



Interim management statement for Direct Line Insurance Group plc for the three months and nine months to 30 September 2012

2 November 2012

Financial highlights

- Operating profit from ongoing operations¹ of £347.9 million for the nine months to 30 September 2012, up 3% (nine months to 30 September 2011: £337.8 million)
- In-force policies of 20.1 million, up 4% since the beginning of the year (31 December 2011: 19.4 million) with Motor and Home broadly stable and growth in Rescue and other personal lines
- Combined operating ratio² for ongoing operations of 99.7% for the nine months to 30 September 2012, an improvement against the nine months to 30 September 2011 (101.9%) driven principally by a significant improvement in the loss ratio
- Annualised return on tangible equity³ ("RoTE") from ongoing operations of 10.6% for the nine months to 30 September (proforma RoTE: 13.5%⁴)
- Operating profit from ongoing operations for third quarter 2012 of £123.7 million, down 4% compared with third quarter 2011 reflecting lower investment returns partially offset by a better underwriting result; the third quarter 2012 combined operating ratio of 96.9% compared with 100.5% for third quarter 2011, driven by improvements in both the loss and expense ratios
- Net asset value per share of 187.2 pence and tangible net asset value per share of 159.7 pence per share (31 December 2011: 240.9 pence and 216.5 pence, respectively)

Business highlights

- Successful separation from RBS Group and subsequent IPO of Direct Line Group in early October
- Steps announced to deliver approximately 50% of the 2014 target of £100 million gross annual cost savings⁵
- Continued rollout of claims transformation plan with over 400,000 Motor and Home claims now on the new claims system. Benefits from plan contributing to prior year reserve releases.

Paul Geddes, CEO of Direct Line Group, commented

"These are our first quarterly results as a listed company and we are pleased to report continued progress on our strategy. Against the backdrop of a competitive market and subdued investment returns, we continue to focus on disciplined pricing and underwriting, delivering claims improvements and lowering our expenses through our cost savings initiatives. This together with the improved capital structure and performance helped to increase our proforma return on tangible equity to 13.5% for the first nine months of 2012.

We continue to make good progress on the initiatives that will deliver our previously announced target of reducing gross annual costs by £100 million in 2014. As part of these initiatives, we have undertaken a significant simplification of our head office, including the loss of around 70 senior leadership roles. These changes, combined with previous actions, mean we have now announced approximately 50% of our 2014 cost saving target."

See page 2 for notes

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Notes:

(1) Ongoing operations

Ongoing operations include Direct Line Group's (the "Group") ongoing segments: Motor, Home, Rescue and other personal lines, Commercial and International. It excludes Run-off and Restructuring and other one-off costs.

(2) Combined operating ratio

Combined operating ratio is the sum of net insurance claims, commission and other operating expenses expressed as a percentage of net earned premium. The ratio excludes instalment income, other operating income and investment income.

(3) Return on tangible equity ("RoTE")

Adjusted to exclude Run-off operations and Restructuring and other one-off costs; based on average tangible invested equity, adjusted for the weighted average value of dividends paid in the period and using UK standard tax rate.

(4) Proforma RoTE

Assumes that the capital actions taken by Direct Line Group (£1 billion dividend payment and £500 million Tier 2 debt issued) occurred on 1 January 2012.

(5) £100 million gross annual cost savings

Cost savings expected to be recognised in operating costs for ongoing operations and claims handling expenses in 2014.

(6) NIG

NIG is the broker facing brand of the Commercial segment of the Group.

Forward-looking statements

Certain information contained in this announcement including any information as to the Group's strategy, plans or future financial or operating performance constitute "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aims", "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "predicts", "projects", "seeks", "should", "targets" or "will" 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 a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things: the Group's results of operations, financial condition, prospects, growth, strategies and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of 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 announcement. 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 announcement speak only as of the date of this announcement. The Group expressly disclaims any obligations or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, regulation or accounting standard, or the Listing Rules or the Disclosure and Transparency Rules of the FSA.

Overview

Direct Line Insurance Group plc ("**Direct Line Group**" or the "**Group**") continues to progress towards its target of 15% return on tangible equity.

In a competitive market, the Group continues to focus on margin improvement over volume demonstrated by stable in-force policies for Motor and Home and a 3% improvement in operating profit from ongoing operations for the nine months ended 30 September 2012. The combined operating ratio reduced to 99.7% for the nine months ended 30 September 2012 (same period 2011: 101.9%) and 96.9% for the third quarter 2012 (third quarter 2011: 100.5%) both driven by a significant improvement in the loss ratio as the changes to risk mix and claims transformation plan deliver benefits.

In October 2012 RBS Group sold 520.8 million ordinary shares in Direct Line Group completing a successful initial public offering (IPO). This represented 34.7% of the total share capital and generated gross proceeds of £911 million received by RBS Group.

Business update

Following the renewal and expansion of partnership agreements with Nationwide Building Society and Sainsbury's Bank in the first half of 2012, the Group signed an arm's length, five year distribution agreement with RBS Group for the continued provision of general insurance products post divestment. In September, a new marketing campaign was launched for the Direct Line brand further differentiating its service led proposition. These activities reinforce Direct Line Group's multi-brand, multi-product and multi-channel personal lines business model in the UK.

The claims transformation programme has continued during the quarter and all new Motor and own brand Home claims are now handled on the new claims management system. Over 400,000 claims are on the system and benefits are being realised as a result of the improved claims processes including shorter settlement times and improved legal case management.

During the quarter, Commercial continued to develop its new e-trading platform. This will enable NIG to provide a wider range of SME products for brokers on an electronic trading platform and drive greater operational efficiency, whilst also significantly improving the broker and customer experience.

International continued to consolidate its position with 1.4 million in-force policies. Gross written premium for the nine months ended 30 September 2012 was up 5% in local currency on the same period last year. This followed a period of strong growth in 2010 and 2011. International continues to benefit from its multi-channel distribution model including partnerships.

The Group continues to focus on reducing operational costs, targeting the delivery of gross annual cost and claims handling savings of £100 million in 2014 through overall improvements in operational efficiency, continued efforts to simplify its internal organisational structure and better managing its customer acquisition costs. Steps already announced, including measures to reduce costs in central functions and the closure of our Teesside office as well as the reduction of around 70 senior leadership roles across the organisation, contribute to approximately 50% of the cost saving target with another 20% to be delivered from marketing in 2013. Plans are in an advanced state for the remaining 30%.

Over the last 18 months, a number of regulatory reviews and initiatives have been announced by the UK Government, the Ministry of Justice and the Competition Commission in relation to the motor insurance industry. The Group is actively engaged with major stakeholders and continues to support the introduction of a coherent set of reforms. This was reinforced by the recent reversal of an earlier Court of Appeal decision (*Simmons v Castle*) in relation to the timing of a 10% uplift in general damages.

Separation

From 1 July 2012, the Group has been operating on a substantially standalone basis with independent corporate functions and governance, following successful implementation of a comprehensive programme of separation initiatives. During the first nine months of the year these included launching a new corporate identity and the Direct Line Group Board becoming fully compliant with the UK Corporate Governance code following further non-executive director appointments. New contracts of employment have been agreed and issued to staff, independent HR systems have been implemented and an arm's length transitional services agreement has been reached with RBS Group for residual services.

Outlook

The UK personal lines market remains competitive. In this environment, the Group will continue to focus on its strategy of maintaining margin over volume. With the recent announcement relating to further delivery against its £100 million gross annual cost saving target and continued benefits arising from its claims transformation plan, the Group continues to make progress towards its 98% combined operating ratio target for ongoing business in 2013.

Financial summary

	Quarter ended		Nine months ended	
	30 Sep 2012 £ Million	30 Sep 2011 £ Million	30 Sep 2012 £ Million	30 Sep 2011 £ Million
Gross written premium (ongoing operations)	1,026.8	1,080.4	3,085.2	3,173.6
Net earned premium (ongoing operations)	929.5	983.1	2,790.3	2,926.8
Underwriting result	28.4	(5.2)	8.4	(55.4)
Other operating income	48.0	63.6	146.8	197.8
Investment return	47.3	69.9	192.7	195.4
Operating profit from ongoing operations	123.7	128.3	347.9	337.8
Run-off segment	(3.0)	0.9	(1.8)	(11.5)
Restructuring and other one-off costs	(28.2)	(20.8)	(136.9)	(30.6)
Operating profit	92.5	108.4	209.2	295.7
Finance costs and other	(10.1)	(0.7)	(20.3)	(0.5)
Profit before tax	82.4	107.7	188.9	295.2
Tax	(23.4)	(26.6)	(47.1)	(71.9)
Profit for the period	59.0	81.1	141.8	223.3
Of which ongoing operations ¹	85.8	93.8	247.3	246.7
Key metrics				
Ongoing operations:				
Loss ratio	66.8%	71.1%	67.2%	73.2%
Commission ratio	9.2%	7.5%	8.7%	7.6%
Expense ratio	20.9%	21.9%	23.8%	21.1%
Combined operating ratio	96.9%	100.5%	99.7%	101.9%
Investment income yield			2.0%	2.3%
Investment return yield			3.1%	2.9%
Earnings per share (pence)			9.5	14.9
Adjusted earnings per share ¹ (pence)			16.5	16.4
RoTE (annualised)			10.6%	n/a
Proforma RoTE (annualised)			13.5%	n/a
			As at	
			30 Sep	31 Dec
			2012	2011
Net asset value per share (pence)			187.2	240.9
Tangible net asset per share (pence)			159.7	216.5

¹ Adjusted to exclude Run-off operations and Restructuring and other one-off costs (using UK standard tax rate)

In-force policies and gross written premium – Ongoing operations

In-force policies (thousands)	As at			
	30 Sep 2012	30 Jun 2012	31 Dec 2011	30 Sep 2011
Motor	4,094	4,135	4,107	4,220
Home	4,291	4,304	4,308	4,336
Rescue and other personal lines	9,771	9,693	9,151	9,600
Commercial	466	460	422	410
International	1,444	1,441	1,387	1,357
Total	20,066	20,033	19,375	19,923

In-force policies (“IFPs”) for ongoing operations increased 4% from the beginning of the year to 20.1 million. The increase related primarily to Rescue and other personal lines and arose mainly from travel policies from packaged bank accounts. Motor and Home IFPs were broadly stable during the period.

Commercial continued to grow IFPs through Direct Line for Business which focuses on micro and small businesses. After a period of strong growth in 2011, International consolidated its position at 1.4 million IFPs.

Gross written premium	Quarter ended		Nine months ended	
	30 Sep 2012 £ Million	30 Sep 2011 £ Million	30 Sep 2012 £ Million	30 Sep 2011 £ Million
Motor	439.6	471.9	1,281.7	1,337.9
Home	267.0	277.1	751.4	777.9
Rescue and other personal lines	104.0	106.7	303.3	299.2
Commercial	103.7	100.9	333.5	332.8
International	112.5	123.9	415.3	425.8
Total	1,026.8	1,080.4	3,085.2	3,173.6

Gross written premiums of £3,085.2 million fell 3% compared to the nine months to 30 September 2011 (£3,173.6 million). This was predominantly driven by Motor, due to lower IFPs, reflecting risk mix improvements during 2011, and continued focus on disciplined underwriting. International fell in Sterling terms but rose 5% in local currency. Gross written premium in the third quarter 2012 was 5% lower than the same quarter 2011.

Underwriting results – Ongoing operations

Key ratios (%)	Quarter ended		Nine months ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
Loss ratio	66.8%	71.1%	67.2%	73.2%
Commission ratio	9.2%	7.5%	8.7%	7.6%
Expense ratio	20.9%	21.9%	23.8%	21.1%
Combined operating ratio	96.9%	100.5%	99.7%	101.9%

The combined operating ratio from ongoing operations of 99.7% improved by 2.2 percentage points compared with the nine months to 30 September 2011 (101.9%). This was attributable to a significant improvement in the loss ratio which more than offset an increase in the expense ratio. The combined operating ratio for ongoing operations for the third quarter 2012 was 96.9%, a 3.6 percentage point improvement on the same quarter in 2011.

The improvement in the loss ratio was despite approximately £100 million of Home claims primarily related to freeze and flood events occurring in the first nine months of 2012, of which £10 million related to the three months to 30 September 2012 (nine months to 30 September 2011: approximately £20 million). Normally expected weather event claims for the first nine months of the year are approximately £50 million.

Releases from prior year claims reserves contributed £286.8 million during the nine months to 30 September 2012, representing 10.3 percentage points of net earned premium. Favourable experience in Motor was driven by lower than expected average claims costs for small claims on bodily injury on both the personal and commercial motor books. Releases from Motor were partly attributable to benefits arising from the Group's claims transformation programme.

Releases from prior year claims reserves in the third quarter 2012 contributed £58.4 million and represented 6.3 percentage points of net earned premium, with continuing improvements in personal Motor bodily injury claims experience.

The increase in the expense ratio for the nine months ended 30 September 2012 to 23.8% (nine months ended 30 September 2011: 21.1%) reflected a temporary increase in costs including central overhead charges relating to building separate corporate functions. The effect of lower net earned premium added around 1 percentage point to the expense ratio for ongoing operations. The trend in the third quarter has been positive with an expense ratio for the third quarter 2012 of 20.9% which was 1.0 percentage point lower than the same quarter in 2011 and 4.5 percentage points lower than the first half of 2012. This is in line the Group's guidance of some improvement in the expense ratio in the second half of 2012.

Other operating income – Ongoing operations

Other operating income	Quarter ended		Nine months ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	£ Million	£ Million	£ Million	£ Million
Instalment income	31.6	34.5	93.7	104.5
Other operating income	16.4	29.1	53.1	93.3
Total instalment and other operating income	48.0	63.6	146.8	197.8

Instalment and other operating income of £146.8 million for the nine months to 30 September 2012 fell 26% on the same period last year (£197.8 million). This was due to the cessation of fee income in Motor relating to managing certain elements of the run-off of the Tesco Personal Finance ("TPF") business and lower instalment income reflecting lower IFPs in Motor period on period.

Investment return – Ongoing operations

Investment return	Quarter ended		Nine months ended	
	30 Sep 2012 £ Million	30 Sep 2011 £ Million	30 Sep 2012 £ Million	30 Sep 2011 £ Million
Investment income	40.4	52.6	137.7	161.3
Net realised and unrealised gains ¹	6.9	17.3	55.0	34.1
Total investment return	47.3	69.9	192.7	195.4

Investment return of £192.7 million was 1% lower than the nine months to 30 September 2011. This reflects lower investment yields and higher cash holdings partially offset by higher realised gains. Investment return in the third quarter 2012 was down 32% at £47.3 million compared with the same period in the previous year as a result of lower investment yields on the fixed income portfolio as well as lower realised gains.

Investment yields – Total Group	Nine months ended	
	30 Sep 2012	30 Sep 2011
Investment income ²	2.0%	2.3%
Investment return ³	3.1%	2.9%

The income yield on the total portfolio (including Run-off) was 2.0% in for the nine months to 30 September 2012 (nine months to 30 September 2011: 2.3%) reflecting a higher proportion of cash holdings and lower reinvestment yields. High cash holdings are due to rebalancing the portfolio within the ongoing operations. In addition, the investment assets supporting the TPF liabilities are now held in cash. Over time the cash holdings are expected to reduce as longer term investments are made in line with the Group's investment strategy.

Financial investments and cash – Total Group	As at		
	30 Sep 2012 £ Million	30 Jun 2012 £ Million	31 Dec 2011 £ Million
Government bonds	2,657.8	2,947.1	3,481.2
Corporate bonds	4,203.7	3,916.4	3,843.2
Mortgage backed securities	95.7	169.3	283.5
Other investment funds	-	-	382.8
Total available-for-sale investments	6,957.2	7,032.8	7,990.7
Loans and receivables	753.1	483.0	1,489.6
Total financial investments	7,710.3	7,515.8	9,480.3
Cash and cash equivalents	1,854.6	2,565.6	1,379.8
Property	33.2	-	69.5
Total financial investments and cash	9,598.1	10,081.4	10,929.6

The Group's investment portfolios comprised primarily investment grade corporate bonds, cash and gilts. During the quarter, the Group continued to restructure its portfolio through a further net purchase of £287.3 million in corporate bonds and £33.2 million in property.

At 30 September 2012, exposure to peripheral Eurozone bonds was £52.0 million, less than 1% of the portfolio, comprising non-sovereign debt issued in Ireland, Italy and Spain.

¹ Unrealised gains relate to derivative hedges and property

² Investment income excludes net gains and is shown on an annualised basis.

³ Investment return includes net gains and is shown on an annualised basis.

Operating profit – Ongoing operations

Operating profit	Quarter ended		Nine months ended	
	30 Sep 2012 £ Million	30 Sep 2011 £ Million	30 Sep 2012 £ Million	30 Sep 2011 £ Million
Underwriting result	28.4	(5.2)	8.4	(55.4)
Other operating income	48.0	63.6	146.8	197.8
Investment return	47.3	69.9	192.7	195.4
Operating profit	123.7	128.3	347.9	337.8

The operating profit for ongoing operations of £347.9 million was a 3% increase on the nine months to 30 September 2011 (£337.8 million). The improvement was driven by the underwriting result. This was partially offset by a lower contribution from other operating income.

Run-off and Restructuring and other one-off costs

The Run-off segment, which includes the exited personal lines broker and TPF businesses, made a loss of £1.8 million in the nine months to 30 September 2012 compared with a loss of £11.5 million in the same period 2011. Reserve releases for the nine months to 30 September 2012 were £65.2 million, the majority of which related to TPF.

During the third quarter 2012, the Group agreed with TPF the level of final reserves to be retained by it in respect of the run-off of remaining claims under TPF policies and finalised certain other matters arising out of the expiration of the distribution arrangements. Following determination of the reserves, the risks and rewards of the run-off for this line of business was transferred to the Group. The Group intends, subject to the consent of the FSA, to repay the £258.5 million loan to TPF, although currently this is not expected to happen until 2013.

Restructuring and other one-off costs of £136.9 million primarily relate to activities associated with separation and divestment from RBS Group. It is currently expected that for the whole of 2012 these costs will be approximately £170 million. In addition, given the good progress on its cost initiatives, the Group now expects to incur in 2012 approximately £30 million of the anticipated £100 million restructuring cost relating to its £100 million gross annual cost saving plan.

Finance and other costs

Finance costs increased to £20.3 million primarily reflecting interest associated with the £500 million Tier 2 debt issued in April 2012.

Profit and return on tangible equity

Overall pre-tax profit for the nine months to 30 September 2012 was £188.9 million with profit after tax of £141.8 million (nine months to 30 September 2011: £295.2 million and £223.3 million, respectively).

Annualised return on tangible equity for the period for ongoing operations was 10.6%. Had the capital actions taken by the Group in 2012 (£1 billion dividend payment and £500 million Tier 2 debt issuance) occurred on 1 January 2012, proforma annualised RoTE from ongoing operations for the nine months to 30 September 2012 would have been 13.5%¹.

Earnings per share

Earnings per share were 9.5 pence (nine months to 30 September 2011: 14.9 pence). Adjusted earnings per share² for the nine months to 30 September 2012 were 16.5 pence (nine months to 30 September 2011: 16.4 pence).

¹ See note 4 on page 2

² Adjusted to exclude Run-off operations and Restructuring and other one-off costs, and based on weighted average number of ordinary shares in issue during the period (using UK standard tax rate).

Dividends

The Group continued to improve its capital structure with a further dividend of £200 million paid to RBS Group on 3 September 2012, taking the total dividend paid in 2012 to £1 billion. Following the IPO, the Group has adopted a progressive dividend policy which will aim to increase dividends annually in real terms. For 2012, the dividend pay-out ratio is expected to be between 50-60% of post tax profits from ongoing operations and a final dividend of two thirds of this amount is expected to be paid in the second quarter of 2013.

Net asset value

The net asset value at 30 September 2012 was £2.8 billion (31 December 2011: £3.6 billion) with tangible net asset value of £2.4 billion (31 December 2011: £3.2 billion). This equates to 187.2 pence and 159.7 pence per share respectively as at 30 September 2012 (31 December 2011: 240.9 pence and 216.5 pence, respectively).

DIRECT LINE INSURANCE GROUP PLC
COMBINED INCOME STATEMENT

TOTAL GROUP

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	£ Million	£ Million	£ Million	£ Million
Gross earned premium	1,014.2	1,105.4	3,048.9	3,473.3
Reinsurance premium ceded	(81.5)	(69.5)	(246.0)	(197.0)
Net earned premium	932.7	1,035.9	2,802.9	3,276.3
Investment return	61.6	87.8	237.6	234.7
Instalment and other operating income	47.0	59.1	146.1	182.1
Total income	1,041.3	1,182.8	3,186.6	3,693.1
Insurance claims	(626.3)	(770.7)	(2,135.4)	(2,539.8)
Insurance claims recoverable from reinsurers	36.1	35.4	321.1	104.1
Net insurance claims	(590.2)	(735.3)	(1,814.3)	(2,435.7)
Commission expenses	(135.5)	(93.3)	(357.5)	(277.6)
Other operating expenses	(223.1)	(245.8)	(805.6)	(684.1)
Total expenses	(358.6)	(339.1)	(1,163.1)	(961.7)
Operating profit	92.5	108.4	209.2	295.7
Finance costs	(10.1)	(0.7)	(20.3)	(2.1)
Gain on disposal of subsidiary	-	-	-	1.6
Profit before tax	82.4	107.7	188.9	295.2
Tax charge	(23.4)	(26.6)	(47.1)	(71.9)
Profit for the period attributable to Owners of the Company	59.0	81.1	141.8	223.3
Earnings per share				
- basic (pence)	3.9	5.4	9.5	14.9

ONGOING OPERATIONS

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	£ Million	£ Million	£ Million	£ Million
Gross earned premium	1,009.5	1,049.0	3,031.6	3,107.2
Reinsurance premium ceded	(80.0)	(65.9)	(241.3)	(180.4)
Net earned premium	929.5	983.1	2,790.3	2,926.8
Investment return	47.3	69.9	192.7	195.4
Instalment and other operating income	48.0	63.6	146.8	197.8
Total income	1,024.8	1,116.6	3,129.8	3,320.0
Insurance claims	(683.7)	(742.5)	(2,161.2)	(2,247.5)
Insurance claims recoverable from reinsurer	62.7	43.8	287.1	105.9
Net insurance claims	(621.0)	(698.7)	(1,874.1)	(2,141.6)
Commission expenses	(85.6)	(73.7)	(241.5)	(223.9)
Other operating expenses	(194.5)	(215.9)	(666.3)	(616.7)
Total expenses	(280.1)	(289.6)	(907.8)	(840.6)
Operating profit	123.7	128.3	347.9	337.8
Finance costs	(10.1)	(0.7)	(20.3)	(2.1)
Profit before tax for ongoing operations	113.6	127.6	327.6	335.7

DIRECT LINE INSURANCE GROUP PLC

ADDITIONAL INFORMATION

Company overview

Direct Line Group is a retail general insurer with leading market positions in the United Kingdom, the largest direct motor insurer in Italy and the third largest direct motor insurer in Germany. The Group utilises a multi-brand, multi-product and multi-distribution channel business model that covers most major customer segments in the United Kingdom for personal lines general insurance and a more targeted presence in the Commercial market. The Group has market leading positions in terms of in-force policies and has the most highly recognised brands (Direct Line and Churchill) in the United Kingdom for personal motor insurance and personal home insurance.

Corporate information

Direct Line Insurance Group plc is a public limited company incorporated in the United Kingdom. The address of the registered office is Churchill Court, Westmoreland Road, Bromley, BR1 1DP, England.

The Company, formerly RBS Insurance Group Limited, was incorporated on 26 July 1988 as a private limited company with a registered number 02280426 as a wholly-owned subsidiary of The Royal Bank of Scotland Group plc. RBS Group comprises The Royal Bank of Scotland Group plc and its subsidiaries.

In 2009, RBS Group committed to the European Commission to sell its insurance business as a condition of its receipt of State Aid. To comply with this requirement, RBS Group must cede control of the Company by the end of 2013 and must divest its entire interest by the end of 2014.

In October 2012 RBS Group sold 520.8 million ordinary shares in Direct Line Group completing a successful IPO. This represented 34.7% of the total share capital and generated gross proceeds of £911 million received by RBS Group.

Historical financial information

The basis of preparation of the financial information within this interim management statement for the nine months to 30 September 2012 is the same as the financial statements and notes contained within the Direct Line Group price range prospectus issued on 28 September 2012. Historical financial information for the three years ended 31 December 2011 and six months ended 30 June 2012 are available on Direct Line Group's website <http://directlinegroup.com/investors.aspx>. The historical financial information is not directly comparable to the Divisional Results published by RBS Group principally because a number of items, including restructuring costs, separation costs and goodwill impairment, are not included in Direct Line Group's operating profit reported in the RBS Group results; and the operating results of activities of TPF are reflected in operating profit in the historical financial information as Run-off business in all periods. In RBS Group's financial results disclosures prior to 2012, the operating results of TPF were included as part of the Non-Core division of the RBS Group.

Statutory results

The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the Company for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.