratio

5. Group remains fundamentally strong: diversified business model, strong brands, great customer engagement

Motor under-performed; other business areas results in line

2022 segmental combined operating ratios normalised for weather

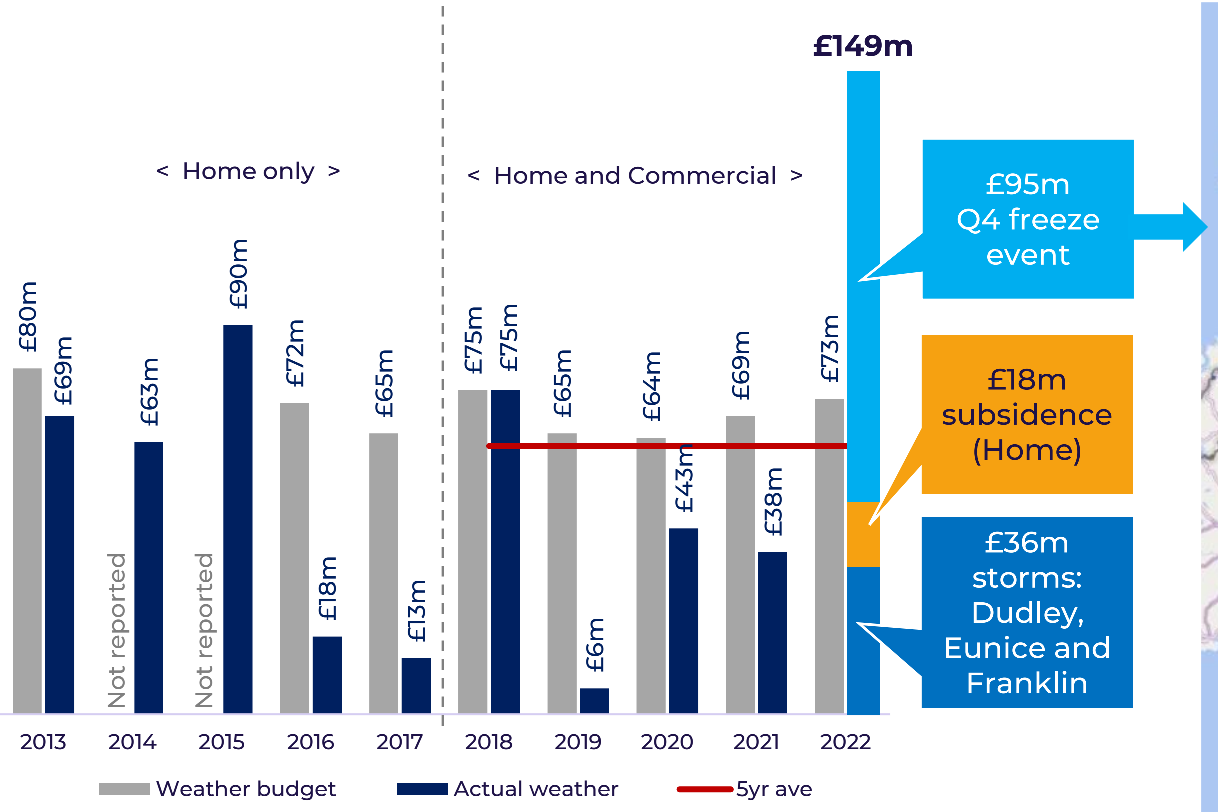
- Ongoing operations normalised COR around expected 102%-103% range, due to Motor
- Excluding Motor, normalised COR for ongoing operations of 92.2%, better than Group target of 93%-95%
- Commercial normalised COR improved by 3.5pts - including benefits of new platform



See notes on slide 26 and glossary of terms on slides 50 to 53

2022 was a year of unprecedented weather events

Weather event claims



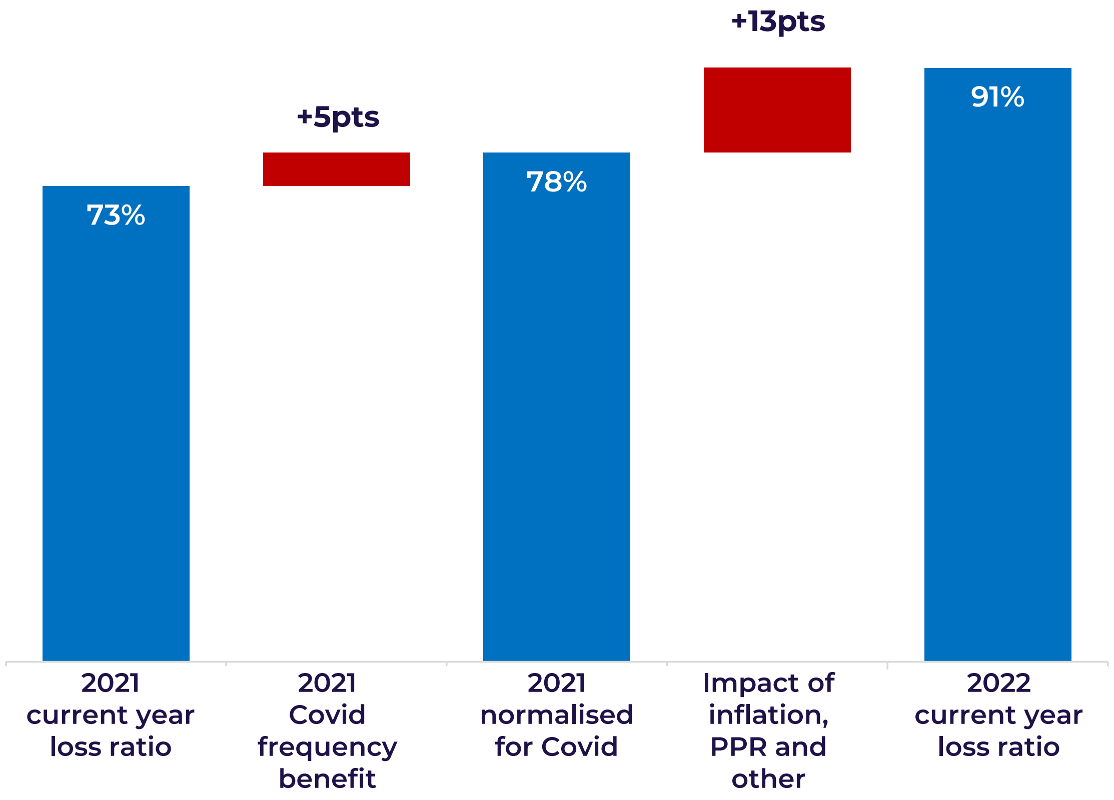
- £149m of weather event claims in 2022 driven by multiple events
- Highest level of weather-related claims since our IPO
- Q4 freeze event claims of £95m driven by significant number of large escape of water claims
- 500 claims over £100k
- Larger share in Scotland where temperatures were coldest
- 2023: Weather budget £80m; £54 Home, £26m Commercial

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Motor: Current year loss ratio increased by 18 points

Motor current year loss ratio walk



Claims severity inflation of around 14%, substantially higher than long-term average expectation

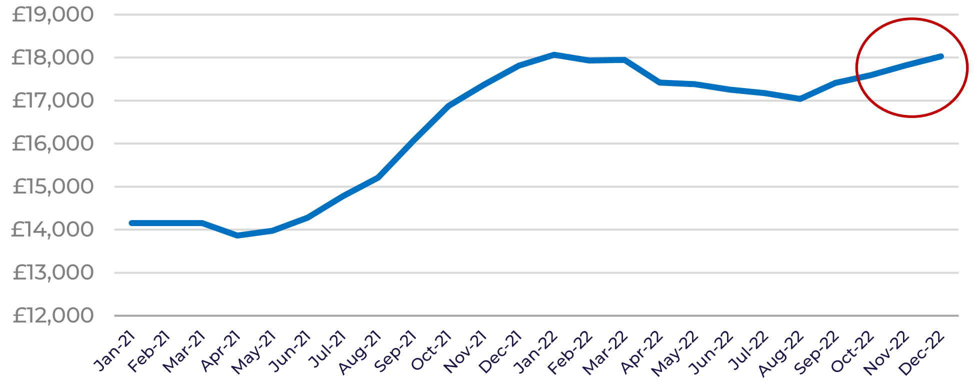
- Inflationary pressures in H1:
  - Used car prices
  - Longer repair cycles
- Responded with c.10% rate increases
- Further factors in H2:
  - Third-party claims inflation
  - Rise in claims frequency
- Total of 29% new business rate increases through the year
- Impact of regulatory changes
  - Margin reduction on renewal business
  - Not offset as expected from new business
  - Retention/renewal pricing balance

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

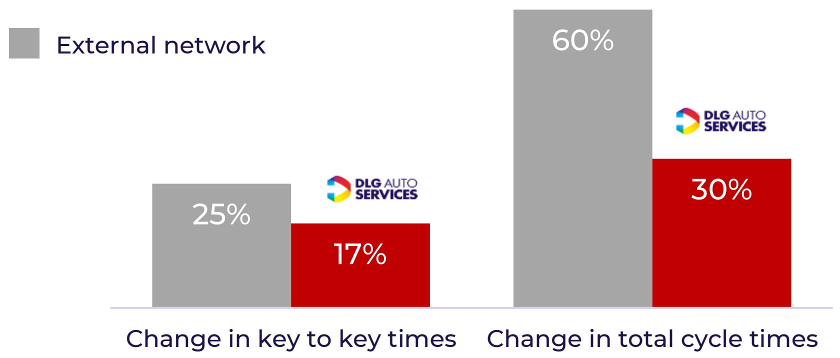
Motor claims: Severity inflation around 14% in 2022

1 Used car prices were a major inflationary driver[1]



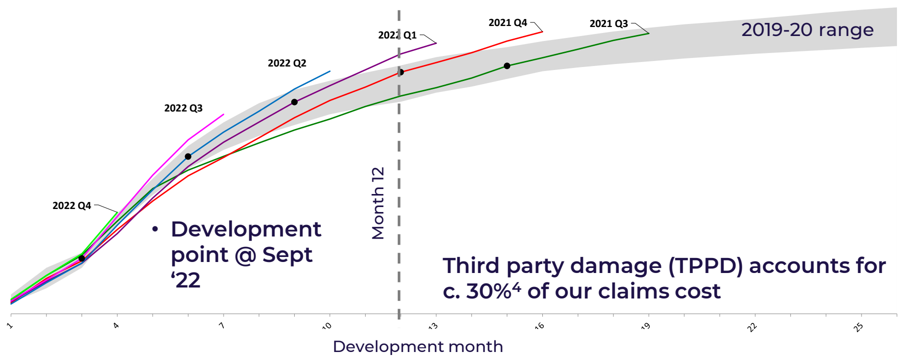
2 Repair times increased, our garages continue to outperform

% increase in average repair times[2]



3 Third party claims severity is ahead of overall severity inflation

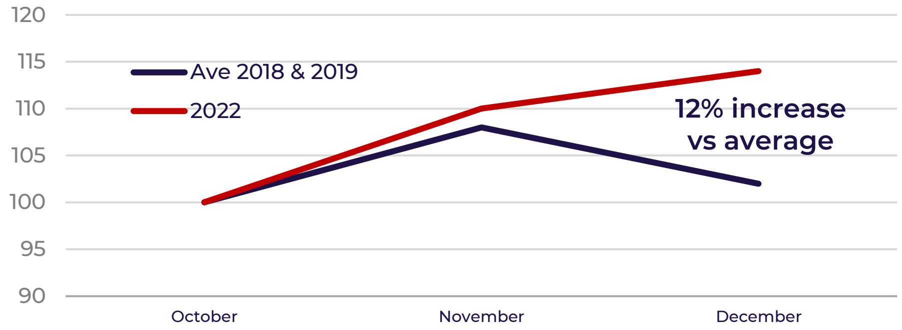
Paid claims severity development[3]



Third party damage (TPPD) accounts for c. 30%[4] of our claims cost

4 Claims frequency spiked in December 2022

Accidental damage: Q4 seasonality by accident year[5]



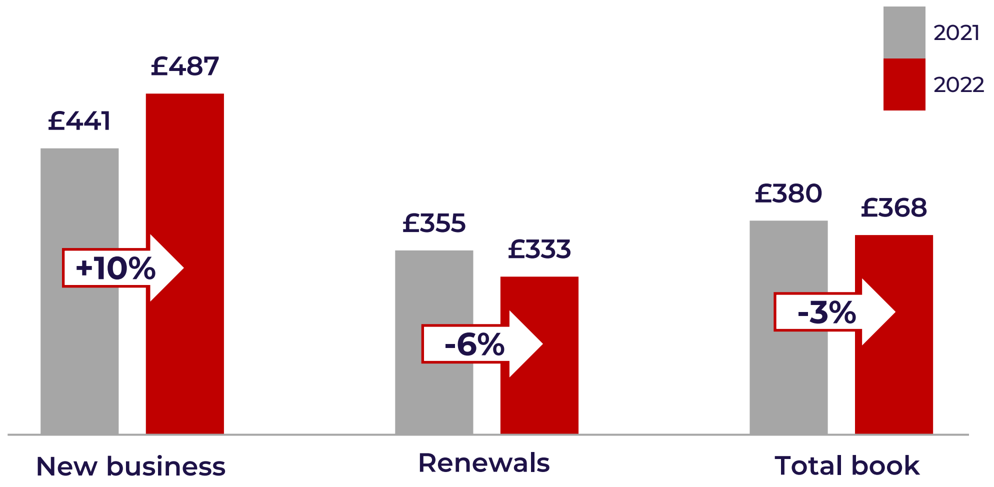
Direct Line Group

1. Auto trader average asking price
2. Average 'key to key' and total repair cycle times, 2022 versus 2021, DLG Auto Services and externally managed network (excluding third party managed claims, including commercial vehicles)
3. Direct own brands paid claims severity development, indexed to Q1 2019
4. Based on ultimate view of net claims cost
5. Ultimate frequency including nil claims, by accident month, indexed to October

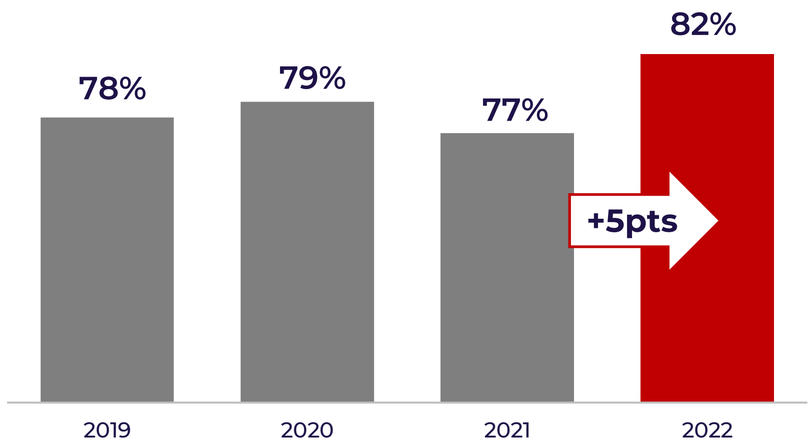
See notes on slide 26 and glossary of terms on slides 50 to 53

Motor pricing: Pricing did not keep pace with claims inflation

Average premiums



Customer retention rates[1]



- Increased new business premiums by 29% in 2022: 7% at start of year, 22% across rest of the year
- New business average premiums increased 10% reflecting actions taken on PPR in Q1 and pricing for claims inflation weighted towards H2
- Renewal average premiums reduced by 6% reflecting downward adjustment for PPR in Q1 and retention optimisation offsetting pricing for claims inflation in H2

1. Direct own brands (management estimate)

See notes on slide 26 and glossary of terms on slides 50 to 53

Actions to restore profitability and capital strength; key focus through 2023

1. Deployed 11 points of additional rate in Motor year to date to help restore margins. Improving retention discipline

2. Optimise new pricing tools, increasing expert resources deployed to build pricing models and enhance risk model sophistication; integrate claims insight further

3. Accelerate alignment of our model to PCW channel; evolving pricing and product mix e.g. Churchill Essentials to expand PCW footprint

4. Improve capital generation and restore capital strength

5. Maintain good trading performance in Home, Commercial and Rescue

Financial update

Neil Manser
CFO

2022 results reflect a volatile operating environment

Ongoing operations	2021 £m	2022 £m	Change %
In-force policies (000's)	10,014	9,689	(3.2%)
Gross written premium (adjusted)	3,073	2,974	(3.2%)
Underwriting profit / (loss)	**301**	**(167)**	**(155.4%)**
Instalment and other income	144	148	2.6%
Investment return	146	51	(64.9%)
Operating profit	**590**	**32**	**(94.6%)**
Run-off partnerships	*(9)*	*(12)*	*(35.3%)*
Restructuring and one-off costs	(102)	(45)	55.4%
Finance costs	(34)	(20)	40.5%
Profit / (loss) before tax	**446**	**(45)**	**(110.1%)**
Profit / (loss) after tax	**344**	**(40)**	**(111.5%)**
Key metrics	**2021**	**2022**	**Change**
Combined operating ratio (COR)	89.5%	105.8%	(16.3pts)
COR normalised for weather	**90.5%**	**103.3%**	**(12.8pts)**
Return on tangible equity (RoTE)	23.6%	(0.9%)	(24.5pts)
Solvency capital ratio as at 31 Dec	**176%**	**147%**	**(30pts)**

Prior year comparatives include benefits from low Motor claims frequency due to Covid lockdowns in 2021

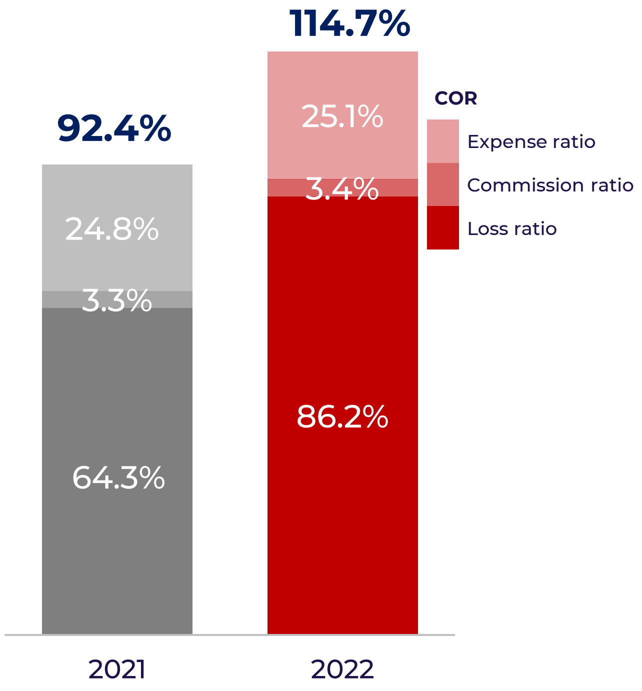
- **Policies and premiums:** Lower volumes across Motor and Home offset by strong growth in Commercial
- **Underwriting result:** £167m loss due to heightened claims inflation in Motor, regulatory changes and higher weather related claims in Home and Commercial
- **Investment result:** Higher income yields were offset by realised and unrealised losses
- **Operating profit:** £32m profit in 2022 reflects volatile operating environment
- **Combined operating ratio:** 105.8%; normalised for weather 103.3%
- **Solvency ratio:** 147%, within risk appetite range of 140% - 180% and includes benefit of quota share reinsurance

Segmental operating profit	2021 £m	2022 £m
Motor	315	(77)
Home	142	(9)
RoPL	73	60
Commercial	60	58
Ongoing operations	**590**	**32**

Motor: Material increase in claims inflation above levels assumed in pricing delivered a COR of 115%

Motor results

Key metrics £m	2021	2022	Change %
In-force policies 000's	**3,971**	**3,836**	**(3.4%)**
Gross written premium	**1,561**	**1,433**	**(8.2%)**
Net earned premium	1,473	1,413	(4.1%)
Underwriting profit / (loss)	**112**	**(207)**	**(284.8%)**
Of which prior year releases	*127*	*66*	*(47.7%)*
Instalment and other income	103	101	(2.3%)
Investment return	100	29	(71.0%)
Operating profit / (loss)	**315**	**(77)**	**(124.5%)**
Operating profit margin %	**21.4%**	**(5.5%)**	**26.8pts**



- IFPs broadly stable across H1 and fell in Q3 as pricing actions reduced competitiveness
- GWP lower than prior year due to lower average premiums
- Inflation drove a reduction in prior year releases and increase in CY attritional loss ratio
- Underwriting loss of £207m and COR of 115%
- 2023 outlook: Expect earnings to be depressed before recovering in 2024. Motability partnership begins in H2 2023

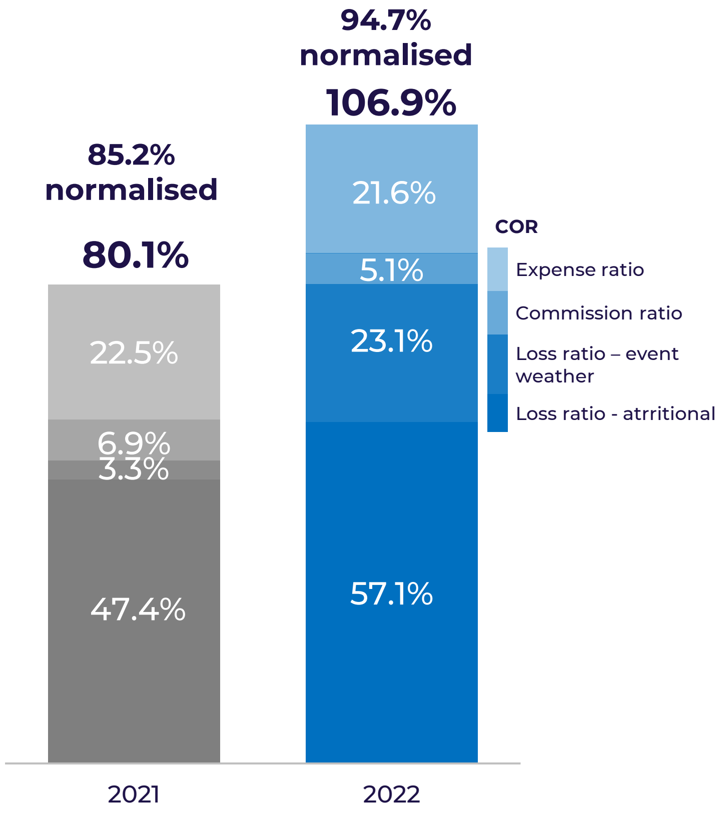
Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Home: Delivered a normalised COR below 95%

Home results

Key metrics £m	2021	2022	Change %
In-force policies 000's	**2,667**	**2,501**	**(6.2%)**
Gross written premium	**578**	**518**	**(10.3%)**
Net earned premium	553	517	(6.5%)
Underwriting profit / (loss)	**110**	**(36)**	**(132.4%)**
Of which prior year releases	*46*	*20*	*(57.2%)*
Instalment and other income	19	17	(11.9%)
Investment return	13	10	(20.8%)
Operating profit / (loss)	**142**	**(9)**	**(106.1%)**
Operating profit margin %	**25.6%**	**(1.7%)**	**(27.3pts)**



- Trading strategy designed to preserve value
- Reduction in policy count and premiums generally in line with market[1]
- Priced for elevated claims inflation of c. 8% in 2022
- Prior year releases £16m lower following elevated releases in 2021 and some strengthening for subsidence in older accident years
- Headline profit and COR reflects lower earned premiums and higher weather costs
- COR normalised for weather was 94.7%
- 2023 outlook: Positive market movements in early 2023

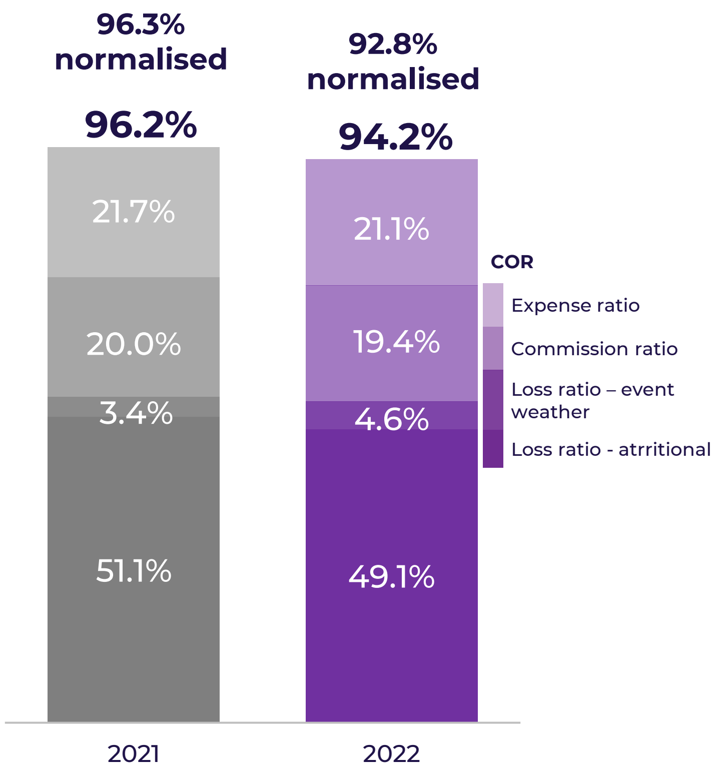
1. Based on ABI Q4 2022 data

See notes on slide 26 and glossary of terms on slides 50 to 53

Commercial: Strong performance; double-digit premium growth alongside improved current year profitability

Commercial results

Key metrics £m	2021	2022	Change %
In-force policies 000's	**871**	**928**	**6.5%**
Gross written premium	**653**	**749**	**14.7%**
Net earned premium	561	642	14.3%
Underwriting profit / (loss)	**21**	**37**	**73.4%**
Of which prior year releases	*61*	*54*	*(12.1%)*
Instalment and other income	9	11	32.2%
Investment return	30	10	(68.0%)
Operating profit / (loss)	**60**	**58**	**(3.5%)**
Operating profit margin %	**10.8%**	**9.1%**	**(1.7pts)**



- Strong IFP and GWP growth reflecting improved competitiveness
- CY attritional improvement reflects higher earned premiums and better claims experience in 2022
- Weather events across the year totalled £30m, equivalent to 4.6 points on the loss ratio
- Underwriting profit increased to £37m despite higher weather claims
- Operating profit broadly stable at £58m despite additional weather and £20m reduction in investment result
- 2023 outlook: Strong premium growth continued in first two months of trading

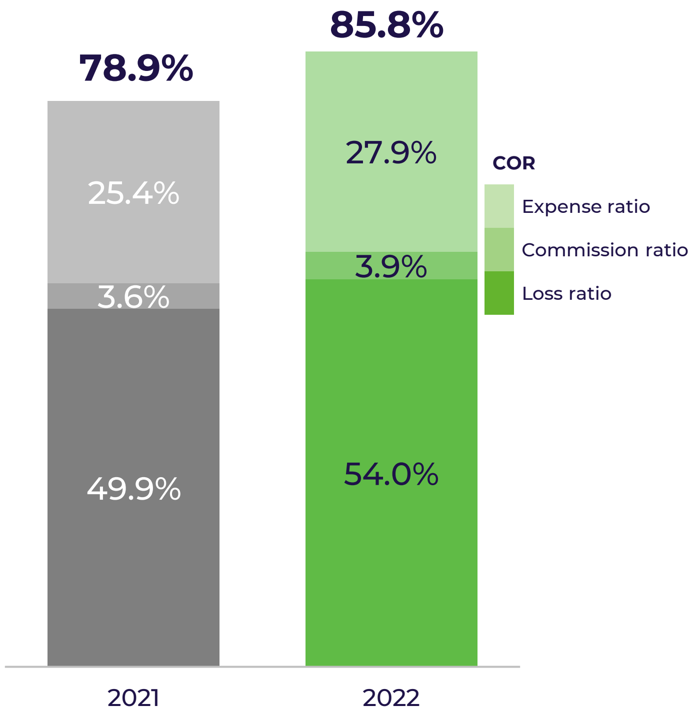
Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Rescue and other personal lines: Maintained attractive margins with sub 90% COR

RoPL results (excluding run-off partnerships[1])

Key metrics £m	2021	2022	Change %
In-force policies 000's	**2,505**	**2,474**	**(3.2%)**
Gross written premium (adjusted[2])	**281**	**274**	**(2.5%)**
Net earned premium	272	273	(0.1%)
Underwriting profit / (loss)	**58**	**39**	**(32.7%)**
Of which prior year releases	*9*	*1*	*(90.9%)*
Instalment and other income	13	18	45.2%
Investment return	3	3	(13.0%)
Operating profit / (loss)	**73**	**60**	**(18.6%)**
Of which Rescue	***62***	***53***	***(14.9%)***
Operating profit margin %	**26.9%**	**21.9%**	**(5.0pts)**



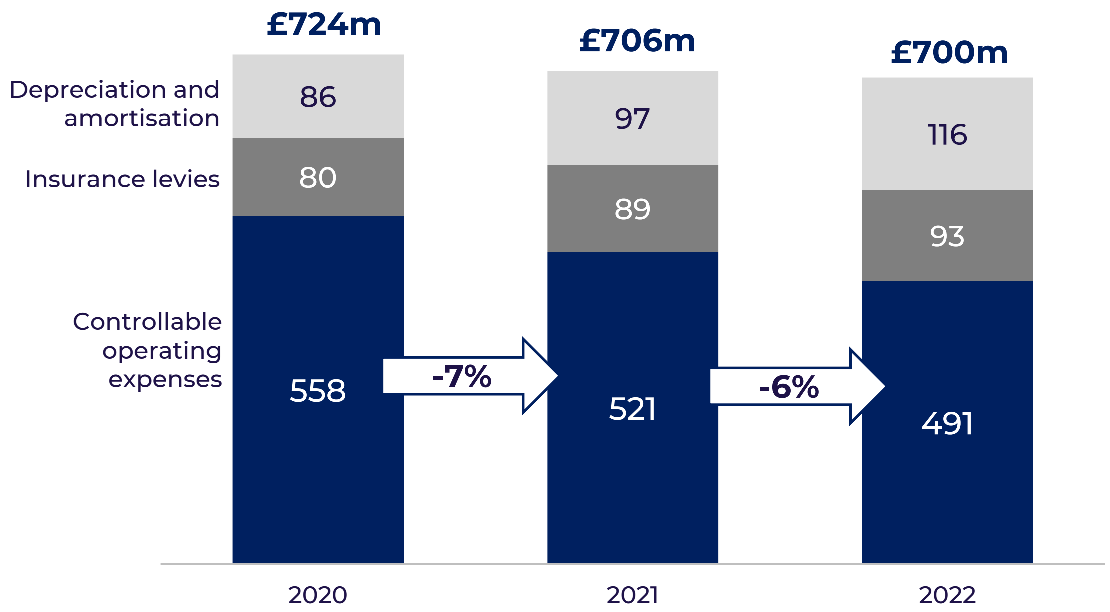
- This segment comprises Rescue, Pet, Travel, Creditor and our mid-to high-net worth business. Majority of RoPL operating profit is Rescue
- Increase in ROPL COR due to higher claims across Travel, mid-to-high-net worth, and Rescue
- Rescue operating profit reflects higher claims costs driven by fuel inflation and actions to support network capacity
- 2023 outlook: Continued strong margins expected

1. Exiting packaged bank account partnerships with NatWest and Nationwide for Travel and Rescue. These lines are now reported as run-off and prior year comparatives have been restated
2. Adjusted gross written premium, includes Green Flag admin and arrangement fees

See notes on slide 26 and glossary of terms on slides 50 to 53

Operating expenses: In line with guidance; £30m reduction in controllable costs despite inflationary pressures

Group operating expenses before restructuring costs



	2020	2021	2022
Expense ratio:	24.5%	23.9%	23.6%
Restructuring and one-off costs:	£39m	£102m	£45m

- Controllable operating expenses of £491m, £30m or 6% lower than 2021
- Year on year reductions demonstrate progress with transformation agenda, more than offsetting inflationary pressures
- Headcount reduced by 4.1% in 2022
- Restructuring and one-off costs of £45m supporting cost saving activities, majority non-cash
- Outlook: Focused on driving cost efficiency, inflationary pressure remain

Direct Line Group

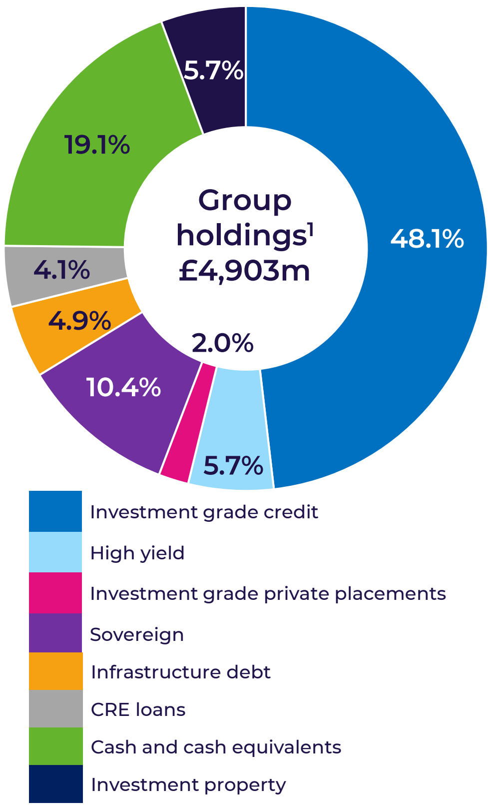
See notes on slide 26 and glossary of terms on slides 50 to 53

Investment return: Higher yields offset by realised and unrealised losses

Investment returns and assets under management

Ongoing operations £m	2021	2022
Investment income	116	124
Hedging to sterling floating rate	(13)	(6)
Net investment income	**103**	**118**
Net realised and unrealised gains/(losses)	44	(67)
Of which property fair value	*38*	*(39)*
Total investment return	**146**	**51**
AFS reserve net of tax as at 31 Dec	9	(195)

Yields	2021	2022
Net investment income yield	1.7%	**2.2%**
Net investment return yield	2.4%	**1.0%**



- Investment income increased to £118m due to interest rate increases, delivering a net income yield of 2.2%
- Net realised and unrealised losses increased to £67m due to realised losses on USD credit following capital actions and reductions in investment property valuations
- Total investment return was £51m, £95m lower than prior year

Outlook:

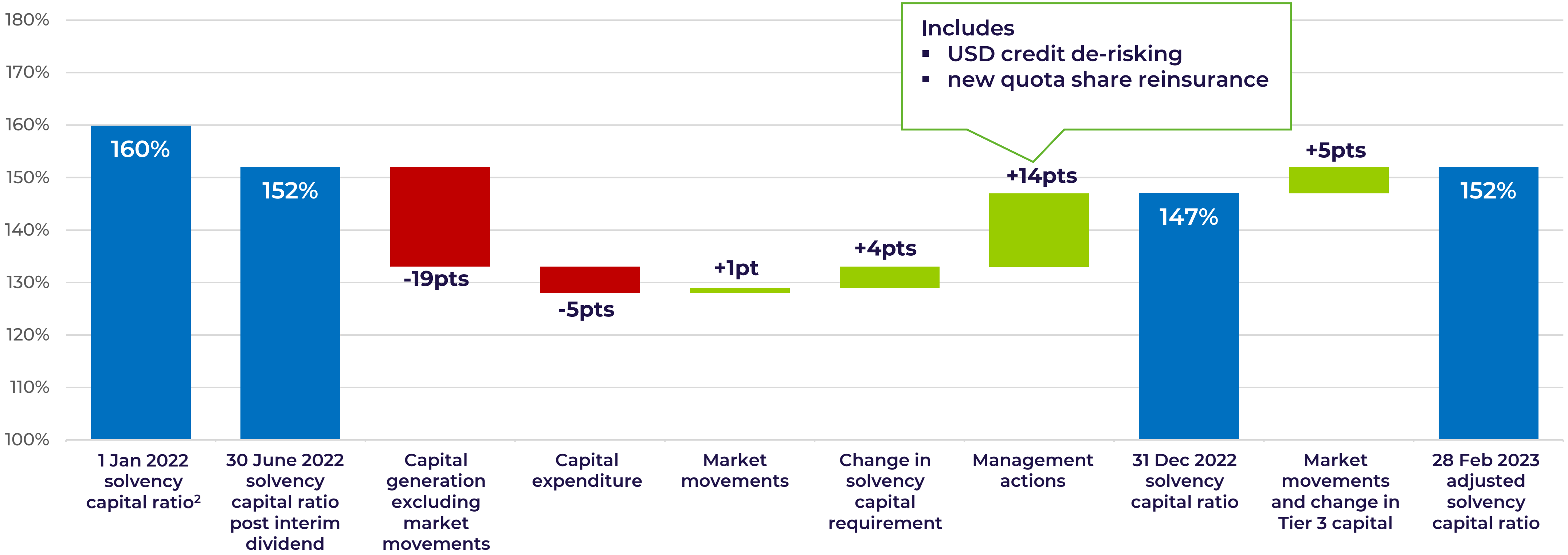
- Investment income yield expected to be c. 3.2%
- Total investment return yield[2] expected to be around 4% due to pull to par effect

1. Excludes equity investment of £13.6m
2. Under IFRS 17 and IFRS 9, the change in values will be reported in the P&L

See notes on slide 26 and glossary of terms on slides 50 to 53

Capital and balance sheet management: Solvency ratio of 147% following new quota share reinsurance arrangement

Solvency ratio walk[1]



Direct Line Group

1. Figures estimated and based on partial internal model (PIM) output as at 31 December 2022
2. 1 Jan 2022 solvency capital ratio after final regular dividend, £100m share buyback and excluding Tier 2 debt repaid in Q2 2022 and Tier 2 ineligible capital

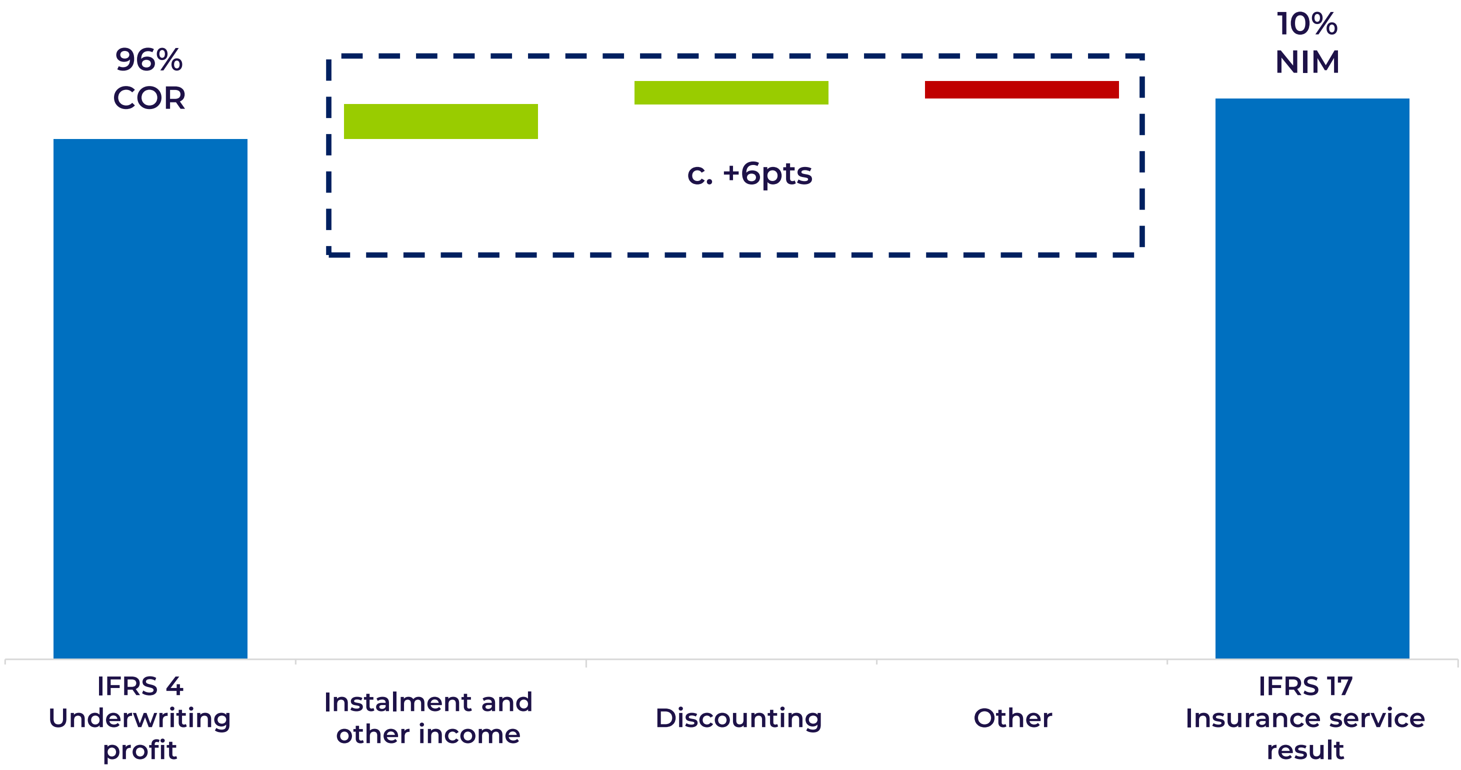
See notes on slide 26 and glossary of terms on slides 50 to 53

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

1 Organic capital generation	2 Mechanical tailwinds	3 Self-help actions
Positive operational capital generation expected with weighting to non-motor business lines	AFS pull to par	Motor margin restoration
	Reduce ineligible capital	Exited partnerships
	Risk margin	Further asset de-risking
	Tax carry-back	Additional reinsurance options
	c. 7pts – 15pts benefit	**c. 0pt – 15pts benefit**

IFRS 17: Moving to net insurance margin as a key performance indicator

IFRS 4 to IFRS 17



- IFRS 17 does not change the economics of the business
- IFRS 17 will change the face of the income statement
- Accounting policy choices will improve alignment with capital generation under Solvency II
- Net insurance margin more closely resembles how we run the business

1. For more information of IFRS 17, please refer to the presentation on Group's website

See notes on slide 26 and glossary of terms on slides 50 to 53

2023 Group outlook

Motor	▪ Earnings impacted by earn through of business written in 2022 and early 2023 ▪ Motability on board in H2 2023
Group (IFRS 17)	▪ Aim to deliver a Net Insurance Margin (NIM) of 10%; will take time to achieve given headwinds in Motor ▪ 2023 earnings not representative of Group potential
Capital and dividends	▪ Pursuing a range of capital actions in addition to positive organic capital generation ▪ The Board will update the dividend outlook at the half year results

See notes on slide 26 and glossary of terms on slides 50 to 53

Jon Greenwood
Acting CEO

Direct Line Group

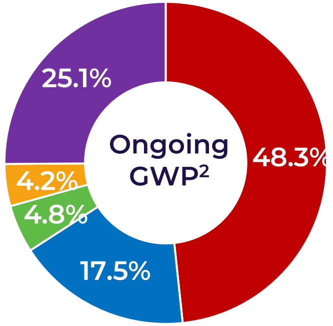
The fundamental strengths of the Group remain intact

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

Direct Line
GreenFlag No Matter What
NIG
churchill
Privilege.
Darwin.
direct line for business

'We are Britain's leading private motor insurer[1]'

Top 3 positions
✓ Motor
✓ Home
✓ Rescue



Our vertically integrated claims model provides advantage

DLG AUTO SERVICES

- Traditional bodyshops
- In-house ADAS and van capability
- Birmingham bodyshop, technology centre, regional ADAS centre
- 18 repair PODs in retail car parks

Our customer focus drives strong retention rates[3]

Motor	Home	GreenFlag
82%	87%	83%
+5pts	+2pts	+3pts

We continue to expand our products, brands and services

churchill essentials
THE EV Café
MAKING ELECTRIC EASY
Motability Operations Ltd

Direct Line Group

1. Ipsos 2023, Financial Research Survey (FRS), 6 months ended Jan 2023. 14,318 adults (aged 16+) surveyed across Great Britain with motor insurance, 13,942 with home insurance. Interviews were conducted online and via telephone, and weighted to reflect the overall profile of the adult population. Includes Direct Line, Churchill, Privilege, Darwin and partner brands; RBS, NatWest
2. Adjusted for Green Flag admin and arrangement fees
3. Direct own brands

See notes on slide 26 and glossary of terms on slides 50 to 53

Closing messages

1 We have taken action to improve motor profitability, and Motor pricing capability is key focus in 2023

2 We have taken action to build our capital strength, and have further self-help options to improve the Group's solvency ratio

3 We will focus on maintaining our strategic progress in Home, Commercial and Rescue

4 The fundamental strengths of the Group remain, with great brands, strong customer service, claims expertise, and a diversified business model

Appendix

Notes to financial disclosures

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

2. Direct own brands include 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.

3. Adjusted solvency capital ratio as at 31 December 2021 excluded £250 million Tier 2 debt which was redeemed on 27 April 2022

4. See glossary of terms on pages 50 to 53

IFRS 4 income statement to IFRS 17 income statement

IFRS 4 income statement (management view)

A	Gross earned premium
B	Reinsurance premium
	Net earned premium
C	Insurance claims
D	Insurance claims recoverable from reinsurers
	Net insurance claims
E	Commission expenses
F	Operating expenses
	Total expenses
	Underwriting result
G	Investment return
H	Instalment income
I	Other income
	Operating profit
J	Restructuring and one-off costs
K	Finance costs
	Profit before tax

Income relating to claims

Insurance expenses

Income from intermediary services

Non-insurance expenses

IFRS 17 & IFRS 9 income statement (management view)

A + H + I	**Insurance contract revenue**
B	Expenses from reinsurance contracts held
	Net insurance contract revenues
C + I + L + M	Insurance claims
D + L + M	Insurance claims recoverable from reinsurers
	Net insurance contract claims
E	Acquisition costs
F	Operating expenses
	Insurance service result
G	Investment income
I	Other operating income
F	Other operating expenses
	Operating profit[1]
G + P	*Investment unrealised fair value gains / (losses)*
G	*Investment impairments to financial instruments*
N	*Net finance expenses from insurance contracts*
O	*Net finance income from reinsurance contracts*
	Net finance expenses and FV and impairments
J	Restructuring and one-off costs
K	Finance costs
	Profit before tax

We'll continue to report GWP

New IFRS 17 elements

- **L** Loss component (onerous contract)
- **M** Removal of management prudence and inclusion of ENIDs / risk adjustment
- **N** Unwind of discounting on gross claims +/- rate change
- **O** Unwind of discounting on reinsurance recoveries +/- rate change
- **P** Unrealised gains and losses on debt securities

No change

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

IFRS 17 KPIs: Net insurance margin to become key ratio

IFRS 17 & IFRS 9 (management view)	
Insurance contract revenue	
Expenses from reinsurance contracts held	
Net insurance contract revenues	
Insurance claims	
Insurance claims recoverable from reinsurers	
Net insurance contract claims	A
Acquisition costs	B
Operating expenses	C
Insurance service result	
Investment income	
Other operating income	
Other operating expenses	
Operating profit[1]	
Net finance expenses and FV and impairments	
Restructuring and one-off costs	
Finance costs	
Profit before tax	

Net insurance contract revenues becomes the denominator replacing net earned premiums

$$\text{Net insurance margin} = \frac{\text{Insurance service result}}{\text{Net insurance contract revenues}}$$

A **Net insurance claims ratio[1]**

Net insurance contract claims / Net insurance contract revenue

B **Acquisition ratio**

Acquisition costs / Net insurance contract revenue

C **Expense ratio**

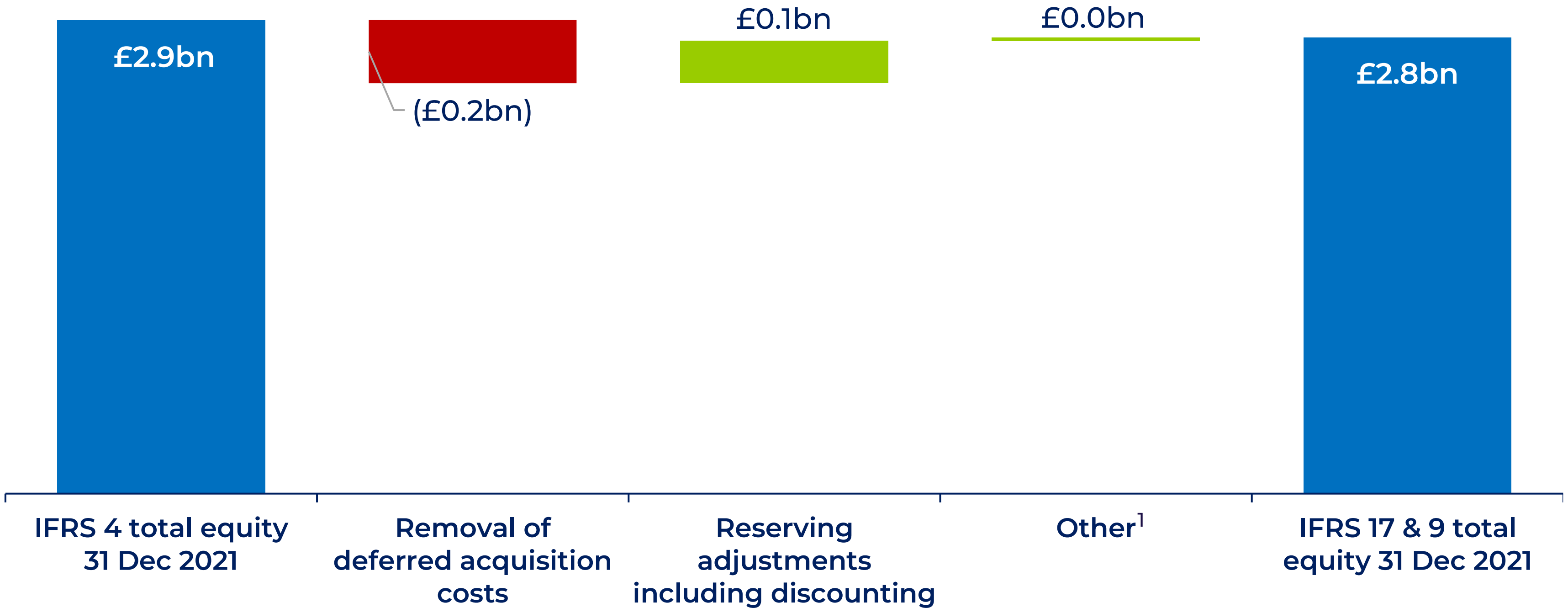
Operating expenses / Net insurance contract revenue

1. Current year loss ratio, weather and prior year loss ratio will continue to be reported

See notes on slide 26 and glossary of terms on slides 50 to 53

IFRS 17: Modest impact of transition on total equity primarily due to treatment of acquisition costs

- Total IFRS equity (post-tax) expected to reduce by c.2% with adjustment recognised in retained earnings
- No impact on Solvency II own funds with the exception of anticipated current / deferred tax



1. Includes instalment income adjustment, expected credit losses under IFRS 9 and deferred tax

See notes on slide 26 and glossary of terms on slides 50 to 53

Motor result

	2021	2022
In-force policies (000s)	**3,971**	**3,836**
Own brand in-force policies (000s)	3,869	3,756
Partnerships in-force policies (000s)	102	80
Gross written premium £m	**1,561**	**1,433**
Net earned premium £m	1,473	1,413
Loss ratio – current year	72.9%	90.9%
Loss ratio – prior years	(8.6%)	(4.7%)
Loss ratio	64.3%	86.2%
Commission ratio	3.3%	3.3%
Expense ratio	24.8%	25.1%
Combined operating ratio	**92.4%**	**114.7%**
Underwriting profit £m	**112**	**(207)**
Of which prior year releases £m	127	66
Instalment and other income £m	103	101
Investment return £m	100	29
Operating profit £m	**315**	**(77)**

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Home result

	2021	2022
In-force policies (000s)	**2,667**	**2,501**
Own brand in-force policies (000s)	1,879	1,732
Partnerships in-force policies (000s)	788	769
Gross written premium £m	**578**	**518**
Net earned premium £m	553	517
Loss ratio – current year attritional	55.7%	60.9%
Loss ratio – prior years	(8.3%)	(3.8%)
Loss ratio – major weather events	3.3%	23.1%
Loss ratio	50.7%	80.2%
Commission ratio	6.9%	5.1%
Expense ratio	22.5%	21.6%
Combined operating ratio	**80.1%**	**106.9%**
COR Normalised for weather	***85.2%***	***94.7%***
Underwriting profit £m	**110**	**(36)**
Of which prior year releases £m	*46*	*20*
Instalment and other income £m	19	17
Investment return £m	13	10
Operating profit £m	**142**	**(9)**

Normal weather assumed to be £54m in 2023

(2022: £52m)

DirectLine Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Rescue and other personal lines results – ongoing operations

Rescue and other personal lines	2021	2022
In-force policies (000s)	**2,505**	**2,424**
Rescue (000s)	2,273	2,185
Pet (000s)	138	128
Other personal lines (000s)	94	111
Adjusted gross written premium £m	**281**	**274**
Net earned premium £m	272	273
Loss ratio – current year	53.1%	54.3%
Loss ratio – prior years	(3.2%)	(0.3%)
Loss ratio	49.9%	54.0%
Commission ratio	3.6%	3.9%
Expense ratio	25.4%	27.9%
Combined operating ratio	**78.9%**	**85.8%**
Underwriting profit / (loss) £m	**58**	**39**
Of which prior year releases £m	*9*	*1*
Operating profit £m	**73**	**60**

Rescue	2021	2022
In-force policies (000s)	2,273	2,185
Of which Green Flag (000s)	1,179	1,106
Adjusted gross written premium £m	**155**	**144**
Of which Green Flag £m	**88**	**88**
Combined operating ratio	**67.7%**	**76.6%**
Operating profit £m	**62**	**53**

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

In 2022 the amount of service fees recognised as other income was £22m, which has been adjusted in the premium in the table above

Commercial result

	2021	2022
In-force policies (000s)	**871**	**928**
Own brands (000s)	602	651
NIG and other (000s)	269	277
Gross written premium £m	**653**	**749**
Net earned premium £m	561	642
Loss ratio – current year attritional	62.0%	57.5%
Loss ratio – prior years	(10.9%)	(8.4%)
Loss ratio – major weather events	3.4%	4.6%
Loss ratio	54.5%	53.7%
Commission ratio	20.0%	19.4%
Expense ratio	21.7%	21.1%
Combined operating ratio	**96.2%**	**94.2%**
COR Normalised for weather	***96.3%***	***92.8%***
Underwriting profit £m	**21**	**37**
Of which prior year releases £m	*61*	*54*
Instalment and other income £m	9	11
Investment return £m	30	10
Operating profit £m	**60**	**58**

Normal weather assumed to be £26m in 2023 (2022: £21m)

See notes on slide 26 and glossary of terms on slides 50 to 53

Run-off partnerships

	2021	2022
In-force policies (000s)	**NR**	**NR**
Gross written premium £m	**99**	**124**
Net earned premium £m	97	122
Loss ratio – current year attritional	NR	NR
Loss ratio – prior years	NR	NR
Loss ratio – major weather events	NR	NR
Loss ratio	NR	NR
Commission ratio	NR	NR
Expense ratio	NR	NR
Combined operating ratio	**NR**	**NR**
Underwriting profit £m	**NR**	**NR**
Of which prior year releases £m	*15*	*22*
Instalment and other income £m	-	-
Investment return £m	1	1
Operating profit £m	**(9)**	**(12)**

- The Group has exited, or has initiated termination of three partnerships which will reduce its exposure to low margin packaged bank accounts so it can redeploy capital to higher return segments. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, and which the Group has indicated to the partner that it will not be seeking to renew
- The Group has excluded the results of these three run-off partnerships from its ongoing results and has restated all relevant comparatives across this review. Results relating to ongoing operations are clearly referenced. Note 3 (Segmental analysis) has also been amended to reflect the change. The operating loss relating to run-off partnerships in 2022 was £11.5 million (2021: £8.5 million)

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Instalment and other operating income

Group £m	2021	2022
Instalment income	**97.3**	**92.4**
Other operating income:		
Revenue from vehicle recovery and repair services	19.7	24.2
Vehicle replacement and referral income	13.1	14.6
Legal services income	7.2	4.9
Other income	6.7	11.6
Other operating income	**46.7**	**55.3**
Total instalment and other operating income	**144.0**	**147.7**

See notes on slide 26 and glossary of terms on slides 50 to 53

Reinsurance arrangements

Quota share (whole account)

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

Excess of loss (Motor)

Accident year	Deductible £m
2023	**5**
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 2023**
- Retained £5m deductible (indexed) up to £10m
  - £37.5m aggregate deductible for layers above £10m
  - All layers placed 100%
- Cover is unlimited in size and has an unlimited amount of cover reinstatements
- Placed on an uncapitalised basis
- Placed with a panel of reinsurers, the majority of which are at least 'A+' rated

Property catastrophe (Home & Commercial)

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

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

Direct Line Group

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

Group consolidated balance sheet

Group balance sheet £m	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Goodwill and other intangible assets	567	703	787	823	**822**
Financial investments and cash	6,214	5,914	6,194	5,906	**4,981**
Reinsurance assets	1,209	1,251	1,129	1,212	**1,102**
Other assets	1,545	1,566	1,512	1,368	**1,450**
Total Assets	**9,535**	**9,434**	**9,622**	**9,309**	**8,355**
Unearned premium reserve	1,506	1,506	1,497	1,501	**1,463**
Insurance liabilities	4,006	3,820	3,617	3,680	**3,654**
Other liabilities	1,119	1,118	1,462	1,231	**957**
Total Liabilities	**6,631**	**6,444**	**6,576**	**6,412**	**6,074**
Shareholders' equity	2,558	2,644	2,700	2,551	**1,934**
Tier 1 notes	346	346	346	346	**347**
Total Equity	**2,904**	**2,990**	**3,046**	**2,897**	**2,281**

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Investment portfolio

As at 31 December 2022	UK Insurance target allocation	UK Insurance current holding	Total Group income yield[1]	Total Group interest rate duration (years)
Investment grade (incl private placements)	69.0%	51.6%	2.0%	2.7
High yield	6.0%	5.8%	4.8%	2.2
Total credit	**75.0%**	**57.4%**	**2.2%**	**2.6**
Sovereign	3.0%	10.7%	0.7%	0.4
Total debt securities	**78.0%**	**68.1%**	**2.1%**	**2.3**
Infrastructure debt	4.0%	5.0%	3.2%	0.1
Commercial real estate loans	6.5%	4.2%	4.4%	0.1
Investment property	5.5%	5.8%	5.3%	-
Cash and cash equivalents	6.0%	16.9%	1.5%	-
Total	**100.0%**	**100.0%**	**2.3%**	**1.6**

3.8% of total debt securities rated as ‘AAA’ and 59.0% rated as ‘AA’ or ‘A’

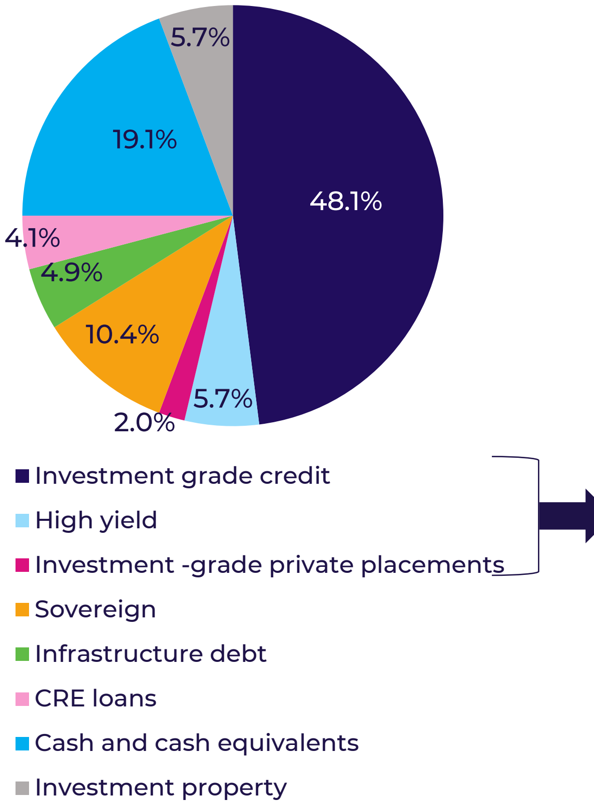
Direct Line Group

1. Gross investment income yield

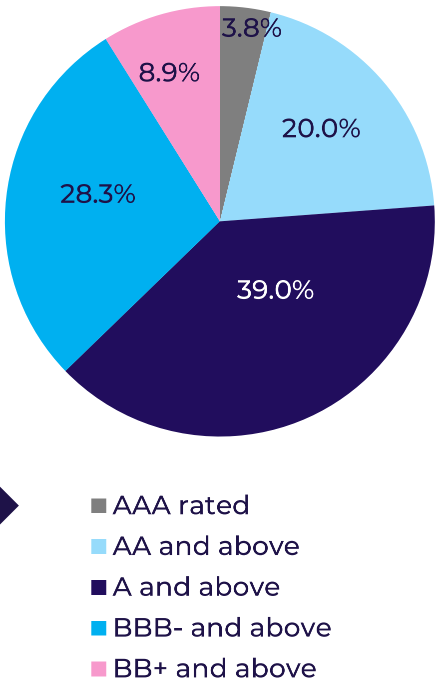
See notes on slide 26 and glossary of terms on slides 50 to 53

Investment portfolio analysis

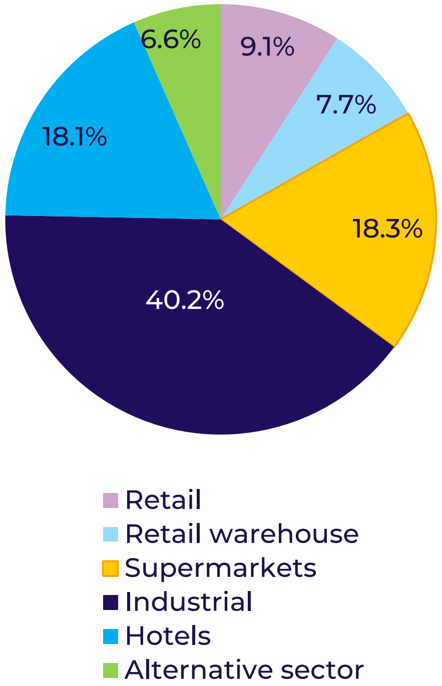
Group holdings[1] £4,903m



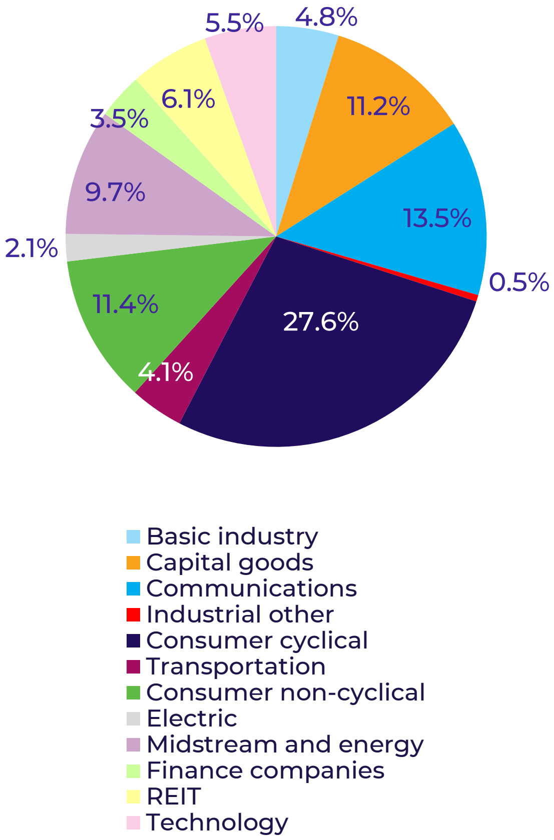
Debt securities credit quality



Property by sector[2] £279m



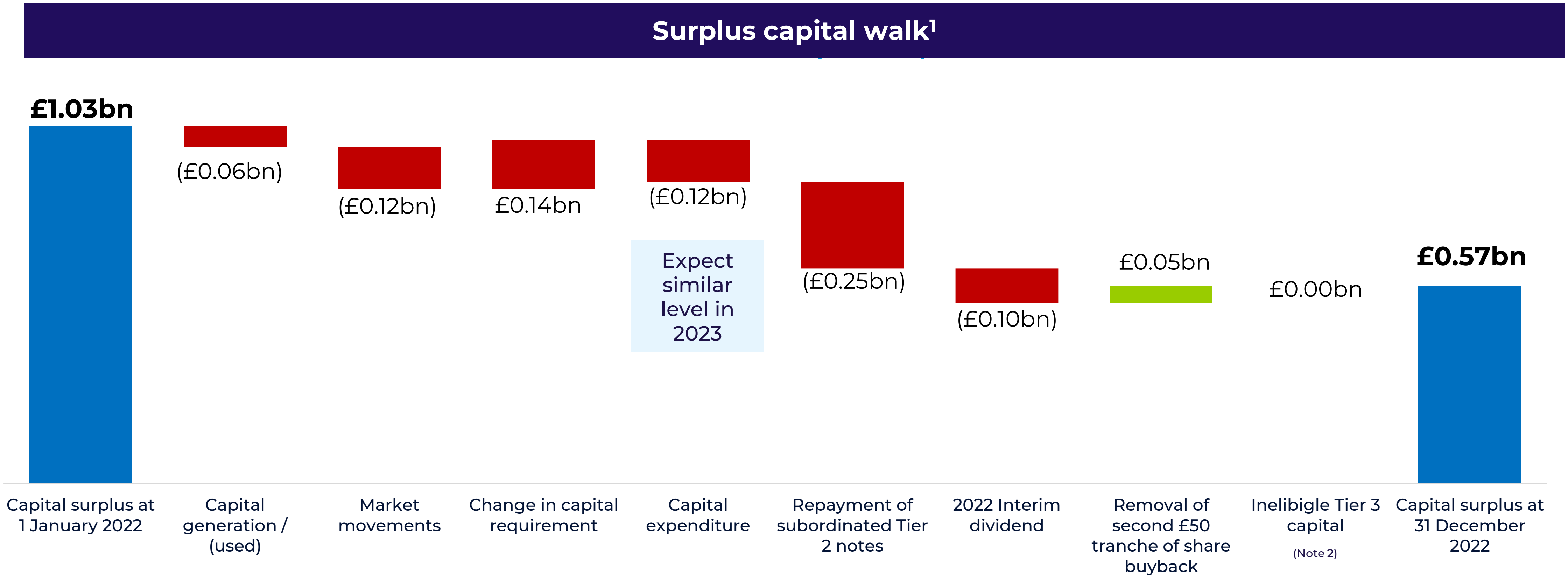
High yield by sector £279m



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 26 and glossary of terms on slides 50 to 53

Movement in surplus capital

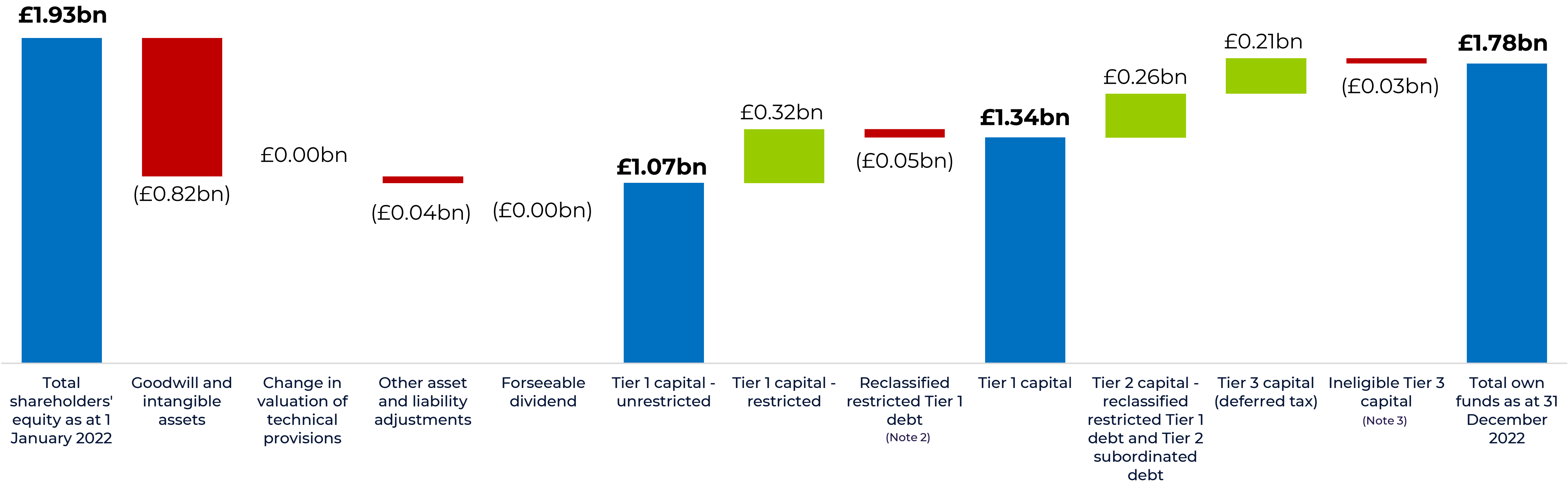


1. Figures estimated and based on partial internal model (PIM) output as at 31 December 2022
2. At 31 December 2022 ineligible Tier 3 capital arose as the amount of Tier 3 capital permitted under the Solvency II regulations is 15% of the Group's SCR. At 31 December 2021 ineligible Tier 3 capital arose as the amount of Tier 2 and Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR

See notes on slide 26 and glossary of terms on slides 50 to 53

IFRS to Solvency II bridge

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

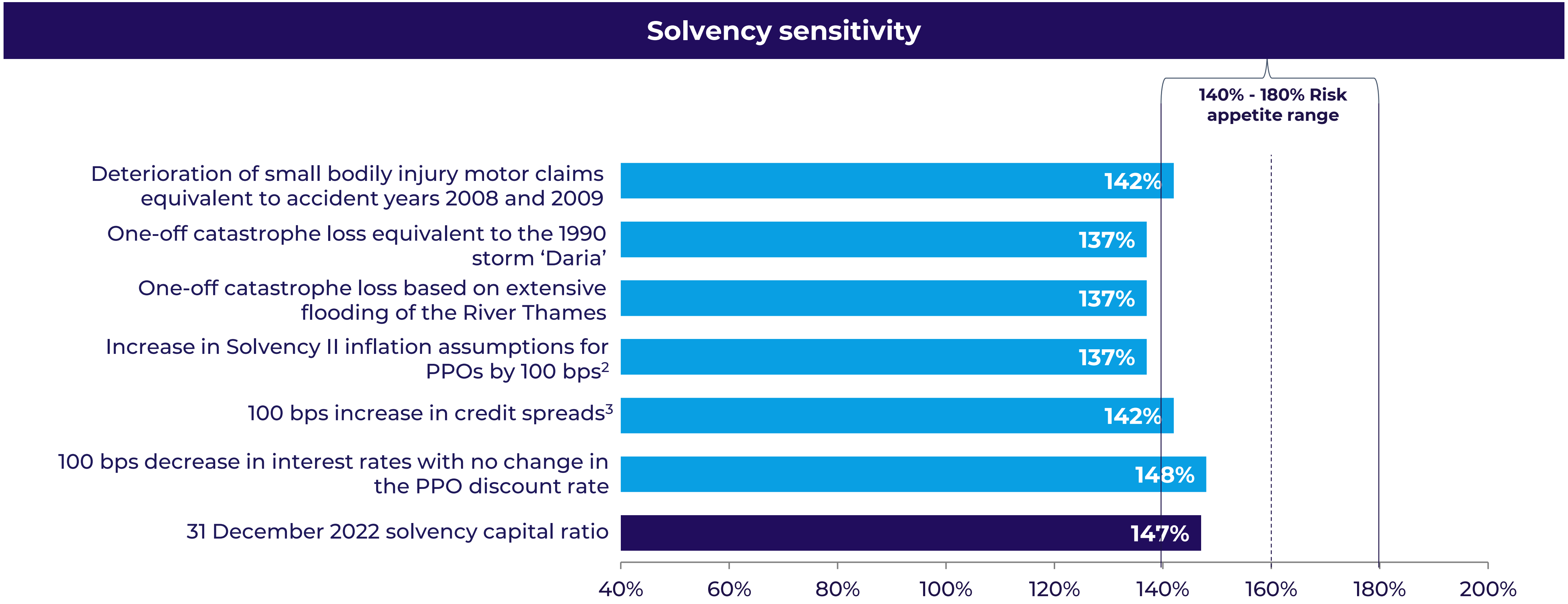


1. Figures estimated and based on partial internal model (PIM) output as at 31 December 2022
2. As at 31 December 2022, £51 million (31 December 2021: £19 million) of the Group's restricted Tier 1 capital was reclassified as Tier 2 due to Solvency II tiering restrictions.
3. At 31 December 2022, the amount of Tier 2 capital permitted under the Solvency II regulations is 15% of the Group's SCR which resulted in ineligible capital of £33 million. At 31 December 2021, the amount of Tier 2 and Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR which resulted in ineligible capital of £31 million.

See notes on slide 26 and glossary of terms on slides 50 to 53

Direct Line Group

Solvency scenario and sensitivity analysis[1]



1. Sensitivities are calculated under the assumption full tax benefits can be realised.
2. The PPO inflation assumption used is an actuarial judgement which is reviewed annually based on a range of factors including the economic outlook for wage inflation relative to the PRA discount rate curve.
3. Includes only the impact on AFS assets (excludes assets held at amortised costs) and assumes no change to the SCR.

Capital actions

Mechanical impacts	Self- help actions
AFS pull to par Unrealised losses on investment grade credit debt securities expected to unwind as bonds reach maturity.	**Motor margin restoration** Pricing actions have been taken but will take time to earn through. Focus on improving trading capability, utilising our new pricing system
Reduce ineligible capital Expenses of acquisition costs under IFRS17 moves capital from Tier 3 to Tier 1 reducing Group ineligible capital, from 1 Jan 2023	**Exited partnerships** Exiting low margin packaged bank account business in Travel and Rescue Entering new contract with Motability with 80% of risk reinsured
Risk margin The reform of Solvency II rules in the UK are expected to deliver a reduction in risk margin The timing and final rules are uncertain	**Further asset de-risking** Re-balancing our target asset allocations
Tax carry-back Should the Group pay more taxes in respect of 2023 than 2022, this will increase the loss carry-back allowance in the SCR	**Additional reinsurance options** Expand current XoL, QS and Cat covers Explore new options including Stop Loss and ADC

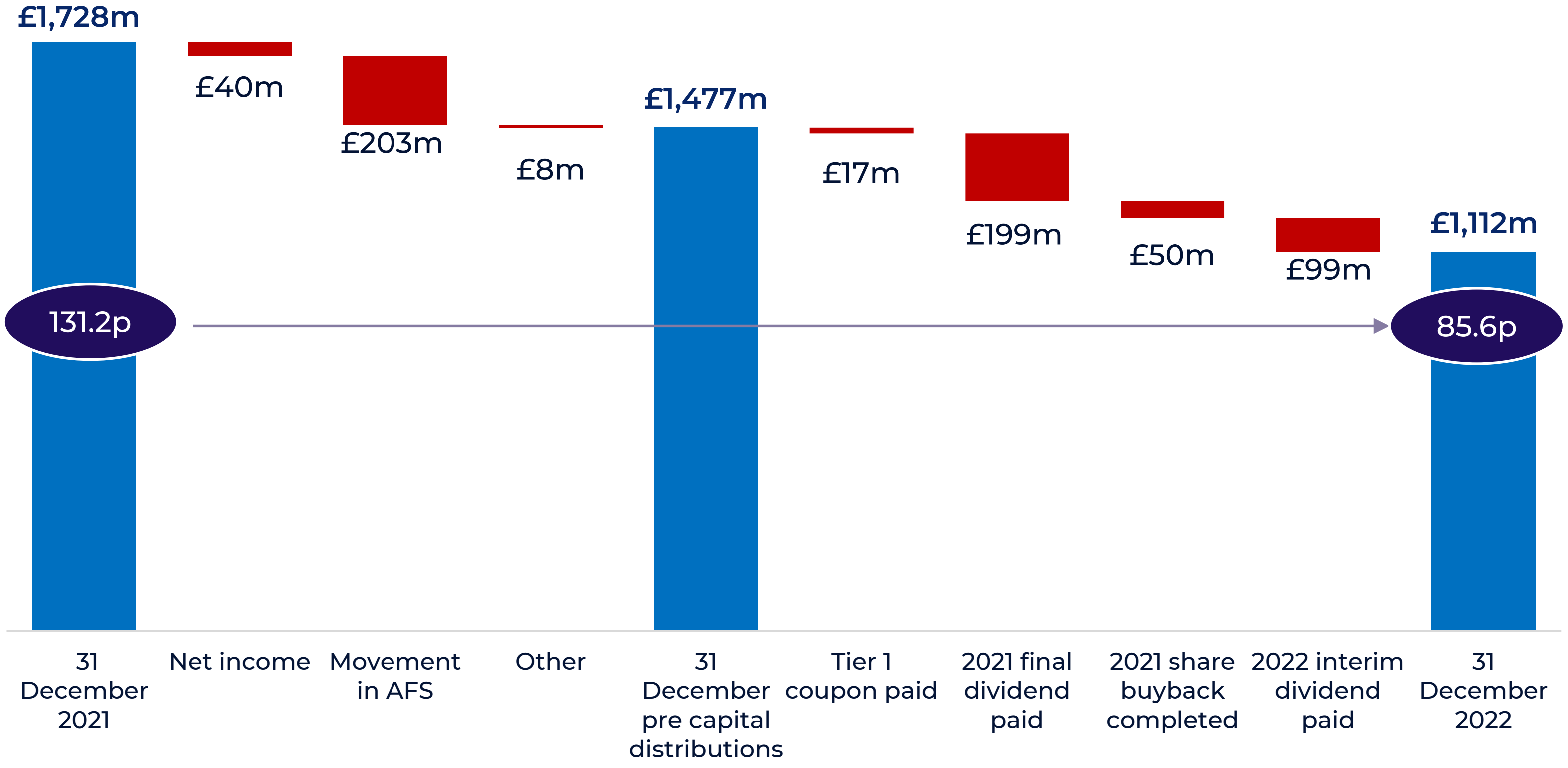
Plus positive capital generation

DirectLine Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Book value and TNAV

Movement in tangible net asset value



	31 Dec 2021	31 Dec 2022
Net asset value per share (pence)	193.6	**149.0**
Tangible net asset value per share (pence)	131.2	**85.6**

Total unrealised AFS losses of £195m (net of tax) as at 31 December 2022

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

Return on tangible equity and earnings per share calculations

Return on tangible equity (RoTE)

	2021 £m	2022 £m
Profit / (loss) before tax	446.0	(45.1)
Add back: Restructuring and one-off costs	101.5	45.3
Coupon payments in respect of Tier 1 notes	(16.6)	(16.6)
Adjusted profit / (loss) before tax	**530.9**	**(16.4)**
Tax charge / (credit) (using 2022 and 2021 UK standard tax rate of 19%)	(100.9)	3.1
Adjusted profit / (loss) after tax	**430.0**	**(13.3)**
Opening shareholders tangible equity	1,912.9	1,727.7
Closing shareholders' tangible equity	1,727.7	1,111.8
Average shareholders' tangible equity	**1,820.3**	**1,419.8**
RoTE	**23.6%**	**(0.9%)**

Basic earnings / (loss) per share (EPS)

	2021 £m	2022 £m
Profit / (loss) after tax	343.7	(39.5)
Coupon payments in respect of Tier 1 notes	(16.6)	(16.6)
Profit / (loss) for the calculation of EPS	**327.1**	**(56.1)**
Weighted average number of shares (millions)	1,335.8	1,304.3
Basic earnings / (loss) per share (pence)	**24.5**	**(4.3)**

See notes on slide 26 and glossary of terms on slides 50 to 53

2022 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total ongoing operations	Exited partnerships	Total Group
GWP	1,432.7	518.1	269.7	749.3	**2,969.8**	124.4	**3,094.2**
Net earned premium	1,412.6	517.3	272.8	641.7	**2,844.4**	122.1	**2,966.5**
Net insurance claims	(1,217.4)	(414.7)	(147.2)	(344.9)	**(2,124.2)**	(110.4)	**(2,234.6)**
Commission expenses	(47.4)	(26.3)	(10.7)	(124.5)	**(208.9)**	(2.2)	**(211.1)**
Operating expenses	(354.8)	(111.9)	(76.0)	(135.2)	**(677.9)**	(21.6)	**(699.5)**
Underwriting profit / (loss)	**(207.0)**	**(35.6)**	**38.9**	**37.1**	**(166.6)**	**NR**	**(178.7)**
Investment return	28.9	9.9	2.5	9.7	**51.0**	0.6	**51.6**
Instalment and other operating income	100.9	17.0	18.3	11.5	**147.7**	**-**	**147.7**
Operating profit / (loss)	**(77.2)**	**(8.7)**	**59.7**	**58.3**	**32.1**	**(11.5)**	**20.6**
Restructuring and one-off costs	-	-	-	-	-	-	**(45.3)**
Finance costs	-	-	-	-	-	-	**(20.4)**
Profit before tax	-	-	-	-	-	-	**(45.1)**
Tax	-	-	-	-	-	-	**5.6**
Profit after tax	-	-	-	-	-	-	**(39.5)**
Loss ratio – current year	90.9%	84.0%	54.3%	62.1%	**79.2%**	NR	**80.8%**
Loss ratio – prior year	(4.7%)	(3.8%)	(0.3%)	(8.4%)	**(4.9%)**	NR	**(5.5%)**
Commission ratio	3.4%	5.1%	3.9%	19.4%	**7.3%**	NR	**7.1%**
Expense ratio	25.1%	21.6%	27.9%	21.1%	**23.7%**	NR	**23.6%**
Combined operating ratio	**114.7%**	**106.9%**	**85.8%**	**94.2%**	**105.3%**	NR	**106.0%**
Combined operating ratio normalised for weather	**n/a**	**94.7%**	**n/a**	**92.8%**	**102.8%**	**n/a**	**103.3%**

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

2021 segmental results

(£m)	Motor	Home	Rescue and other personal lines	Commercial	Total ongoing operations	Exited partnerships	Total Group
GWP	1,560.8	577.8	281.1	653.0	**3072.7**	98.9	**3,171.6**
Net earned premium	1,473.3	553.4	272.3	561.2	**2,860.2**	97.2	**2,957.4**
Net insurance claims	(947.0)	(280.4)	(135.6)	(306.0)	**(1,669.0)**	(49.7)	**(1,718.7)**
Commission expenses	(48.2)	(38.1)	(9.7)	(112.3)	**(208.3)**	(32.6)	**(240.9)**
Operating expenses	(366.4)	(124.9)	(69.2)	(121.5)	**(682.0)**	(24.3)	**(706.3)**
Underwriting profit / (loss)	**111.7**	**110.0**	**57.8**	**21.4**	**300.9**	**NR**	**291.5**
Investment return	99.8	12.5	2.9	30.3	**145.5**	0.8	**146.3**
Instalment and other operating income	103.3	19.3	12.6	8.7	**143.9**	0.1	**144.0**
Operating profit / (loss)	**314.8**	**141.8**	**73.3**	**60.4**	**590.3**	**(8.5)**	**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%	53.1%	65.4%	**66.9%**	NR	**66.8%**
Loss ratio – prior year	(8.6%)	(8.3%)	(3.2%)	(10.9%)	**(8.5%)**	NR	**(8.7%)**
Commission ratio	3.3%	6.9%	3.6%	20.0%	**7.3%**	NR	**8.1%**
Expense ratio	24.8%	22.5%	25.4%	21.7%	**23.8%**	NR	**23.9%**
Combined operating ratio	**92.4%**	**80.1%**	**78.9%**	**96.2%**	**89.5%**	NR	**90.1%**
Combined operating ratio normalised for weather	**n/a**	**85.2%**	**n/a**	**96.3%**	**90.5%**	**n/a**	**91.1%**

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

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%**

Direct Line Group

See notes on slide 26 and glossary of terms on slides 50 to 53

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 26 and glossary of terms on slides 50 to 53

Glossary of terms

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

Glossary of terms

Term	Definition
Current-year operating profit	This is calculated by total operating profit less movement in prior-year reserves.
Direct own brands	Direct own brands include Home and Motor under the Direct Line, Churchill, Darwin and Privilege brands, Rescue under the Green Flag brand and Commercial under the Direct Line for Business and Churchill brands.
Earnings per share	The amount of the Group's profit after deduction of the Tier 1 coupon payments allocated to each Ordinary Share of the Company.
Exited partnerships	The Group has exited, or is seeking to exit, three partnerships which will reduce its exposure to low margin packaged bank accounts so it may can redeploy capital to higher return segments. The exited partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, where the Group has indicated that it will not be seeking to renew.
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.

Direct Line Group

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 Insurance Margin ("NIM")	This is a proposed IFRS 17 key performance indicator based on the ratio of an insurance service return divided by a view of net insurance contract revenue. The definition of an insurance service return is the sum of the net insurance contract revenues, net insurance contract claims, acquisition costs and operating expenses, compared to the net insurance contract revenues generated. We will provide definitions of these terms reconciled to the statutory basis in future disclosures.
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 disclaimer

Certain information contained in this document, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aims", "ambition", "anticipates", "aspire", "believes", "continue", "could", "estimates", "expects", "guidance", "intends", "may", "mission", "outlook", "over the medium term", "plans", "predicts", "projects", "propositions", "seeks", "should", "strategy", "targets", "vision", "will" or "would" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They may appear in several places throughout this document and include statements regarding intentions, beliefs or current expectations, including of the Directors, concerning, among other things: the Group's results of operations, financial condition, prospects, growth, strategies, the industry in which the Group operates and the Group's approach to climate-related matters.

Examples of forward-looking statements include financial targets which are contained in this document with respect to return on tangible equity, solvency capital ratio, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in expense ratio, investment income yield, net realised and unrealised gains, capital expenditure and risk appetite range; and targets, goals and plans relating to climate and the Group's approach and strategy in connection with climate-related risks and opportunities. By their nature, all forward-looking statements involve risk and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and/or are beyond the Group's control and/or they rely on assumptions that may or may not transpire to be correct. Forward-looking statements are not guaranteeing future performance.
The Group's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this document, for example directly or indirectly as a result of, but not limited to:

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

In addition, even if the Group's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.
The forward-looking statements contained in this document reflect knowledge and information available as of the date of preparation of this document. The Group and the Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document constitutes or should be construed as a profit forecast.

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.

IR contacts

Paul Smith

Director of Investor Relations
Paul.R.Smith@directlinegroup.co.uk
+44 (0) 7795 811263

Louise Calver

Investor Relations Manager
Louise.Calver@directlinegroup.co.uk
+44 (0) 1651 832877

Jen Ramsey

Investor Relations Co-ordinator
Jen.Ramsey@directlinegroup.co.uk