4 September 2024

# DIRECT LINE INSURANCE GROUP PLC
# HALF YEAR REPORT 2024

## RETURN TO PROFIT

| Gross written premium and associated fees[1,2] | Net insurance margin[1,2] | Solvency capital ratio[1,3] – post dividend |
|---|---|---|
| **£1,839 million** | **1.8%** | **198%** |
| **53.5% increase on H1 2023** | **10.6pts increase on H1 2023** | **2.0 pence per share dividend** |

## ADAM WINSLOW, CEO OF DIRECT LINE GROUP, COMMENTED:

“In the first half of the year we delivered strong premium growth and returned to profitability. The actions we have taken are beginning to make a difference but there is more to do. We will continue to drive business transformation during the second half of 2024 and into 2025, as our new high calibre management team continues to arrive. We remain committed to the strategy announced in July at the Capital Markets Day and are working to deliver on our targets of at least £100 million of gross cost savings, on a run-rate annualised basis, by the end of 2025 and a 13% net insurance margin in 2026.

"During the period our Motor margins have improved and we have remained disciplined with written net insurance margin estimated to have remained above 10% during the first half of 2024. In Non-Motor, we have delivered above target premium growth at 13.7% and attractive margins at 11.6%.

"Our solvency capital ratio has improved during the first half to a strong 200% pre-dividend, which, alongside positive capital generation, gives us confidence to announce a dividend payment of 2.0 pence per share."

### Results summary

| | **H1 2024 £m** | H1 2023 £m | Change |
|---|---|---|---|
| Gross written premium and associated fees[1] – ongoing operations[2] | **1,838.5** | 1,197.8 | 53.5% |
| Insurance service result – ongoing operations[2] | **25.3** | (100.3) | £125.6m |
| Net insurance margin[1] – ongoing operations[2] | **1.8%** | (8.8%) | 10.6pts |
| Ongoing operating profit/(loss)[1] – ongoing operations[2] | **63.7** | (93.7) | £157.4m |
| Profit/(loss) before tax | **61.6** | (76.3) | £137.9m |
| Operating return on tangible equity – annualised[1] | **5.8%** | (17.0%) | 22.8pts |
| Basic earnings/(loss) per share (pence) | **2.8** | (4.6) | 7.4 pence |
| Dividend per share (pence) | **2.0** | 0.0 | 2.0 pence |
| | **30 Jun 2024** | 31 Dec 2023 | Change |
| In-force policies[1] – ongoing operations (thousands)[1,2] | **8,951** | 9,235 | (3.1%) |
| Solvency capital ratio[1,3,4] – pre-dividend | **200%** | 192% | 8pts |
| Solvency capital ratio[1,3,4] – post-dividend | **198%** | 188% | 10pts |

Footnotes are shown on page 2

## Financial summary[2]

- Gross written premiums and associated fees growth of 53.5%, largely as a result of the Motability partnership which began in September 2023. Excluding Motability, growth of 11.4%, supported by rating action across Motor, Home, Commercial Direct and Rescue.
- In-force policies were 3.1% lower (Motor, 4.8%; Non-Motor, 1.6%) across the first half of 2024 reflecting trading discipline. Across the own brand portfolio Motor was 7.5% lower, while Non-Motor delivered an increase of 0.2%.
- Net insurance margin of 1.8% as a result of a strong margin of 11.6% in Non-Motor, partially offset by a negative 3.0% net insurance margin in Motor, which was impacted by the continued earn through of policies written in H1 2023. Motor written margins estimated to have remained above 10% net insurance margin during the first half of 2024.
- The combination of an improved result in Motor and strong margins in Non-Motor, delivered an ongoing operating profit in the first half of £64 million, £157 million ahead of prior year.
- Group profit before tax increased to £62 million, £138 million ahead of prior year.
- The Group's solvency capital ratio, post dividend[3] was a strong 198%. The Group has declared a dividend of 2.0 pence per share.

## Refreshed strategy and clear targets

In July, at our Capital Markets Day, we set out our refreshed strategy with a focus on technical excellence to drive for profitable growth and to position DLG as the customers' insurer of choice.

The key targets announced or reiterated were:

- Motor: Launch Direct Line on price comparison websites ("**PCWs**").
- Non Motor: Targeting 7% to 10% compound annual growth in gross written premium and associated fees between 2023 and 2026.
- Cost: Deliver at least £100 million gross cost savings by the end of 2025 on a run-rate annualised basis[5].
- Margin: Target a 13% net insurance margin in 2026[6].

We expect the delivery of our financial targets to underpin attractive future returns for our shareholders. Our revised dividend policy, announced at the Capital Markets Day, will target a payout ratio of around 60% of post-tax operating profit[7] for the regular dividend, with the potential for any additional capital returns to be reviewed annually alongside our full year results depending on solvency capital growth over time.

### For further information, please contact

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Notes:

1. See glossary on pages 52 to 54 for definitions and Appendix A - Alternative Performance Measures on pages 56 to 59 for reconciliation of operating return on tangible equity.
2. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly. See glossary on pages 52 to 54 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 60 to 68.
3. Estimates based on the Group's Solvency II partial internal model.
4. The full year 2023 solvency capital ratio has been represented as explained in the Chief Financial Officer review of this report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).
5. The Group's total operating expenses, acquisition expenses and claims handling expenses, adjusted to exclude restructuring and one-off costs, commission expenses and costs associated with the Brokered commercial business, Motability and By Miles.
6. Net insurance margin for ongoing operations, normalised for event weather.
7. Operating profit from ongoing operations after finance costs, coupon payments in respect of Tier 1 notes and tax at the standard rate.

## CEO REVIEW

It's been a busy half year and I would like to thank all colleagues for their hard work.

Since joining DLG just over six months ago I have rigorously reviewed our business, and listened intently to investors, customers, and employees. This work has deepened my belief in our strong foundations and significant potential to deliver for all our stakeholders.

We have completed a comprehensive strategy review across the entire Group that analysed the economics of our business, our products and channels, and what we need to do to win in our chosen markets.

In the first half we made progress on our turnaround and I have recruited an experienced and high-calibre new leadership team to drive this onwards. Some of them are now in position with the remainder joining us by the end of this year.

At our Capital Markets Day in July we shared our strategy and the detailed actions we are taking to reach our goal of becoming the customers' insurer of choice. These actions underpin our ambition and intention to grow our business and deliver strong returns for our shareholders.

### Motor: Taking actions to drive for sustained profitable growth

In Motor, we aim to deliver insurance  technical excellence across the value chain and ensure our customers have access to our excellent brands through the channels where they choose to buy insurance. We made good progress in the first half across a range of initiatives including delivery of PCW pricing capability improvements, enhancements to quote and buy journeys and reducing the proportion customers pay upfront for premium finance. All of these actions have delivered good results.

We have also conducted a thorough analysis of the opportunity to put the Direct Line brand on PCWs and have concluded that this is the right course of action. By combining the most recognised brand in the market with the channel of choice for our customers, we believe this can help us return to sustainable profitable growth.

Alongside taking action in our core Motor book, we have also seen continued growth in our Motability partnership, which now approaches eight hundred thousand customers.

In the first half of 2024 we observed some premium reduction in the market and traded with discipline, maintaining an estimated net insurance margin of above 10% on the business we wrote. This discipline contributed to an own brand policy count reduction of 7.5% across the first half, however the rate of decline reduced in the second quarter and our PCW-distributed policies returned to growth.

Gross written premium was 76.5% ahead of prior year principally due to Motability and higher rates across own brands, particularly in renewals where average premiums in the first half were 31% higher than prior year.

The net insurance margin in the first half was negative 3.0%, a significant improvement versus prior year as the pricing actions taken in the second half of 2023 continued to earn through. 2024 represents a transitional year and the Motor result continued to reflect business written in the first half of 2023 before target margins were achieved.

Overall, Motor delivered operating profit of £3 million, £184 million ahead of prior year.

In the second half of 2024 we plan to roll-out delivery across multiple initiatives including further data enrichment and renewals transformation, with the aim that these will support the future return to profitable growth in Motor.

### Non-Motor: Building on our strengths in Home, Commercial Direct and Rescue

Outside of Motor, we have plans to focus on the areas where we know we have the opportunity and capability to win. We target growth in Home, Commercial Direct and Rescue and have plans in place to further leverage these well positioned businesses. Conversely, we have paused further investment in Pet, Travel and Other personal lines.

In Home, we plan to leverage the capabilities provided by our new technology platform and revamp the product suite to drive for growth. The rollout of this technology which includes new policy and claims administration as well as a new pricing engine is underway and progressing as planned.

We are also broadening our product coverage in Commercial Direct by expanding our offering into underserved segments and in the first half we expanded our Tradesperson offering to include premises cover.

In Rescue, we are shifting our operating model by launching a fleet of our own patrol vehicles and plan to broaden our distribution through new partnerships. We have an exciting pipeline of activities in train and we look forward to sharing more details in due course. To further support our growth ambitions in Green Flag, we launched a marketing campaign to let customers know why they should choose us, with a focus on speed and value. Rescue linked returned sales to growth in Q2 following changes to the Motor quote and buy journey.

In the first half, Non-Motor delivered 13.7% growth in gross written premium and associated fees and is on track to deliver our target of 7-10% annual growth between 2023 and 2026. We experienced gross written premium growth across all products in the segment despite in-force policy count reducing 1.6% during the first half.

The net insurance margin was a strong 11.6% (10.1% normalised for event weather) with £61 million operating profit (£54 million normalised for event weather).

In the second half of 2024 we plan to continue to re-platform our Home book. In Rescue we will explore further partner opportunities and expand our patrol service, where a recruitment drive is underway. In Commercial Direct we aim to deploy new risk models in Van and further improve customer journeys in Landlord as this product has demonstrated the potential for delivering good margins.

## Costs: Significant opportunity to reduce our cost base

Our growth ambitions are underpinned by our target of significantly reducing our cost base. We are confident in delivering at least £100 million in gross cost savings by the end of 2025, on a run-rate annualised basis, and narrowing the cost gap versus peers. We have created a Central Transformation Office, started to drive a Target Operating Model programme and initiated substantial cost reduction actions across three key levers: technology, operations and demand, and simplification.

We have over 50 cost initiatives identified, many of which are underway, and we see opportunity to go further once these are realised. As previously disclosed, the total cost to achieve these savings is expected to be around £165 million across 2024 and 2025, with a significant proportion funded through our existing planned capital expenditure assumptions.

In the first half, we have taken a range of near-term cost actions such as limiting recruitment that does not align with our future-state model, allocating our brand media expenditure more efficiently and reducing discretionary expenditure.

## Capital and dividends

The Group ended the first half with a strong capital position and a solvency capital ratio pre-dividend of 200% (2023: 192%).

The Board has reviewed the progress the Group has made in turning around the business and, based on the Group's strong solvency coverage ratio and underlying capital generation over the last 12 months, has concluded it is appropriate to pay a dividend of 2.0 pence per share. The Group expects Motor profitability to improve further in the second half of 2024 and reiterates its policy to pay around 60% of full year operating earnings as a regular dividend. It remains a Board priority to return the Group to paying sustainable dividends to shareholders.

Following the dividend, the Group's solvency capital ratio was 198%; (2023: 188%). In the medium term, we are targeting a solvency capital ratio of around 180%; however, in the short-term, as we execute the turnaround plan, we expect to maintain a solvency capital ratio above this level.

## Outlook

We expect Motor's net insurance margin to improve during the second half of 2024 as written margins of above 10% continue to earn through. In Non-Motor we expect continued growth, in line with our target of 7% to 10% compound annual growth in gross written premium and associated fees between 2023 and 2026.

The Group believes there is significant opportunity to create further value and, as previously announced, is targeting a net insurance margin, normalised for event weather, of 13% in 2026.

**ADAM WINSLOW**

CHIEF EXECUTIVE OFFICER

## Group financial performance

| | Notes | 30 Jun 2024 | 31 Dec 2023 | Change |
|---|---|---|---|---|
| **Ongoing operations[1,2]** | | | | |
| In-force policies (thousands)[1] | | **8,951** | 9,235 | (3.1%) |

| | Notes | H1 2024 £m | H1 2023 £m | Change £m |
|---|---|---|---|---|
| **Ongoing operations[1,2]** | | | | |
| Gross written premium and associated fees[1,2] | | **1,838.5** | 1,197.8 | 53.5% |
| Net insurance revenue[1,2] | | **1,402.8** | 1,139.1 | 23.1% |
| **Insurance service result - ongoing operations[1,2]** | | **25.3** | (100.3) | 125.6 |
| Net insurance margin[1,2] | | **1.8%** | (8.8%) | 10.6pts |
| Combined operating ratio[1,2] | | **98.2%** | 108.8% | 10.6pts |
| Net insurance claims ratio[1,2] | | **72.3%** | 80.6% | 8.3pts |
| Net acquisition ratio[1,2] | | **6.1%** | 6.2% | 0.1pts |
| Net expense ratio[1,2] | | **19.8%** | 22.0% | 2.2pts |
| Normalised net insurance margin[1,2] | | **1.3%** | (10.5%) | 11.8pts |
| Investment income[2] | | **89.8** | 62.0 | 44.8% |
| Unwind of discounting of claims[1,2,3] | | **(49.8)** | (45.9) | (3.9) |
| Other operating income and expenses before restructuring and one-off costs[2] | | **(1.6)** | (9.5) | 83.2% |
| **Ongoing operating profit/(loss)[1,2]** | | **63.7** | (93.7) | 157.4 |
| Current-year operating profit/(loss)[1] | | **78.9** | (48.0) | 126.9 |
| Prior-year reserve development | | **(15.2)** | (45.7) | 30.5 |
| Other investment movements[4] | | **49.5** | 34.1 | 45.2% |
| Restructuring and one-off costs[2] | | **(64.9)** | (8.8) | (56.1) |
| Brokered commercial business, Non-core and Run-off | | **20.7** | (0.7) | 21.4 |
| Other finance costs | 8 | **(7.4)** | (7.2) | (2.8%) |
| **Profit/(loss) before tax** | | **61.6** | (76.3) | 137.9 |
| Tax (charge)/credit | 9 | **(17.2)** | 24.4 | (41.6) |
| **Profit/(loss) for the period attributable to the owners of the Company** | | **44.4** | (51.9) | 96.3 |
| **Performance metrics** | | | | |
| Basic earnings/(loss) per share (pence) | 11 | **2.8** | (4.6) | 7.4 |
| Diluted earnings/(loss) per share (pence) | 11 | **2.7** | (4.6) | 7.3 |
| Operating earnings/(loss) per share (pence)[1,3] | | **2.7** | (6.3) | 9.0 |
| Dividend per share – total ordinary (pence) | | **2.0** | — | 2.0 |
| Return on equity – annualised | 12 | **3.5%** | (6.6%) | 10.1pts |
| Operating return on tangible equity[1,3] – annualised | | **5.8%** | (17.0%) | 22.8pts |
| **Investments metrics** | | | | |
| Investment income yield[1,3] – annualised | | **4.1%** | 3.2% | 0.9pts |

| | Notes | 30 Jun 2024 | 31 Dec 2023 | Change |
|---|---|---|---|---|
| **Capital and returns metrics** | | | | |
| Net asset value per share (pence) | 12 | **157.2** | 158.6 | (0.9%) |
| Tangible net asset value per share (pence)[1] | 12 | **96.9** | 95.5 | 1.5% |
| Solvency capital ratio - post dividends[1,5,6] | | **198%** | 188% | 10pts |

Notes:

1. See glossary on pages 52 to 54 for definitions.
2. Ongoing operations – the Group's ongoing operations result excludes the results of the brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly. See glossary on pages 52 to 54 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 60 to 68.
3. See Appendix A - Alternative Performance Measures on pages 56 to 59 for reconciliation of insurance finance costs, operating return on tangible equity, operating earnings/(loss) per share and investment income yield.
4. Other investment movements relate to net fair value gains/(losses), the effect of the change in the yield curve and interest expense on funds withheld liabilities.
5. Estimates based on the Group's Solvency II partial internal model.
6. The full year 2023 solvency capital ratio has been represented as explained in the Chief Financial Officer review of this report (previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).

## CHIEF FINANCIAL OFFICER REVIEW

### Group financial performance

| Ongoing operations[1,2] | 30 Jun 2024 | 31 Mar 2024 | 31 Dec 2023 | 30 Sep 2023 | 30 Jun 2023 |
|---|---|---|---|---|---|
| In-force policies (thousands)[1,2] | **8,951** | 9,067 | 9,235 | 9,322 | 8,844 |
| Motor | **3,979** | 4,072 | 4,181 | 4,236 | 3,673 |
| Non-Motor | **4,972** | 4,995 | 5,054 | 5,086 | 5,171 |

| | H1 2024 £m | H1 2023 £m | Change |
|---|---|---|---|
| Gross written premium and associated fees[2] | **1,838.5** | 1,197.8 | 53.5% |
| Motor | **1,339.3** | 758.7 | 76.5% |
| Non-Motor | **499.2** | 439.1 | 13.7% |
| **Insurance service result[2]** | **25.3** | (100.3) | 125.6 |
| Net investment income[2] | **89.8** | 62.0 | 27.8 |
| Unwind of discounting of claims[1,2,3] | **(49.8)** | (45.9) | (3.9) |
| Other operating income and expenses before restructuring and one-off costs | **(1.6)** | (9.5) | 7.9 |
| **Ongoing operating profit/(loss)[1,2]** | **63.7** | (93.7) | 157.4 |
| **Profit/(loss) before tax – total Group** | **61.6** | (76.3) | 137.9 |
| **Net insurance margin[1,2]** | **1.8%** | (8.8%) | 10.6pts |
| Net insurance claims ratio[1,2] | **72.3%** | 80.6% | 8.3pts |
| Current-year attritional net insurance claims ratio[2] | **69.5%** | 75.7% | 6.2pts |
| Prior-year reserves development ratio[2] | **1.1%** | 4.0% | 2.9pts |
| Event weather ratio[2] | **1.7%** | 0.9% | (0.8pts) |
| Net acquisition ratio[2] | **6.1%** | 6.2% | 0.1pts |
| Net expense ratio[1,2] | **19.8%** | 22.0% | 2.2pts |
| **Normalised net insurance margin[1,2]** | **1.3%** | (10.5%) | 11.8pts |

#### H1 2024 performance

Gross written premium and associated fees for ongoing operations grew by 53.5% compared with the first half of 2023. The increase was largely due to the partnership with Motability which commenced in the second half of 2023. Excluding Motability, gross written premiums grew by 11.4%.

Ongoing operations delivered operating profit of £64 million (H1 2023: £94 million loss) driven by a £61 million operating profit in Non-Motor. In Motor, operating profit was £3 million with 2024 representing a transitional year for Motor earnings.

The Group profit before tax increased to £62 million (H1 2023: £76 million loss).

#### In-force policies and gross written premium and associated fees

In-force policies from ongoing operations were 9.0 million at the end of June 2024, 3.1% lower than the end of December 2023. The largest reduction was in Motor where own brand policies were 7.5% lower as we focused on disciplined underwriting which more than offset growth in the Motability partnership. Non-Motor in-force policies were 1.6% lower than the end of December 2023, mainly due to Rescue. Across the own brand portfolio Motor was 7.5% lower, while Non-Motor delivered an increase of 0.2%.

Gross written premiums and associated fees for ongoing operations grew by 53.5% to £1,839 million predominantly as a result of 76.5% growth in Motor due to the Motability partnership and premium rate increases. Non-Motor achieved 13.7% growth supported by double-digit growth in Home and Commercial Direct.

#### Insurance service result

The net insurance margin for ongoing operations was 1.8%, 10.6pts better than the first half of 2023, primarily due to a significant improvement in the Motor net insurance margin following repricing action. The Non-Motor net insurance margin remained strong at 11.6%.

The net insurance claims ratio for ongoing operations was 72.3%, an improvement of 8.3pts compared with the first half of 2023 predominantly driven by a significant improvement in the current year attritional claims ratio of 6.2pts as the pricing actions taken in Motor began to earn through.

Weather event related claims in Non-Motor were £24 million (H1 2023: £11 million). Our assumption for the full year 2024 is £62 million. In addition, the Group experienced approximately £10 million of non-event weather above expectation in the first half of 2024.

Footnotes are shown on page 9

The prior-year reserves development ratio was a 1.1% strengthening (H1 2023: 4.0% strengthening) with marginal movements across Motor and Non-Motor. As highlighted at the full year results in March, the opportunity for prior-year releases in the short term remains low. Good progress has been made on past business reviews, Motor Total Loss is materially complete and we expect remediation across Motor Total Loss and pricing practices to be within the provisions held at the end of 2023.

The net acquisition ratio for ongoing operations was broadly stable at 6.1%. The net expense ratio for ongoing operations was 19.8%, 2.2pts lower than prior year primarily due to higher earned premiums alongside a below inflation increase in the Group's cost base. In 2024 we expect the net expense ratio for ongoing operations to be broadly stable when compared to 2023.

### Expenses in insurance service result

Operating expenses for ongoing operations were £278 million, an increase of 10.7% compared with H1 2023 primarily due to costs associated with the Motability partnership which commenced in H2 2023. Excluding costs associated with the Motability partnership, controllable operating expenses[4] were 3% lower than for the same period last year.

| | **H1 2024 £m** | H1 2023 £m |
|---|---|---|
| Commission expenses | **(58.9)** | (49.2) |
| Marketing | **(26.9)** | (21.4) |
| **Acquisition costs[1]** | **(85.8)** | (70.6) |
| Staff costs[5] | **(98.4)** | (90.6) |
| IT and other operating expenses[5,6] | **(50.3)** | (57.1) |
| Insurance levies | **(58.2)** | (42.5) |
| Depreciation, amortisation and impairment of intangible and fixed assets[7] | **(70.6)** | (60.4) |
| **Operating expenses** | **(277.5)** | (250.6) |
| **Total expenses – ongoing operations[1,2]** | **(363.3)** | (321.2) |
| Total expenses – Non-core and Run-off[1] | **(24.8)** | (26.6) |
| Total expenses – Brokered commercial business[1] | **(82.3)** | (118.1) |
| **Total expenses** | **(470.4)** | (465.9) |
| Net acquisition ratio[1] – ongoing operations[2] | **6.1%** | 6.2% |
| Net acquisition ratio[1] – total Group | **7.8%** | 10.3% |
| Net expense ratio[1] – ongoing operations[2] | **19.8%** | 22.0% |
| **Net expense ratio[1] – total Group** | **22.0%** | 20.3% |

## Investment result and unwind of discount rate[1]

Net investment income from ongoing operations increased to £90 million (H1 2023: £62 million) primarily driven by yield improvements in variable rate asset classes benefiting from a rising interest rate environment. This represents an investment income yield of 4.1%. Based on current yields, we estimate an investment income yield of around 4.1% for 2024.

| **Ongoing operations[1,2]** | **H1 2024 £m** | H1 2023 £m |
|---|---|---|
| Investment income | **93.2** | 65.8 |
| Investment fees | **(3.4)** | (3.8) |
| **Net investment income[2]** | **89.8** | 62.0 |
| Insurance and reinsurance finance expenses - unwind of discounting of claims[1,2] | **(49.8)** | (45.9) |
| **Finance income and expenses in operating profit[1]** | **40.0** | 16.1 |

| | **H1 2024** | H1 2023 |
|---|---|---|
| **Investment income yield (total Group)[1,3]** | **4.1%** | 3.2% |

The increase in investment income was partially offset by an increase in the unwind of the discounting of claims. The unwinding of prior-period discounting in 2024 is expected to be similar to 2023.

Footnotes are shown on page 9

## Reconciliation of operating profit/(loss) to basic earnings/(loss) per share

| | Note | H1 2024 £m | H1 2023 £m |
|---|---|---|---|
| Motor | | **3.1** | (180.4) |
| Non-Motor | | **60.6** | 86.7 |
| **Operating profit/(loss)[1] - ongoing operations[1,2]** | | **63.7** | (93.7) |
| Operating profit - Brokered commercial business[1] | | **34.3** | 11.2 |
| Operating loss[1] - Non-core and Run-off[1] | | **(13.6)** | (11.9) |
| **Operating profit/(loss) - total Group** | | **84.4** | (94.4) |
| Restructuring and one-off costs[1] | | **(64.9)** | (8.8) |
| Net fair value gains/(losses)[1] | | **5.4** | (5.5) |
| Net insurance finance income - effect of change in yield curve[1] | | **50.7** | 39.6 |
| Interest expense on funds withheld liabilities | | **(6.6)** | — |
| Other finance costs | | **(7.4)** | (7.2) |
| Tax (charge)/credit | | **(17.2)** | 24.4 |
| **Profit/(loss) for the period attributable to the owners of the Company** | | **44.4** | (51.9) |
| **Basic earnings/(loss) per share (pence)** | 11 | **2.8** | (4.6) |
| **Operating return on tangible equity[1] annualised[3]** | | **5.8%** | (17.0%) |

### Ongoing operations and other segments[1]

The Group has excluded the results of the Brokered commercial business, three Run-off partnerships and its Other personal lines products from its ongoing results. Results relating to ongoing operations are referenced in Appendix B to the report and in the financial statements, note 4 (Segmental analysis) has also been amended to reflect the change. The insurance service result from ongoing operations was a profit of £25 million (H1 2023: £100 million loss) and for the Group it was a profit of £30 million (H1 2023: £109 million loss).

### Brokered commercial business

The Group has excluded the results of the Brokered commercial business from its ongoing results and has restated all relevant comparatives across this review. We agreed the transfer of the Group's Brokered commercial lines insurance business and associated partnerships to Royal & Sun Alliance Insurance Limited with effect from 1 October 2023 through a combination of quota share reinsurance and a form of renewal rights transfer. As a result, the economic effect of the Brokered commercial insurance business moved to Royal & Sun Alliance Insurance Limited and the back book of policies has remained with the Group. The operating profit relating to the Brokered commercial business in H1 2024 was £34 million (H1 2023: £11 million). The formal separation and operational transfers started in the second quarter of 2024, with subsequent transfers of outstanding elements of the overall Brokered commercial insurance business to follow.

### Non-core and Run-off

The Group has excluded the results of Other personal lines products, including three partnerships that were previously disclosed as being exited, from its ongoing operations and has restated all relevant comparatives across this review. Other personal lines is made up of Pet, Travel, Creditor and Select, our insurance targeted at Mid- to high-net worth customers. Pet is the largest product within Other personal lines. As announced at the Group's Capital Markets Day in July 2024, the decision was taken to pause investment in these products. Other personal lines represented around £130 million of gross written premium and associated fees in 2023.

Three partnerships in Travel and Rescue have now been exited and will reduce the Group's exposure to low margin packaged bank accounts so it can redeploy capital to segments with higher return opportunities. The two Travel partnerships were with NatWest Group and Nationwide Building Society and expired during H1 2024. although upgrades on existing Nationwide Building Society policies will continue to be underwritten by the Group until April 2025 . The Rescue partnership was with NatWest Group and expired during H2 2022.

The operating loss relating to Non-core and Run-off was £14 million (H1 2023: £12 million loss).

### Restructuring and one-off costs

The Group incurred £65 million of restructuring and one-off costs during H1 2024, which were a result of several items including cost efficiency initiatives, non-cash impairments of software development and response work carried out in relation to the non-solicited and highly conditional approach from Ageas NV.

### Net fair value gains/(losses)[3]

Net fair value gains in the period were £5 million, an improvement on H1 2023 reflecting the tightening of credit spreads and interest rate movements (H1 2023: £6 million loss).

### Net insurance finance income - effect of change in yield curve

Net insurance finance expense of £51 million (H1 2023: £40 million) reflects the gross and reinsurance effect of changes in the yield curve and the ASHE index on the discounting of previously recognised PPO claims.

Footnotes are shown on page 9

### Other finance costs

Other finance costs were £7 million (H1 2023: £7 million) and relate to the Group's £260 million subordinated debt due in 2032.

### Profit before tax

Profit before tax increased by £138 million to £62 million (H1 2023: £76 million loss) primarily due to the improvement in Motor.

### Effective corporation tax rate

The Effective Tax Rate ("ETR") for H1 2024 was 27.9% (2023: 19.6%), which was higher than the standard UK corporation tax rate of 25.0% (2023: 23.5%). This was driven primarily by disallowable expenses, partly offset by tax relief for coupon payments on the Group's Tier 1 notes, which are accounted for as a distribution.

This is lower than the effective tax rate for H1 2023 (32.0%) which reflected a re-estimation of tax rates on forecast reversals of deferred tax.

### Operating return on tangible equity annualised[1,5]

The operating return on tangible equity annualised increased by 22.8pts to 5.8% (H1 2023: minus 17.0%) due primarily to the increase in the Group's operating profit from ongoing operations.

### Earnings/(loss) per share

The basic earnings per share in H1 2024 was 2.8 pence (H1 2023: loss of 4.6 pence). Diluted earnings per share was 2.7 pence (H1 2023: loss of 4.6 pence), mainly reflecting the Group's post-tax profit for the calculation of earnings per share in H1 2024 compared with a post-tax loss in H1 2023. Operating earnings per share was 2.7 pence (H1 2023: 6.3 pence loss).

The financial performance of the Group is discussed in detail on pages 6 to 13. The calculation of earnings/(loss) per share is presented in note 11 on page 41. The calculation of operating profit/(loss) per share is presented on page 59.

Notes:

1. See glossary on pages 52 to 54 for definitions.
2. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly. See glossary on pages 52 to 54 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 60 to 68.
3. See Appendix A - Alternative Performance Measures on pages 56 to 59 for reconciliation of insurance finance costs.
4. Controllable operating expenses refer to staff costs and IT and other operating expenses.
5. Staff costs and other operating expenses attributable to claims handling activities are allocated to the cost of insurance claims.
6. IT and other operating expenses include professional fees and property costs.
7. Includes right-of-use ("ROU") assets and property, plant and equipment. For the period ended 30 June 2024, there were no impairment charges which relate solely to own occupied freehold property (H1 2023: no impairments).

## Cash flow

| | Note | 30 Jun 2024 £m | 31 Dec 2023 £m |
|---|---|---|---|
| Net cash (used in)/generated from operating activities | | **(200.6)** | 404.9 |
| Of which: | | | |
| Operating cash flows before movements in working capital | | **47.3** | (284.6) |
| Movements in working capital | | **(109.3)** | 416.6 |
| Tax received/(paid) | | **12.5** | (30.9) |
| Cash flow hedges | | **(0.6)** | (0.6) |
| Cash (used in)/generated from investment of insurance assets | | **(150.2)** | 304.4 |
| Net cash (used in)/generated from investing activities | | **(45.0)** | 398.3 |
| Net cash used in financing activities | | **(80.0)** | (51.8) |
| **Net (decrease)/increase in cash and cash equivalents** | 16 | **(325.6)** | 751.4 |
| Cash and cash equivalents at the beginning of the year | | **1,689.8** | 938.4 |
| **Cash and cash equivalents at the end of the period** | 16 | **1,364.2** | 1,689.8 |

The cash that the Group used in operating activities (£201 million), investing activities (£45 million) and financing activities (£80 million) resulted in a net decrease in cash and cash equivalents of £326 million to £1,364 million (2023: £751 million increase to £1,690 million).

Net cash used in operating activities of £201 million is largely as a result of cash used in investment of insurance assets of £150 million (2023: £304 million cash generated). The Group has considerable assets under management and during the period purchases of debt securities held at fair value through profit or loss ("**FVTPL**") exceeded disposals and maturities. The Group had an operating cash inflow before movements in working capital of £47 million (2023: outflow £285 million), due to the improvement in the insurance service result. After taking into account movements in working capital, taxes and cash flow hedges, the Group's cash outflow before investment of insurance assets was £50 million (2023: inflow £101 million).

Net cash used in investing activities of £45 million primarily reflected the Group's continuing investment in its major IT programmes (2024: £40 million, 2023: £124 million). Net cash generated from investing activities in the period ended 31 December 2023 primarily reflected net proceeds from the sale of the Brokered commercial business of £469.7 million.

Net cash used in financing activities of £80 million included £60 million in dividends and Tier 1 capital coupon payments (2023: £17 million in Tier 1 capital coupon payments) and £5.6 million (2023: £11 million) in lease principal payments.

The levels of cash and other highly liquid sources of funding that the Group holds to cover its claims obligations are continually monitored with the objective of ensuring that the levels remain within the Group’s risk appetite.

## Segmental Report

### Motor

| | 30 Jun 2024 | 31 Mar 2024 | 31 Dec 2023 | 30 Sep 2023 | 30 Jun 2023 |
|---|---|---|---|---|---|
| In-force policies[2] (thousands) | **3,979** | 4,072 | 4,181 | 4,236 | 3,673 |
| Of which: | | | | | |
| Own brands[1] | **3,119** | 3,235 | 3,373 | 3,441 | 3,607 |
| Partnerships | **860** | 837 | 808 | 795 | 66 |

| | H1 2024 £m | H1 2023 £m | Change |
|---|---|---|---|
| Gross written premium and associated fees[2] | **1,339.3** | 758.7 | 76.5% |
| Own brands[1] | **814.6** | 744.2 | 9.5% |
| Partnerships | **524.7** | 14.5 | 3518.6% |
| **Operating profit/(loss)[2]** | **3.1** | (180.4) | 183.5 |
| **Profit/(loss) before other finance costs** | **49.1** | (160.2) | 130.6% |
| **Net insurance margin[2]** | **(3.0%)** | (25.6%) | 22.6pts |
| Net insurance claims ratio[2] | **78.3%** | 98.2% | 19.9pts |
| Current-year attritional net insurance claims ratio | **77.6%** | 89.8% | 12.2pts |
| Prior-year reserves development ratio | **0.7%** | 8.4% | 7.7pts |
| Net acquisition ratio[2] | **5.0%** | 4.5% | (0.5pts) |
| Net expense ratio[2] | **19.7%** | 22.9% | 3.2pts |

During the first half of 2024, the Motor result started to benefit from the pricing actions taken during 2023. Operating profit was £3 million, a significant improvement from the operating loss of £180 million in the first half of 2023. 2024 represents a transitional year for earnings in Motor, with the first half result impacted by the below target margin business written during the first half of 2023.

### In-force policies and gross written premium and associated fees

Own brand[1] gross written premium and associated fees were 9.5% higher reflecting higher average premiums due to the pricing actions taken since 2023 to restore written margins. Own brands average premiums[4] were 27% higher compared with the first half of 2023.

Motor average premiums[1,4]

| £ | HY 2024 | HY 2023 | Q2 2024 | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 |
|---|---|---|---|---|---|---|---|
| New business | **592** | 512 | **588** | 599 | 594 | 588 | 532 |
| Renewal | **514** | 392 | **514** | 515 | 513 | 480 | 412 |
| Own brands | **538** | 423 | **536** | 541 | 537 | 507 | 445 |

In 2024, there has been some reduction in market prices, with average premiums across the market falling 2% in Q2 2024 compared with Q1 2024[3]. Against this backdrop, we continued to focus on disciplined underwriting and this led to a 7.5% reduction in own brand policy count during the first half. In Q2 2024, as Motor began to go through the anniversary of the previous year's significant rate increases, retention improved and the rate of policy count loss slowed.

Following the commencement of the partnership with Motability, total Motor gross written premium and associated fees grew by 76.5% compared with the first half of 2023 and in-force policies grew by 8.3% over the same period.

### Underwriting

The current-year attritional net insurance claims ratio improved by 12.2pts to 77.6% reflecting the benefit from the pricing actions taken during 2023 and claims inflation tracking in line with expectations of high single digits. Prior-year reserves saw a negligible strengthening of £7 million in the first half, reflecting adverse experience in third party damage claims (H1 2023: £60 million strengthening).

### Net insurance margin and operating profit/(loss)

The combination of an improved current-year attritional net insurance claims ratio, as well as the non-repeat of the reserve strengthening we saw in the first half of 2023, delivered an improvement in the net insurance claims ratio by 19.9pts. This resulted in a net insurance margin of minus 3.0%, 22.6pts points better than for the first half of 2023. The insurance service result was a loss of £28 million and operating profit was £3 million.

### Profit before other finance costs

Profit before other finance costs improved to a profit of £49 million from a loss of £160 million at H1 2023 due to the factors described above together with positive movements from changes in the yield curve.

Footnotes are shown on page 13

## Non-Motor

| | 30 Jun 2024 | 31 Mar 2024 | 31 Dec 2023 | 30 Sep 2023 | 30 Jun 2023 |
|---|---|---|---|---|---|
| In-force policies[2] (thousands) | **4,972** | 4,995 | 5,054 | 5,086 | 5,171 |
| Home | **2,466** | 2,450 | 2,444 | 2,434 | 2,464 |
| Commercial Direct | **639** | 641 | 645 | 652 | 645 |
| Rescue | **1,867** | 1,904 | 1,965 | 2,000 | 2,062 |
| Of which: Own brands | **3,407** | 3,398 | 3,399 | 3,400 | 3,443 |

| | H1 2024 £m | H1 2023 £m | Change |
|---|---|---|---|
| Gross written premium and associated fees[2] | **499.2** | 439.1 | 13.7% |
| Home | **295.7** | 252.7 | 17.0% |
| Commercial | **135.5** | 119.2 | 13.7% |
| Rescue | **68.0** | 67.2 | 1.2% |
| Of which: Own brands | **399.9** | 343.6 | 16.4% |
| **Operating profit[2]** | **60.6** | 86.7 | (30.1%) |
| **Profit before other finance costs** | **65.5** | 94.1 | (30.4%) |
| **Net insurance margin[2]** | **11.6%** | 19.7% | (8.1pts) |
| Net insurance claims ratio[2] | **60.1%** | 50.9% | (9.2pts) |
| Current-year attritional net insurance claims ratio | **53.0%** | 51.7% | (1.3pts) |
| Prior-year reserves development ratio | **1.9%** | (3.3%) | (5.2pts) |
| Event weather ratio | **5.2%** | 2.5% | (2.7pts) |
| Net acquisition ratio[2] | **8.4%** | 9.0% | 0.6pts |
| Net expense ratio[2] | **19.9%** | 20.4% | 0.5pts |
| **Normalised net insurance margin[2]** | **10.1%** | 15.2% | (5.1pts) |

Non-Motor delivered a strong result in the first half of 2024, with double-digit gross written premium growth, a net insurance margin of 11.6% (10.1% when normalised for event weather) and operating profit of £61 million.

### In-force policies and gross written premium and associated fees

Following disciplined underwriting in response to elevated inflation, Non-Motor delivered gross written premium growth of 13.7% during H1 2024, driven by increased average premiums, partially offset by a modest reduction in policy count. The 1.6% reduction in policy count across the first half was predominantly driven by Rescue which fell 5.0% and was largely due to a reduction in partnership volumes.

Home returned to policy count growth in the first half of 2024 as competitiveness improved due to significant premium inflation in the market. Home delivered a 54% increase in own brands new business sales year on year alongside an increase in average premiums which contributed to own brand growth of 20.8% in gross written premium year-on-year.

Home average premiums[1]

| £ | HY 2024 | HY 2023 | Q2 2024 | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 |
|---|---|---|---|---|---|---|---|
| New business | **246** | 196 | **255** | 238 | 212 | 214 | 204 |
| Renewal | **268** | 239 | **276** | 261 | 259 | 257 | 249 |
| Own brands | **264** | 233 | **272** | 257 | 249 | 250 | 243 |

In Commercial Direct, gross written premium was 13.7% ahead of prior year due to rating action taken in Van in response to elevated inflation. This led to an overall reduction in policy count of 0.9% across the first half as lower Van policies more than offset growth across small-to-medium enterprises ("**SME**") and Landlord.

Rescue gross written premium and associated fees was 1.2% ahead of prior year supported by Green Flag which delivered 4.6% growth.

Overall, there was a positive trading performance in Non-Motor, focusing on maintaining underwriting discipline and growing where market conditions were supportive.

### Underwriting

The net insurance claims ratio was 60.1%, 9.2pts higher than prior year with the increase largely driven by higher weather-related claims and lower prior-year reserve releases. Weather event-related claims in Home and Commercial were £24 million, £13 million higher than prior year. The event weather claims in H1 remain in line with the expected full year 2024 event weather claims assumption of £62 million.

The current-year attritional claims ratio was 53.0%, 1.3pts higher than prior year largely due to higher attritional weather in Home. The prior-year claims ratio was 1.9%, mainly reflecting strengthening in assumptions for subsidence claims from older years.

Footnotes are shown on page 13

### Net insurance margin and operating profit

The net insurance margin was 11.6% or 10.1% when normalised for event weather, 5.1pts lower than prior year.

The insurance service result was £54 million (H1 2023: £84 million) and operating profit was £61 million or £54 million normalised for event weather.

### Profit before other finance costs

Profit before other finance costs reduced to £66 million from a profit of £94 million at H1 2023 due to the factors described above alongside a small reduction in benefits received from changes in the yield curve.

## Brokered commercial business[1,2]

For H1 2024, gross written premium and associated fees were £349 million (H1 2023: £354 million). The operating profit relating to the Brokered commercial business was £34 million (H1 2023: £11 million).

## Non-core and Run-off[1,2]

In Non-core and Run-off, gross written premium and associated fees were £109 million (H1 2023: £136 million). The operating loss relating to Non-core and Run-off was £14 million (H1 2023: £12 million).

Notes:

1. Own brands include Motor in-force policies under the Direct Line, Churchill, Darwin, Privilege and By Miles brands and Home in-force policies under the Direct Line, Churchill and Privilege brands.
2. See glossary on pages 52 to 54 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 60 to 68.
3. Source: ABI motor premium tracker as at Q2 2024.
4. Average premium and rate figures quoted relate to Motor own brands excluding the By Miles brand.

## Balance sheet management

### Capital management and dividend policy

The Group aims to manage its capital efficiently and generate long-term sustainable value for shareholders, while balancing operational, regulatory, rating agency and policyholder requirements.

The Group aims to pay a regular dividend of around 60% of operating profit after tax for ongoing operations[1].

Where the Board believes that the Group has capital which is expected to be surplus to the Group's requirements for a prolonged period, it intends to return any surplus to shareholders.

The Group has a solvency risk appetite of 140% of the Group's solvency capital requirement ("**SCR**"). In normal circumstances, the Board expects that a solvency coverage ratio of around 180% is appropriate and will take this into account when considering the potential for additional returns, alongside expectations for future capital requirements and other relevant factors. In the short-term, the Group expects to maintain a solvency coverage ratio above this level.

In the normal course of events the Board will consider whether or not it is appropriate to distribute any surplus capital to shareholders once a year, alongside the full year results.

The Group expects that one third of the annual dividend will generally be paid in the third quarter as an interim dividend, with the remaining regular dividend paid as a final dividend in the second quarter of the following year. The Company may consider a special dividend and/or a repurchase of its own shares to distribute surplus capital to shareholders.

The Board may revise the dividend policy from time to time.

The Board has reviewed the progress the Group has made in turning around the business and, based on the Group's strong solvency coverage ratio and underlying capital generation over the last 12 months, has concluded it is appropriate to declare a dividend of 2.0 pence per share (£26 million).

The dividend is scheduled to be paid on 11 October 2024 to shareholders on the register on 13 September 2024. The ex-dividend date will be 12 September 2024.

Note:

1. Operating profit from ongoing operations after finance costs, coupon payments in respect of Tier 1 notes and tax at the standard rate.

### Capital analysis

The Group is regulated under Solvency II requirements by the PRA on both a Group basis and for the Group's principal underwriter, U K Insurance Limited. In its results, the Group has estimated its Solvency II own funds, SCR and solvency capital ratio as at 30 June 2024.

### Capital position[1]

At 30 June 2024, the Group held a Solvency II capital surplus of £1.12 billion above its regulatory capital requirements, which was equivalent to an estimated solvency capital ratio post dividend of 198%.

| At | **30 Jun 2024** | 31 Dec 2023 |
|---|---|---|
| Solvency capital requirement (£ billion) | **1.14** | 1.13 |
| Capital surplus above solvency capital requirement (£ billion) | **1.12** | 1.00 |
| Solvency capital ratio pre-dividends[1] | **200%** | 192% |
| Solvency capital ratio post-dividends[1] | **198%** | 188% |

Note:

1. The full year 2023 solvency capital ratio has been represented as explained in the Chief Financial Officer review of this report (the post-dividend ratio previously reported in the Group's full year 2023 preliminary results and Annual Report and Accounts as being 197%).

During the Group's half year results preparation, a miscalculation was identified within the Group's audited Solvency II own funds for the year ended 2023. This miscalculation arose in the Solvency II treatment of the whole account quota share reinsurance arrangement (incepted 1 January 2023), and in particular the translation of the reinsurance debtors between IFRS and Solvency II own funds. This miscalculation had no impact on the IFRS figures.

Correcting for the miscalculation, the solvency capital ratio (post-dividend) at year end 2023 was 188%, which was above the Group's risk appetite range of 140% to 180% (the previously reported solvency capital ratio was 197%).

## Movement in capital surplus[1]

| | 6 months 2024 £bn | FY 2023 £bn |
|---|---|---|
| **Capital surplus at 1 January** | **1.00** | 0.57 |
| Capital generation excluding market movements | **0.15** | 0.46 |
| Market movements | **0.05** | 0.06 |
| **Capital generation** | **0.20** | 0.52 |
| Change in solvency capital requirement | **(0.01)** | 0.08 |
| **Surplus generation** | **0.19** | 0.60 |
| Capital expenditure | **(0.04)** | (0.15) |
| Dividend | **(0.03)** | — |
| Final dividend | **—** | (0.05) |
| Decrease in ineligible Tier 3 capital[2] | **—** | 0.03 |
| **Net surplus movement** | **0.12** | 0.43 |
| **Capital surplus at 30 June 2024 / 31 December 2023** | **1.12** | 1.00 |

Notes:

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

During 2024, the Group generated £0.20 billion of Solvency II capital from a combination of operating earnings, one-off benefits from partnerships and market movements. After a change to the solvency capital requirement of £0.01 billion, capital expenditure of £0.04 billion and foreseeable dividend of £0.03 billion, the net surplus for the year increased by £0.12 billion to £1.12 billion.

## Change in solvency capital requirement

| | 2024 £bn |
|---|---|
| Solvency capital requirement at 1 January | **1.13** |
| Model and parameter changes | **(0.02)** |
| Exposure changes | **0.03** |
| **Solvency capital requirement at 30 June** | **1.14** |

During H1 2024, the Group's SCR increased by £0.01 billion to £1.14 billion, primarily due to updated exposure positions, partly offset by favourable movements in modelled interest rates.

## Scenario and sensitivity analysis[1]

The following table shows the impact on the Group's estimated solvency capital ratio in the event of the following scenarios as at 30 June 2024. The impacts on the Group's solvency capital ratio arise from movements in both the Group's SCR and own funds.

| | Impact on solvency capital ratio | |
|---|---|---|
| At | **30 Jun 2024** | 31 Dec 2023 |
| Deterioration of small bodily injury motor claims equivalent to that experienced in 2008/09 | **(5pts)** | (5pts) |
| One-off catastrophe loss equivalent to the 1990 storm "Daria" | **(8pts)** | (9pts) |
| One-off catastrophe loss based on extensive flooding of the River Thames | **(7pts)** | (7pts) |
| 100 bps increase in PPO real discount rate[2] | **(16pts)** | (15pts) |
| 100 bps increase in credit spreads[3,4] | **(5pts)** | (5pts) |
| 100 bps decrease in interest rates with no change in the PPO discount rate[3] | **(6pts)** | (6pts) |

Notes:

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

### Own funds[1]

The following table splits the Group's eligible own funds by tier on a Solvency II basis.

| At | 30 Jun 2024 £bn | 31 Dec 2023 £bn |
|---|---|---|
| Tier 1 capital before foreseeable distributions | **1.68** | 1.51 |
| Foreseeable dividend | **(0.03)** | (0.05) |
| Tier 1 capital – unrestricted | **1.65** | 1.46 |
| Tier 1 capital – restricted | **0.32** | 0.32 |
| Eligible Tier 1 capital | **1.97** | 1.78 |
| Tier 2 capital – subordinated debt | **0.21** | 0.22 |
| Tier 3 capital – deferred tax | **0.08** | 0.13 |
| **Total eligible own funds** | **2.26** | 2.13 |

Note:

1. Full year 2023 eligible own funds have been represented as explained in the Capital position section of this report.

During H1 2024, the Group's eligible own funds increased from £2.13 billion to £2.26 billion. Eligible Tier 1 capital after foreseeable distributions represents 87% of own funds and 173% of the estimated SCR. Tier 2 capital relates to the Group's £0.21 billion subordinated debt with no ineligible Tier 1 capital. The maximum amount of Restricted Tier 1 capital permitted as a proportion of total Tier 1 capital under the Solvency II regulations is 20%. Restricted Tier 1 capital relates solely to the Tier 1 notes issued in 2017.

The amount of Tier 2 and Tier 3 capital permitted under the Solvency II regulations is 50% of the Group's SCR and the amount of Tier 3 alone is 15% of the Group's SCR. The Group has no ineligible Tier 3 own funds.

### Reconciliation of IFRS shareholders' equity to Solvency II eligible own funds[1]

| At | 30 Jun 2024 £bn | 31 Dec 2023 £bn |
|---|---|---|
| Total shareholders' equity | **2.05** | 2.06 |
| Goodwill and intangible assets | **(0.78)** | (0.82) |
| Change in valuation of technical provisions | **0.46** | 0.34 |
| Other asset and liability adjustments | **(0.05)** | (0.07) |
| Foreseeable dividend | **(0.03)** | (0.05) |
| **Tier 1 capital – unrestricted** | **1.65** | 1.46 |
| Tier 1 capital – restricted | **0.32** | 0.32 |
| **Eligible Tier 1 capital** | **1.97** | 1.78 |
| Tier 2 capital – Tier 2 subordinated debt | **0.21** | 0.22 |
| Tier 3 capital – deferred tax[2] | **0.08** | 0.13 |
| **Total eligible own funds** | **2.26** | 2.13 |

Notes:

1. Full year 2023 eligible own funds have been represented as explained in the Capital position section of this report.
2. At 30 June 2024 and 31 December 2023 no ineligible Tier 3 capital arose as the Group's available Tier 3 capital was under the amount of Tier 3 capital permitted under the Solvency II regulations (15% of the Group's SCR).

## Investment portfolio

Our investment strategy aims to deliver several objectives, which are summarised below:

- to ensure there is sufficient liquidity available within the investment portfolio to meet stressed liquidity scenarios;
- to match PPOs and non-PPOs liabilities in an optimal manner; and
- to deliver a suitable risk-adjusted investment return commensurate with our risk appetite.

The strategic asset allocation has been reviewed over the last 12 months to reflect the changing macro-economic environment. Whilst the core outcome of this review reinforced investment grade credit as the largest asset class within the portfolio, it suggested some modest changes to other areas of the portfolio. Following this review, during the first half of 2024, the Group reinvested into investment grade credit and reduced its overweight position in cash. Over the second half of 2024, the Group will look at further action to improve the risk reward characteristics of the portfolio.

## Asset and liability management

The following table summarises the Group's high-level approach to asset and liability management.

| Liabilities | Assets | Characteristics |
|---|---|---|
| More than 10 years, for example PPOs | Property and infrastructure debt | Inflation linked or floating |
| Short and medium term - all other claims | Investment-grade credit | Fixed - key rate duration |
| Tier 1 equity | Investment-grade credit | Fixed |
| Tier 2 sub-debt | Commercial real estate loans and cash | Floating |
| Tier 2 sub-debt fixed | Investment-grade credit and cash | Fixed or floating |
| Surplus - tangible equity | Investment-grade credit, short-term high yield, cash and government debt securities | Fixed or floating |

## Assets under management

| At | 30 Jun 2024<br>£m | 31 Dec 2023<br>£m |
|---|---|---|
| Investment-grade credit[1] | **2,711.4** | 2,288.1 |
| High yield | **306.7** | 281.2 |
| Investment grade private placements | **65.7** | 70.6 |
| **Credit** | **3,083.8** | 2,639.9 |
| Sovereign[1] | **544.8** | 681.2 |
| **Total debt securities** | **3,628.6** | 3,321.1 |
| Infrastructure debt | **202.8** | 214.2 |
| Commercial real estate loans | **126.0** | 145.9 |
| Other loans | **5.3** | 3.1 |
| Cash and cash equivalents[2,3] | **1,364.2** | 1,689.8 |
| Investment property | **277.0** | 277.1 |
| Equity investments[4] | **20.7** | 19.7 |
| **Total assets under management** | **5,624.6** | 5,670.9 |

Notes:

1. Asset allocation at 30 June 2024 includes investment portfolio derivatives, which have a mark-to-market liability value of £1.3 million which is split as a liability of £1.2 million included in investment grade credit and a liability of £0.1 million included in sovereign debt (31 December 2023: mark-to-market asset values of £12.0 million and £0.4 million respectively). This excludes non-investment derivatives that have been used to hedge operational cash flows.
2. Net of bank overdrafts: includes cash at bank and in hand and money market funds.
3. £254 million (2023: £242 million) of this balance is invested within money market funds under the 100% quota share reinsurance treaty for the Brokered commercial business, which is operated on a funds withheld basis.
4. Equity investments consist of quoted and unquoted shares and insurtech-focused equity fund partnerships. The insurtech-focused equity fund partnerships are valued based on external valuation reports received from a third-party fund manager.

At 30 June 2024, total assets under management of £5,625 million were 0.8% lower than at the start of the year. Total debt securities were £3,629 million (31 December 2023: £3,321 million), of which 2.6% were rated as 'AAA' and a further 59.8% were rated as 'AA' or 'A'. The average duration at 30 June 2024 of total debt securities was 2.1 years (31 December 2023: 2.1 years).

At 30 June 2024, total unrealised losses on investments held at FVTPL were £136 million (31 December 2023: £137 million unrealised losses).

| | Note | H1 2024 £m | H1 2023 £m restated[3] |
|---|---|---|---|
| Investment income | | **93.2** | 65.8 |
| Investment fees | | **(3.4)** | (3.8) |
| **Net investment income in operating profit – ongoing operations** | | **89.8** | 62.0 |
| Net investment income – Brokered commercial business | | **24.5** | 15.7 |
| Net investment income – Non-core and Run-off | | **2.5** | 1.9 |
| **Net investment income – total group** | 6 | **116.8** | 79.6 |
| Net fair value gains/(losses) | 6 | **5.4** | (5.5) |
| **Total investment income recognised through the statement of profit or loss** | 6 | **122.2** | 74.1 |

Net investment income in operating profit for ongoing operations increased to £90 million (H1 2023: £62 million) primarily driven by yield improvements in variable rate asset classes benefiting from a rising interest rate environment.

Fair value gains were £5 million, versus losses in H1 2023 (£6 million), with a tightening of credit spreads and interest rates accounting for the majority of the movement.

### Net asset value

| | Note | 30 Jun 2024 £m | 31 Dec 2023 £m |
|---|---|---|---|
| Net assets[1,2] | 12 | **2,045.1** | 2,058.2 |
| Goodwill and other intangible assets | 12 | **(784.8)** | (818.6) |
| **Tangible net assets** | 12 | **1,260.3** | 1,239.6 |
| Closing number of Ordinary Shares (millions) | 12 | **1,300.6** | 1,297.7 |
| Net asset value per share (pence) | 12 | **157.2** | 158.6 |
| Tangible net asset value per share (pence) | 12 | **96.9** | 95.5 |

Notes:

1. See glossary on pages 52 to 54 for definitions.
2. Net assets at 30 June 2024 reduced by £13.1 million to £2,045 million (31 December 2023: £2,058 million) and tangible net assets increased to £1,260 million (31 December 2023: £1,240 million).

### Leverage

The Group's financial leverage remained broadly steady at 22.8% (2023: 22.7%).

| | 30 Jun 2024 £m | 31 Dec 2023 £m |
|---|---|---|
| Shareholders' equity | **2,045.1** | 2,058.2 |
| Tier 1 notes | **346.5** | 346.5 |
| Financial debt – subordinated debt | **258.9** | 258.8 |
| **Total capital employed** | **2,650.5** | 2,663.5 |
| **Financial leverage ratio[1]** | **22.8%** | 22.7% |

Note:

1. Total IFRS financial debt and Tier 1 notes as a percentage of total IFRS capital employed.

### Credit ratings

Moody's Investors Service provides insurance financial-strength ratings for U K Insurance Limited, our principal underwriter. Moody's rate U K Insurance Limited as 'A2' for insurance financial strength (strong) with a stable outlook.

## Reserving

We make provision for the full cost of outstanding claims from the general insurance business at the statement of financial position date, including claims estimated to have been incurred but not yet reported at that date and associated claims handling costs. We consider the class of business, the length of time to notify a claim, the validity of the claim against a policy, and the claim value. Claims reserves could settle across a range of outcomes, and settlement certainty increases over time. However, for bodily injury claims the uncertainty is greater due to the length of time taken to settle these claims. The possibility of annuity payments for injured parties also increases this uncertainty.

The liability for incurred claims ("**LIC**") reserves are the combination of best estimate of liabilities ("**BEL**") and a risk adjustment, which is set around the 75th percentile on an ultimate basis and provides a margin on top of the BEL reflecting the uncertainty on a best estimate basis. The BEL is set on a discounted basis and includes an allowance for direct and indirect claims handling expenses, as well as events not in data ("**ENIDs**"), set by reference to various actuarial scenario assessments. ENIDs also consider other short- and long-term risks not reflected in the actuarial inputs, as well as the Corporate Actuarial Function's view on the uncertainties in relation to the BEL.

The most common method of settling bodily injury claims is by a lump sum. When this includes an element of indemnity for recurring costs, such as loss of earnings or ongoing medical care, the settlement calculations apply the statutory discount rate (known as the Ogden discount rate) to reflect the fact that payment is made on a one-off basis rather than periodically over time. The current Ogden discount rate is minus 0.25% for England and Wales, with the equivalents being minus 0.75% in Scotland, and minus 1.5% in Northern Ireland.

We reserve our large bodily injury claims at the relevant discount rate for each jurisdiction, with the overwhelming majority of cases now reserved at minus 0.25% as most will be settled under the law of England and Wales. The Ogden discount rate will be reviewed again at the latest by 15 January 2025 and the Group has booked a probability weighted allowance for a discount rate change within its best estimate of liabilities. Since 2021, we have reduced the level of Motor reinsurance purchased, resulting in higher net reserves for accident years 2021 to 2023.

If the claimant prefers, large bodily injury claims can be settled using a PPO. This is an alternative way to provide an indemnity for recurring costs, making regular payments, usually for the rest of the claimant's life. These claims are reserved for using an internal discount rate, which is progressively unwound over time. As it is likely to take time to establish whether a claimant will prefer a PPO or a lump sum, until a settlement method is agreed we make assumptions about the likelihood that claimants will opt for a PPO. This is known as the PPO propensity.

At 30 June 2024, the cash flow weighted inflation for PPOs remains at 3.9% (2023: 3.9%), which allows for increased short-term ASHE 6115 inflation of 8.2% over the next 12 months, followed by a number of years of heightened inflation before reverting to a long term assumption of 3.5%.

The assessment of claims inflation, and the underlying drivers of claims inflation, remains a key consideration in deriving the reserves. Claims inflation is correlated with price inflation but there are several individual factors that are considered in addition, for example the salary of care workers, the price of used cars, judicial costs and repair costs. A range of general and specific scenarios for excess inflation has been considered in the reserving process.

The Group's prior-year reserves development (excluding restructuring and one-off costs) at H1 2024 were £6 million (H1 2023: £26 million), driven by strengthening in both Motor and Non-Motor, partially offset by reserve releases in Brokered commercial and Non-core and Run-off. Looking forward, the opportunity for prior-year reserve releases in the short term remains low.

## Net liability for incurred claims

| | 30 Jun 2024 | 30 Jun 2024 | **30 Jun 2024** | 31 Dec 2023 | 31 Dec 2023 | **31 Dec 2023** |
|---|---|---|---|---|---|---|
| | Estimate of present value cash flows | Risk adjustment | **Total** | Estimate of present value cash flows | Risk adjustment | **Total** |
| | £m | £m | **£m** | £m | £m | **£m** |
| Motor | (1,653.4) | (77.7) | **(1,731.1)** | (1,634.9) | (79.9) | **(1,714.8)** |
| Non-Motor | (471.2) | (20.8) | **(492.0)** | (483.2) | (22.4) | **(505.6)** |
| **Total ongoing operations[1]** | **(2,124.6)** | **(98.5)** | **(2,223.1)** | **(2,118.1)** | **(102.3)** | **(2,220.4)** |
| Brokered commercial business[1] | (134.5) | (13.6) | **(148.1)** | (354.7) | (18.5) | **(373.2)** |
| Non-core and Run-off[1] | (98.9) | (3.7) | **(102.6)** | (136.8) | (4.5) | **(141.3)** |
| **Total** | **(2,358.0)** | **(115.8)** | **(2,473.8)** | **(2,609.6)** | **(125.3)** | **(2,734.9)** |

Note:

1. See glossary on pages 52 to 54 for definitions and Appendix B – Management view statements of profit and loss, expenses, average premiums, gross written premium and associated fees and in-force policies on pages 60 to 68 for reconciliation to financial statement line items.

## Sensitivity analysis – changes in: the discount rate used in relation to PPOs and other claims, the assumed Ogden discount rate and claims inflation

The table below provides a sensitivity analysis of the potential net impact of a change in a single factor (the internal discount rate used for PPOs and other claims, the Ogden discount rate or claims inflation) with all other assumptions left unchanged. Other potential risks beyond the ones described could have additional financial impacts.

| | Increase/(decrease) in profit before tax and equity gross of reinsurance[1,2] | | Increase/(decrease) in profit before tax and equity net of reinsurance[1,2] | |
|---|---|---|---|---|
| | **30 Jun 2024** | 31 Dec 2023 | **30 Jun 2024** | 31 Dec 2023 |
| At 31 December | **£m** | £m | **£m** | £m |
| **Discount curve - PPOs[3]** | | | | |
| Impact of an increase in the discount rate used in the calculation of present values of 100 basis points | **85.2** | 95.0 | **33.6** | 39.0 |
| Impact of a decrease in the discount rate used in the calculation of present values of 100 basis points | **(113.4)** | (127.8) | **(44.2)** | (52.1) |
| **Discount curve - other claims[4]** | | | | |
| Impact of an increase in the discount rate used in the calculation of present values of 100 basis points | **61.4** | 55.9 | **39.1** | 37.2 |
| Impact of a decrease in the discount rate used in the calculation of present values of 100 basis points | **(64.4)** | (58.6) | **(40.9)** | (38.9) |
| **Ogden discount rate[5]** | | | | |
| Impact of the Group reserving at a discount rate of 0.75% compared to the reserving basis | **104.8** | 105.1 | **41.8** | 48.1 |
| Impact of the Group reserving at a discount rate of minus 1.25% compared to the reserving basis | **(304.0)** | (220.6) | **(115.2)** | (97.0) |
| **Claims inflation** | | | | |
| Impact of a decrease in claims inflation by 200 basis points for two consecutive years | **120.5** | 112.8 | **73.2** | 71.7 |
| Impact of an increase in claims inflation by 200 basis points for two consecutive years | **(118.6)** | (114.6) | **(70.7)** | (72.8) |
| **Risk adjustment (restated)[6]** | | | | |
| Impact of a risk adjustment at the 70th percentile compared to the booked risk adjustment at the 75th percentile | **54.2** | 53.4 | **28.5** | 30.8 |
| Impact of a risk adjustment at the 80th percentile compared to the booked risk adjustment at the 75th percentile | **(60.3)** | (59.5) | **(30.4)** | (32.9) |

Notes:

1. These sensitivities are net of reinsurance and exclude the impact of taxation.
2. These sensitivities reflect one-off impacts at the statement of financial position date and should not be interpreted as predictions.
3. The sensitivities relating to an increase or decrease in the discount rate used for PPOs illustrate a movement in the time value of money. The PPO sensitivity has been calculated on the direct impact of the change in the discount rate with all other factors remaining unchanged. The sensitivity is calculated on the basis of a change in the internal discount rate used for the actuarial best estimate reserves as at 30 June 2024. It does not take into account any second order impacts such as changes in PPO propensity or reinsurance bad debt assumptions.
4. The sensitivities relating to an increase or decrease in the yield curve used to discount all reserves excluding PPOs illustrate a movement in the time value of money from the assumed level at the statement of financial position dates. The sensitivity has been calculated on the direct impact of the change in the discount curve with all other factors remaining unchanged.
5. Ogden discount rate sensitivity has been calculated on the direct impact of a permanent change in the discount rate in England and Wales with all other factors remaining unchanged. The reserving basis includes a probability weighted allowance for a discount rate change at the portfolio level. This is intended to ensure that reserves are appropriate for current and potential future developments.
6. The risk adjustment sensitivities are with respect to the discounted risk adjustment at the statement of financial position dates, with the YE 2023 sensitivities having been restated from an undiscounted basis as reported in the Group's Annual Report and Accounts.

**NEIL MANSER**

CHIEF FINANCIAL OFFICER

## Principal risks and uncertainties

We carefully assess the principal risks facing us. Principal risks are defined as having a residual risk impact of £30 million or more on a 1-in-200 years basis, taking into account customer, financial and reputational impacts.

The Group's principal risks, which include insurance, market, credit, operational, conduct and strategic, have not changed significantly during the first half of the year. Our principal risks are under continuous review and assessment as outlined below.

## Principal risk

### Insurance risk

Insurance risk is the risk arising from insurance obligations, in relation to the perils covered and the processes used in the conduct of business. It takes account of the uncertainty related to the Group's existing insurance and reinsurance obligations as well as to new business expected to be written. It includes the risk of loss, or of adverse change in the value of insurance liabilities resulting from:

– fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements; and
– significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events (for example catastrophe risk).

Key drivers of the outlook for insurance risk across our business plan include reserving, underwriting, distribution, pricing and reinsurance risks. Issues relating to claims inflation, the cost of living crisis, the impact of the FCA's GIPP regulations, Motor market premium softening and the uncertainty in economic environment, with elevated geopolitical tensions have been key areas of focus for the Group in 2024. Claims trends have been significantly impacted by persistent claims inflation, particularly in the Motor market, leading to uncertainty in claims reserving and pricing in 2024 and beyond. However, our reserving processes reflect improved insight in claims experience and inflation trends resulting from extensive work undertaken across the business.

In addition, the Group is continuing its pricing and underwriting transformation journey aimed at delivering best market practice in our Motor business. The Group will monitor changes to the Insurance Risk profile, particularly following the launch of the Direct Line brand on price comparison websites.

Key risk themes relating to this category include the macroeconomic environment, regulatory and legislative environment, organisational resilience and agility, and a softening Motor market. We have used scenario testing to understand the potential financial impacts of the key risks and we continue to monitor them closely.

Finally, climate change presents a risk of increased frequency of extreme events and so to increase monitoring, we are looking to enhance associated key risk indicators across Home and Commercial. The Group manages its current exposure to weather events through the use of reinsurance and participation in the Flood Re initiative to monitor related risks across Home and Commercial Direct.

### Market risk

Market risk is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Key drivers of market risk are the sensitivity of the values of our assets and investments to changes in credit spreads, our exposure to losses as a result of changes in interest rate, term structure or volatility, and the key risk theme of the impact from the macroeconomic environment.

Market risk remains at a heightened but stable level over the term of the Group's Financial Plan (the "**Plan**"). In the United Kingdom inflation has been reducing from the high levels in 2022 returning to the Bank of England's 2% target in May 2024, although it was 2.2% in August. The Bank of England announced a reduction in the base interest rate to 5.0% on 1 August 2024. The sustained level of high interest rates, continued economic uncertainty and low productivity levels are likely to lead to minimal economic growth during 2024.

The worldwide and UK economic environment remains uncertain with elevated geopolitical tensions that could affect equity and credit markets within the global economy leading to credit spread increases, foreign exchange rate volatility and the impact of interest rates changes. We have an investment strategy which is approved by the Board and includes limiting exposure to individual asset classes and the amount of illiquid investments we hold. Technical provisions are affected by changes in interest rates and inflation, and in particular PPOs as these are of longer duration. We apply asset liability matching techniques to partially mitigate these sources of risk. We also use risk reduction techniques such as hedging foreign currency exposures with forward contracts.

## Credit risk

Credit risk is the risk of loss resulting from default in obligations due from, and/or changes in the credit standing of, issuers of securities, counterparties or any debtors to which the Group is exposed.

The Group monitors its key counterparties, specifically the security of the issuers within its investment portfolio, and its reinsurance exposures are mainly held with reinsurers with high credit ratings.

To manage credit risk, we set credit limits for each material counterparty and actively monitor credit exposures, whilst also considering new future exposures. We enter reinsurance contracts with reinsurers as follows:

- When placing short-tailed reinsurance we require an S&P rating or equivalent of at least A-.
- When placing long-tailed reinsurance, at least 90% of the placement should be arranged with reinsurers with an S&P rating or equivalent of A+ or above, and a maximum of 10% of the placement with reinsurers with an S&P rating or equivalent of between A- and A+.

Exceptions to the above or strategic reinsurance arrangements are assessed on a case-by-case basis and follow internal credit risk processes.

Finally, we also have well-defined criteria to determine which customers and brokers are offered and granted credit.

## Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes or systems, human error or from external events. Risks relating to this category include, technology and infrastructure, change, cyber, supply chain & outsourcing and people.

The Group continues to implement and embed changes in its technology systems, data flows, pricing models, and processes, whilst operating within a volatile external environment. The Group’s exposure to technology risk is materially impacted by the need to enhance digital capabilities, simplify our technology estate and mitigate IT resilience risk.

Our approach is to manage our operational risks proactively, to mitigate potential customer harm, regulatory or legal censure, financial, reputational, or environmental, social and governance ("**ESG**") impacts. The Group is continuing to strengthen its control environment through various initiatives.

The Group develops technology with “a resilience by design approach”. Continuous monitoring and maintenance of the technology estate, along with disaster recovery testing, mitigates the likelihood of system failures. The Group maintains and tests critical end-to-end business and continuity plans for material systems outages.

The Group continued its journey to improve change portfolio management and delivery that is further supported by a new Transformation Management Office with the objective of ensuring that change delivery achieves the intended outcomes and benefits for customers and shareholders within risk appetite. Notably, we continue with our plans to modernise our IT infrastructure and technology estate for increased performance and stability, so that our customers can have a better sales and servicing experience through changed target operating models (people, processes, technology, and data flows). Changes to the technology environment follows an industry standard service management framework that provides risk assessment, planning, testing and validation prior to production, with ongoing control and performance monitoring.

The risks from cyber security failures that could impact the confidentiality, integrity and availability of our data continue to increase and evolve as threat actors enhance their practices. Our Chief Information Security Officer is focused on ensuring cyber security policies and controls are in place and operate effectively.

Recognising that the external environment is constantly evolving, the Group’s third party supplier risk and control environment is under regular review and assessment with the objective of ensuring such risk is managed within appetite.

Culture remains a core focus for the Group in 2024 and work is progressing to implement the required frameworks, capabilities, tools, and governance to deliver against desired cultural outcomes.

### Conduct and regulatory compliance risk

Conduct risk is the risk of failing to put the customer at the heart of our business, failing to deliver on our commitments and/or failing to ensure that fairness is a natural outcome of what we do and how we do it; and regulatory compliance risk is the risk of reputational damage, regulatory or legal censure, fines or prosecutions and other types of losses arising from non-compliance with regulations and legislation.

The FCA placed two regulatory requirements on Direct Line Group in 2023:

- In June 2023, the Group was required to carry out a past business review of Motor total loss claims settled between 1 September 2017 and 17 August 2022 to identify policyholders who received unfair settlements and provide them with appropriate redress. The remediation activity is materially complete.
- In September 2023, the Group was required to carry out a past business review of renewal prices charged since 1 January 2022 to identify any that did not comply with the general insurance pricing practices rules relating to the use of tenure and to provide policyholders with appropriate redress. The Group is running a remediation programme for affected customers.

The outlook for regulatory compliance risk is increasing as financial institutions embed multiple regulatory changes, alongside a challenging external environment referred to in strategic risk and insurance risk. Further, regulators are increasingly expecting financial institutions to balance commercial and societal outcomes in decision-making, as they seek to meet the needs of different stakeholders (for example, relating to climate change).

The introduction of Consumer Duty represented a significant shift in the FCA's expectations of firms and applies to all of the Group's regulated products. The Group implemented a plan in response however, the FCA has been clear that the Duty is not a "once and done" exercise and firms must ensure they are learning and improving continuously. The Board approved the Group's Annual Consumer Duty Report in July 2024, which includes areas of focus to deliver improvements over the next 12 months.

We have continued to engage with the regulators and HM Treasury regarding the future regulatory framework within the UK and remain focused on key areas of regulatory attention, including operational resilience, and on preparing for emerging regulatory requirements.

Finally, we have a governance and accountability framework in place as part of the Senior Managers and Certification Regime, and carry out an annual declaration process to ensure the ongoing fitness and propriety of the Group's Senior Managers and Certified Functions.

### Strategic risk

Strategic risk is the risk of direct or indirect impact on the earnings, capital, or value of the business as a result of strategies not being optimally chosen, implemented or adapted to changing conditions. Strategic risk is influenced by internal and external developments, including the potential impacts of cost of living, regulatory change, changing trends for insurance products, the potential for new and ongoing geopolitical conflicts and climate-related risks. These factors continue to have an impact on the delivery of the Group's Plan due to a high level of uncertainty in the market, consumer behaviour and engagement models. The delivery of the Group strategy is being closely monitored and controlled with the support of the Group's Transformation Management Office.

Adam Winslow joined as the new permanent CEO at the beginning of March 2024, and is putting in place a new Executive leadership team joining throughout the year. A revised strategy was announced to the market at the Capital Markets Day in July, envisaging the Group building on its strong foundations.

### Effects of macroeconomic and trading environments on the Group

The UK continues to face into a challenging macroeconomic environment. This, in conjunction with a challenging trading environment, could lead to or exacerbate existing risks for the Group and we remain alert to possible developments across our risk universe.

### Emerging risks

Emerging risks are defined by the Group as newly developing or changing threats or opportunities, that are subject to a high degree of uncertainty but have the potential to materially impact the Group over the long term.

The Group has in place an emerging risks process designed to enable it to:

- identify, manage and monitor a broad range of potential emerging risks; and
- mitigate the impact of emerging risks which could impact the delivery of the Plan.

### Environmental

The Group recognises that emerging environmental issues, such as climate change, pose material long-term financial risks to the Group. Physical and transition climate change risk factors can manifest themselves through a range of existing financial and non-financial risks. The Group is also aware of the emerging liability risk associated with climate change and the potential reputational and financial loss from litigation that could materialise.

We continue to monitor these risks closely and to develop our climate change modelling capability. Further details on our risk management approach to climate change are included in the Task Force on Climate-related Financial Disclosures ("**TCFD**") report contained within the Group's annual report.

### Social & Economic

Pressure on customers' finances and time, coupled with generational changes, are expected to generate a structural shift in customer demand, requiring the Group to innovate and adapt its product offerings in order to remain relevant.

### Political

Due to heightened geopolitical tensions, there is a risk that measures are implemented by governments that decrease political stability, erode countries' relationships, and contribute to increasing protectionism. This could lead to multiple impacts including on investment performance and supply chains. The Group conducts ongoing analysis to monitor exposure to the developing geopolitical environment (for example, the Middle East, Russia/Ukraine and China/Taiwan).

### Technological

New car technologies, such as autonomous vehicles and hydrogen power, are in development which, once on UK roads, are expected to be transformative. Traditional Motor policies may no longer serve the needs of customers, requiring changes to the Group's pricing models and policy wordings. The repair networks' capabilities will also need to be upgraded to serve this demand effectively. The Group will focus on making sure its offerings will better serve customer needs in the future while engaging with industry bodies to help shape policies and understand potential impacts for the Group.

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

| | Notes | **6 months 2024** **£m** | 6 months 2023 £m | Full year 2023 £m |
|---|---|---|---|---|
| Insurance revenue | 5 | **2,245.7** | 1,603.1 | 3,601.7 |
| Insurance service expenses | 5 | **(2,199.0)** | (1,608.8) | (3,806.3) |
| Allocation of reinsurance premiums paid | 5 | **(664.9)** | (78.7) | (470.2) |
| Amounts recoverable from/(payable on) reinsurance contracts held | 5 | **643.4** | (25.0) | 423.4 |
| **Insurance service result** | 5 | **25.2** | (109.4) | (251.4) |
| | | | | |
| Total interest income calculated using effective interest rate method | 6 | **112.4** | 76.5 | 171.8 |
| Other interest and similar income | 6 | **8.6** | 8.0 | 16.1 |
| Investment fees | 6 | **(4.2)** | (4.9) | (9.3) |
| **Investment income** | 6 | **116.8** | 79.6 | 178.6 |
| | | | | |
| Total net fair value gains/(losses) on financial assets held at fair value through profit or loss | 6 | **6.0** | (9.2) | 127.0 |
| Net fair value (losses)/gains on investment property | 6 | **(0.7)** | 3.4 | (1.9) |
| Net credit impairment gains/(losses) on financial investments | 6 | **0.1** | 0.3 | (0.7) |
| **Investment return** | 6 | **122.2** | 74.1 | 303.0 |
| Net finance income/(expenses) from insurance contracts issued | 6 | **1.1** | 22.8 | (193.8) |
| Net finance (expenses)/income from reinsurance contracts held | 6 | **(16.4)** | (39.4) | 28.0 |
| **Investment return and net insurance finance result** | 6 | **106.9** | 57.5 | 137.2 |
| | | | | |
| Other operating income | | **6.8** | 5.1 | 21.8 |
| Other operating expenses | 7 | **(69.9)** | (22.3) | (59.6) |
| Other finance costs | 8 | **(7.4)** | (7.2) | (14.5) |
| Gain on disposal of business | | **—** | — | 443.9 |
| **Profit/(loss) before tax** | | **61.6** | (76.3) | 277.4 |
| Tax (charge)/credit[1] | 9 | **(17.2)** | 24.4 | (54.5) |
| **Profit/(loss) for the period attributable to the owners of the Company** | | **44.4** | (51.9) | 222.9 |
| | | | | |
| **Earnings per share:** | | | | |
| Basic (pence) | 11 | **2.8** | (4.6) | 15.9 |
| Diluted (pence) | 11 | **2.7** | (4.6) | 15.7 |

Notes:

1. Tax on gain on disposal of business is included in this figure.
2. The accompanying notes form part of this half year report.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Profit/(loss) for the period attributable to the owners of the Company** | **44.4** | (51.9) | 222.9 |
| **Other comprehensive income/(loss)** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Remeasurement gain on defined benefit pension scheme | **0.2** | — | 0.1 |
| Fair value gain on equity investments measured at FVOCI | **2.0** | 0.2 | 3.3 |
| Realised gain/(loss) on equity investments measured at FVOCI | **0.4** | (0.6) | (0.6) |
| Tax relating to items that will not be reclassified | **(0.5)** | — | — |
| | **2.1** | (0.4) | 2.8 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Cash flow hedges | **0.1** | (0.9) | (0.2) |
| | **0.1** | (0.9) | (0.2) |
| **Other comprehensive income/(loss) for the period net of tax** | **2.2** | (1.3) | 2.6 |
| **Total comprehensive income/(loss) for the period attributable to the owners of the Company** | **46.6** | (53.2) | 225.5 |

Note:

1. The accompanying notes form part of this half year report.

## Condensed Consolidated Statement of Financial Position

As at 30 June 2024

| | Notes | 30 Jun 2024 £m | 31 Dec 2023 £m |
|---|---|---|---|
| **Assets** | | | |
| Goodwill and other intangible assets | | **784.8** | 818.6 |
| Property, plant and equipment | | **90.2** | 91.6 |
| Right-of-use assets | | **95.9** | 96.1 |
| Investment property | | **277.0** | 277.1 |
| Insurance contract assets | 14 | **1.6** | 5.4 |
| Reinsurance contract assets | 14 | **1,675.0** | 1,346.0 |
| Deferred tax assets | | **53.7** | 56.5 |
| Current tax assets | | **55.6** | 82.8 |
| Other receivables | | **33.3** | 35.2 |
| Prepayments, accrued income and other assets | | **98.7** | 101.5 |
| Derivative financial instruments | | **14.3** | 27.4 |
| Retirement benefit asset | | **1.1** | 1.3 |
| Financial investments | 15 | **3,984.8** | 3,691.6 |
| Cash and cash equivalents | 16 | **1,476.8** | 1,772.2 |
| Assets held for sale | | **13.9** | 13.9 |
| **Total assets** | | **8,656.7** | 8,417.2 |
| **Equity** | | | |
| Shareholders' equity | | **2,045.1** | 2,058.2 |
| Tier 1 notes | | **346.5** | 346.5 |
| **Total equity** | | **2,391.6** | 2,404.7 |
| **Liabilities** | | | |
| Subordinated liabilities | | **258.9** | 258.8 |
| Insurance contract liabilities | 14 | **5,322.0** | 5,238.8 |
| Reinsurance contract liabilities | 14 | **264.9** | 116.6 |
| Borrowings | 16 | **112.6** | 82.4 |
| Derivative financial instruments | | **15.6** | 15.4 |
| Provisions | | **17.0** | 30.8 |
| Trade and other payables | | **166.4** | 163.6 |
| Lease liabilities | | **107.7** | 106.1 |
| **Total liabilities** | | **6,265.1** | 6,012.5 |
| **Total equity and liabilities** | | **8,656.7** | 8,417.2 |

Note:

1. The accompanying notes form part of this half year report.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

| | Share capital (note 13) | Employee trust shares | Capital reserves | Equity investments revaluation reserve | Foreign exchange translation reserve | Retained earnings | Shareholders' equity | Tier 1 notes | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **Balance at 1 January 2023** | 143.1 | (39.0) | 1,456.9 | 0.9 | — | 283.4 | 1,845.3 | 346.5 | 2,191.8 |
| Profit for the year | — | — | — | — | — | 222.9 | 222.9 | — | 222.9 |
| Other comprehensive income/(loss) | — | — | — | 2.7 | (0.2) | 0.1 | 2.6 | — | 2.6 |
| **Total comprehensive income/(loss) for the period** | — | — | — | 2.7 | (0.2) | 223.0 | 225.5 | — | 225.5 |
| Dividends and appropriations paid (note 9) | — | — | — | — | — | (16.6) | (16.6) | — | (16.6) |
| Shares acquired by employee trusts | — | (10.2) | — | — | — | — | (10.2) | — | (10.2) |
| Credit to equity for equity-settled share-based payments | — | — | — | — | — | 13.9 | 13.9 | — | 13.9 |
| Shares distributed by employee trusts | — | 19.3 | — | — | — | (19.3) | — | — | — |
| Tax on share-based payments | — | — | — | — | — | 0.3 | 0.3 | — | 0.3 |
| **Total transactions with equity holders** | — | 9.1 | — | — | — | (21.7) | (12.6) | — | (12.6) |
| **Balance at 31 December 2023** | 143.1 | (29.9) | 1,456.9 | 3.6 | (0.2) | 484.7 | 2,058.2 | 346.5 | 2,404.7 |
| Profit for the period | **—** | **—** | **—** | **—** | **—** | **44.4** | **44.4** | **—** | **44.4** |
| Other comprehensive income/(loss) | **—** | **—** | **—** | **2.4** | **0.1** | **(0.3)** | **2.2** | **—** | **2.2** |
| **Total comprehensive income for the period** | **—** | **—** | **—** | **2.4** | **0.1** | **44.1** | **46.6** | **—** | **46.6** |
| Dividends and appropriations paid (note 9) | **—** | **—** | **—** | **—** | **—** | **(60.4)** | **(60.4)** | **—** | **(60.4)** |
| Shares acquired by employee trusts | **—** | **(6.6)** | **—** | **—** | **—** | **—** | **(6.6)** | **—** | **(6.6)** |
| Credit to equity for equity-settled share-based payments | **—** | **—** | **—** | **—** | **—** | **6.9** | **6.9** | **—** | **6.9** |
| Shares distributed by employee trusts | **—** | **15.9** | **—** | **—** | **—** | **(15.9)** | **—** | **—** | **—** |
| Tax on share-based payments | **—** | **—** | **—** | **—** | **—** | **0.4** | **0.4** | **—** | **0.4** |
| **Total transactions with equity holders** | **—** | **9.3** | **—** | **—** | **—** | **(69.0)** | **(59.7)** | **—** | **(59.7)** |
| **Balance at 30 June 2024 (unaudited)** | **143.1** | **(20.6)** | **1,456.9** | **6.0** | **(0.1)** | **459.8** | **2,045.1** | **346.5** | **2,391.6** |

Note:

1. The accompanying notes form part of this half year report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024

| | Notes | 6 months 2024 £m | 6 months 2023 £m | 2023 £m |
|---|---|---|---|---|
| Net cash (used in)/generated from operating activities before investment of insurance assets | | **(50.4)** | (33.1) | 100.5 |
| Cash (used in)/generated from investment of insurance assets | | **(150.2)** | 718.7 | 304.4 |
| **Net cash (used in)/generated from operating activities** | | **(200.6)** | 685.6 | 404.9 |
| **Cash flows (used in)/generated from investing activities** | | | | |
| Investment in other intangible assets | | **(40.4)** | (65.1) | (124.1) |
| Purchases of property, plant and equipment | | **(4.6)** | (16.0) | (18.9) |
| Proceeds on disposals of assets held for sale | | **—** | — | 21.9 |
| Proceeds from disposal of business | | **—** | — | 520.0 |
| Net cash inflow/(outflow) from acquisition of businesses | | **—** | 1.1 | (0.6) |
| **Net cash (used in)/generated from investing activities** | | **(45.0)** | (80.0) | 398.3 |
| **Cash flows used in financing activities** | | | | |
| Dividends and appropriations paid | 10 | **(60.4)** | (8.3) | (16.6) |
| Other finance costs (including lease interest) | | **(7.4)** | (18.7) | (14.2) |
| Principal element of lease payments | | **(5.6)** | (5.9) | (10.8) |
| Purchase of employee trust shares | | **(6.6)** | (6.0) | (10.2) |
| **Net cash used in financing activities** | | **(80.0)** | (38.9) | (51.8) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(325.6)** | 566.7 | 751.4 |
| Cash and cash equivalents at the beginning of the year | 16 | **1,689.8** | 938.4 | 938.4 |
| **Cash and cash equivalents at the end of the period** | 16 | **1,364.2** | 1,505.1 | 1,689.8 |

Note:

1. The accompanying notes form part of this half year report.

## Corporate information

Direct Line Insurance Group plc is a public limited company registered in England and Wales (company number 02280426).

The address of the registered office is Churchill Court, Westmoreland Road, Bromley BR1 1DP, England.

## 1 General information

The comparative figures for the financial year ended 31 December 2023 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's previous auditor and delivered to the registrar of companies. The report of the previous auditor was (I) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

## 2 Accounting policies

### 2.1 Basis of preparation

The annual financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") as adopted by the UK. The unaudited condensed consolidated financial statements (the "**interim financial statements**") included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the UK. The results for the six months ended 30 June 2024 are unaudited but have been reviewed by the Auditor, KPMG LLP.

### 2.2 Going concern

The Directors believe that the Group has sufficient financial resources to meet its financial needs, including managing a mature portfolio of insurance risk. The Directors believe the Group is well positioned to manage its business risks successfully in the current economic climate. The Chief Financial Officer Review describes the Group's capital management strategy, including the capital actions taken in the last six months to ensure the continued strength of the balance sheet. The Group's financial position is also covered in that section, including a commentary on cash and investment holdings, claims reserves and management of insurance liabilities, and the Group's financial leverage

The Directors have assessed the principal risks of the Group over the duration of the planning cycle, which runs until 2027, with the first year following approval of the Strategic Plan ("the Plan"), being 2024, having greater certainty and hence used to set detailed budgets. The Group's Risk Function has carried out an assessment of the risks to the Plan and the dependencies for the success of the Plan. This included running adverse scenarios on the Plan to consider the downside risks to the Plan and subsequent impact on forecast profit. The key scenarios applied to the Plan were in relation to the impact of adverse claims inflation, failure to achieve Motor pricing initiative benefits, delay to delivery of expense reductions and a fall in asset values. The key judgements and assumptions applied in these scenarios are included on page 179 of the Annual Report & Accounts 2023.

It is unlikely that all risks would materialise at the same time. None of the scenarios individually were concluded to present a threat to the Group's expected viability across the duration of the Plan.

The Risk Function has also carried out an assessment of the risks to the Group's and Company's capital position over 2024 and 2025. Two specific macroeconomic combination stresses, a moderate and a severe, have been updated to include not only a review of Group financials but also a review of assumptions to reflect the latest internal and external environment and trends. The severe scenario adopts the key parameters from the 2022 Bank of England Banking Stress Test, which is described as "severe but plausible", updated for changes in the macroeconomic environment. The stresses have been run to assess the possible impact on own funds in the period to 31 December 2024 and 31 December 2025.

Additionally, the Risk Function conduct reverse stress test deep dives every year. The Group has defined the following remote outcomes that may lead to unviability: capital / liquidity shortfall, loss of licence to operate, failure to run operations and loss of market confidence. The 2024 Stress & Scenario plan considers a combination of adverse developments that could occur within a one-year time horizon including a natural catastrophe event, added regulatory pressure, increasing Global Political Instability as well as operational impacts e.g. to reflect increasing Cyber risk. The results concluded that given the current high solvency ratio baseline, the combination of events and total impact required to result in a regulatory capital requirement shortfall is remote.

The Plan has been refreshed as part of the Group forecasting process during the interim period to reflect management actions taken during 2024. The macroeconomic assumptions for key parameters such as Consumer Price Index, GDP and Bank base rate for the moderate scenario reflect the adverse end of the Bank of England May 2024 Monetary Policy Committee forecast range, and for the severe stress, the key macroeconomic parameters from the 2024 EIOPA Insurance Stress Test on geopolitical risk have been incorporated. The refresh of the Plan continues to support the conclusion that the Group will continue to maintain levels of solvency in line with its risk appetite, and in both the moderate and severe scenarios, it was concluded that the Company's solvency capital requirement would not be breached.

Further information in relation to the sensitivity of key factors on the Group's financial position is included in the Chief Financial Officer Review. This sets out the impact on profit before tax from changes in the discount rate used in relation to PPOs and other claims, the assumed Ogden discount rate and claims inflation.

## 2 Accounting policies continued

### 2.2 Going concern continued

Therefore, having made due enquiries, the Directors believe they can reasonably expect that the Group has adequate resources to continue in operational existence for at least 12 months from 3 September 2024 (the date of approval of the condensed consolidated financial statements). Accordingly, the Directors have adopted the going concern basis in preparing the condensed consolidated financial statements.

### 2.3 Adoption of new and revised standards

The Group has adopted a number of new amendments to IFRSs and IASs that became mandatorily effective for the Group for the first time during 2024. However, these have had no impact on the condensed consolidated financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements', which clarifies the requirements for classifying liabilities as current or non-current, and requires new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period.
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback', which adds subsequent measurement requirements for sale and leaseback transactions.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)', which adds disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

## 3. Critical accounting judgements and key sources of estimation uncertainty

Full details of the critical accounting judgements and sources of estimation uncertainty used in applying the Group's accounting policies are outlined on pages 190 to 193 of the Annual Report and Accounts 2023. There have been no significant changes to the principles or assumptions of these critical accounting judgements and key sources of estimation uncertainty in the period ended 30 June 2024. However, considering the significance of the application of IFRS 17 'Insurance Contracts' to the Group's accounts, an update on the critical accounting judgements and key sources of estimation uncertainty in respect of IFRS 17 is provided below.

### 3.1 IFRS 17: Insurance and reinsurance contracts

*PAA eligibility*

Accounting judgement

IFRS 17 states that entities may adopt the premium allocation approach ("**PAA**") measurement model if at the inception of the group of contracts, the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage ("**LFRC**") for the group that would not differ materially from the one that would be produced, or if the coverage period of each contract in the group is one year or less. All insurance and reinsurance contracts issued by the Group are assessed for eligibility with the PAA measurement model on initial recognition, using the Group's PAA eligibility framework. Where insurance and reinsurance contracts do not automatically qualify for measurement using the PAA, the Group has modelled the expected cash flows using a range of reasonably possible future scenarios. The results of the Group's PAA eligibility testing show that the measurement of the LFRC under the PAA for the impacted contract groups does not differ materially from the measurement that would be produced applying the General Measurement Model ("**GMM**"). Its insurance and reinsurance contracts are therefore eligible for the PAA.

The Group considers that the modelling of the cash flows associated with its insurance and reinsurance contracts is a key area of judgement that impacts the PAA eligibility assessment and the resulting measurement of and presentation of insurance and reinsurance contracts in these condensed financial statements.

*Risk adjustment*

Accounting judgement

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. It is determined at Group level on a gross and net of reinsurance basis and allocated to groups of contracts based on the size of their reserves, with the risk adjustment for reinsurance contracts derived as the difference between the gross and net risk adjustments. More recent accident periods tend to be less developed with generally larger reserves than older contract periods, so that a higher proportion of the overall risk adjustment is allocated to these more uncertain groups of contracts. The risk adjustment for non-financial risk is determined using a confidence level technique. The risk adjustment is applied to the liability for incurred claims ("**LIC**") but not to the LFRC.

The Group estimates the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level is the 75th percentile for the LIC. The risk adjustment is derived using the reserve risk distribution calculated in the internal economic capital model and consequently, is subject to model and parameter uncertainty. A sensitivity which demonstrates the impact of the confidence level being at the 70th and 80th percentile on profit before tax is included in the Chief Financial Officer Review in the Reserving section on page 19. Group diversification benefit is not considered at the individual insurance undertaking entity level but is considered in determining the confidence level at a consolidated level for disclosure purposes.

## 3. Critical accounting judgements and key sources of estimation uncertainty continued

### 3.1 IFRS 17: Insurance and reinsurance contracts continued

*Discount rates*

Accounting judgement

The Group has selected to apply the 'bottom up' approach to determine discount rates which requires the use of risk-free rate curves and adding the illiquidity premium.

The Group determines the risk-free discount rate using the Solvency II risk-free rates sourced from the Bank of England. This results in alignment between IFRS 17 and Solvency II and ensures consistency with the Bank of England credit risk premiums used in the illiquidity premium calculations. For cash flows that are not in respect of Periodic Payment Orders ("**PPOs**"), a small illiquidity premium is added to the risk-free rate, reflecting the short settlement tail. For PPOs, to reflect the different liquidity characteristics of the cash flows, the risk-free yield curves are adjusted by a generally higher illiquidity premium. The illiquidity premium is determined by using a fundamental spread approach by deducting the risk-free rate and credit risk premium from corresponding corporate bond reference portfolios. For non-PPOs, the reference portfolio is A-rated bonds with terms of 1 to 3 years and for PPOs, the reference portfolio is BBB-rated bonds with a remaining term of 15 or more years. Judgement is applied when determining the illiquidity premium with respect to allowances for past and future trends, considering changes in the economic environment. Generally, the illiquidity premium is expected to be stable over time however, assessment of the illiquidity premium assumption is reviewed quarterly and adjusted where required.

The following yield curves are used to discount PPO and Non-PPO cash flows for the periods presented below:

As at 30 June 2024

| Spot rate | 1 year | 3 year | 15 year |
|---|---|---|---|
| PPOs | 6.3 % | 5.6 % | 5.2 % |
| Non-PPOs | 5.1 % | 4.4 % | 4.0 % |

As at 31 December 2023

| Spot rate | 1 year | 3 year | 15 year |
|---|---|---|---|
| PPOs | 6.1 % | 5.1 % | 4.8 % |
| Non-PPOs | 4.9 % | 3.9 % | 3.6 % |

The impact of a 100 basis point change in the discount rate is shown in the Chief Financial Officer Review, in the Reserving section.

*Best estimate of future cash flows: liability for incurred claims and amounts recoverable from reinsurance contracts held*

Accounting judgement

The LIC reserves are the combination of best estimate of liabilities ("**BEL**") and a risk adjustment, which is set around the 75th percentile and provides a margin on top of the BEL reflecting the uncertainty on a best estimate basis. The BEL is set on a discounted basis and includes an allowance for direct and indirect claims handling expenses, as well as events not in data ("**ENIDs**"), set by reference to various actuarial scenario assessments. ENIDs also consider other short and long-term risks not reflected in the actuarial inputs, as well as the Corporate Actuarial function's view on the uncertainties in relation to the BEL.

Source of estimation uncertainty

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, ensuring the estimates of any relevant market variables are consistent with observable market prices. However, these cash flows are inherently uncertain in size, timing and are based on probability-weighted average expectations.

The Group makes provision for the full cost of outstanding claims from its general insurance business at the statement of financial position date, including claims estimated to have been incurred but not yet reported at that date and associated claims handling costs. Outstanding claims provisions net of related reinsurance recoveries at 30 June 2024 amounted to £2,473.8 million (31 December 2023: £2,734.9 million).

Claims reserves are assessed separately for large and attritional claims, typically using standard actuarial methods of projection. Key sources of estimation uncertainty include those arising from the selection of specific methods as well as assumptions for claims frequency and severity through the review of historical claims and emerging trends. The Group factors the probability-weighted expected value outcome from the range of possible outcomes in assessing claim liabilities, taking account of all the uncertainties involved.

The corresponding amount recoverable from reinsurance contracts held is calculated on an equivalent basis, with similar estimation uncertainty. A credit exposure exists with respect to reinsurance contracts held, to the extent that any reinsurer is unable to meet its obligations.

## 3. Critical accounting judgements and key sources of estimation uncertainty continued

### 3.1 IFRS 17: Insurance and reinsurance contracts continued

The most common method of settling bodily injury claims is by a lump sum. When this includes an element of indemnity for recurring costs, such as loss of earnings or ongoing medical care, the settlement calculations apply the statutory discount rate (known as the Ogden discount rate) to reflect the fact that payment is made on a one-off basis rather than periodically over time. The current Ogden discount rate is minus 0.25% for England and Wales, with the equivalents being minus 0.75% in Scotland, and minus 1.5% in Northern Ireland.

The Group reserves its large bodily injury claims at the relevant discount rate for each jurisdiction, with the overwhelming majority now case reserved at minus 0.25% as most will be settled under the law of England and Wales. The Ogden discount rate will be reviewed again at the latest by 15 January 2025 and the Group has booked a probability weighted allowance for a discount rate change within its best estimate of liabilities. Since 2021, the Group has reduced the level of Motor reinsurance purchased, resulting in higher net reserves for accident years 2021 to 2023. The impact of a potential change in the Ogden discount rate is shown in the Reserving section of the Chief Financial Officer Review.

If the claimant prefers, large bodily injury claims can be settled using a PPO. This is an alternative way to provide an indemnity for recurring costs, making regular payments, usually for the rest of the claimant's life. .As it is likely to take time to establish whether a claimant will prefer a PPO or a lump sum, until a settlement method is agreed the Group makes assumptions about the likelihood that claimants will opt for a PPO. This is known as the PPO propensity.

At 30 June 2024, the cash flow weighted inflation for PPOs remains at 3.9% (2023: 3.9%), which allows for increased short-term ASHE 6115 inflation of 8.2% over the next 12 months, followed by a number of years of heightened inflation before reverting to a long-term trend of 3.5%.

Details of sensitivity analysis to the discount rate applied to PPO claims are shown in the Reserving section of the Chief Financial Officer Review.

The assessment of claims inflation, and the underlying drivers of claims inflation, remains a key consideration in deriving the reserves. Claims inflation is correlated with price inflation but there are several individual factors that are considered in addition, for example the salary of care workers, the price of used cars, judicial costs and repair costs. A range of general and specific scenarios for excess inflation has been considered in the reserving process. A range of data types and methods are used with historical comparators to assess the underlying position separate from the timing effects to mitigate the uncertainty and the Group has booked an ENID provision to protect against the risk of lower recoveries than estimated within the actuarial best estimate.

Changes in the climate can impact both frequency and severity of losses, particularly for windstorm and flood events. The impact on reserves is only seen when major loss events occur.

Changes in claims frequency present greater uncertainty when calculating the LFRC, whereas uncertainty over the level of claims severity has a greater impact on both the LFRC and LIC reserves. Claims severity risk is particularly acute with respect to care costs for large bodily injury claims as well as input costs and replacement costs for damage claims. The sensitivity analysis in the Reserving section of the Chief Financial Officer Review looks at a 200 basis point change in the claims inflation assumed in the actuarial best estimate over the next two years. The risk of material adjustments to the Group's estimates which could affect the carrying value in 2024, is highest in relation to long-tail classes where inflation has been less evident to date. The Group therefore reserves for the risk of excess inflation on these classes within its ENID position.

There is also uncertainty regarding the remediation cost for Motor total loss claims on past business. The Group has provided a best estimate for remediation cost, including for the operational costs of performing such reviews, relating to Motor total loss claims settled between 1 September 2017 and 17 August 2022, as well as the pricing of Motor and Home policies following the implementation of the FCA's GIPP reform from 1 January 2022. Management exercise judgement in assessing which customers should be remediated and apply estimation techniques in deriving the estimated remediation amounts. The value of the past business review provisions at 30 June 2024 was £78.8 million (31 December 2023: £130.2 million), which has reduced primarily as a result of settlement payments made to customers.

## 4. Segmental analysis

The chief operating decision maker, being the Chief Executive Officer, regularly reviews the operating results at the segmental level as described below and disclosed in the tables in this note to assess performance and make decisions about allocation of resources. During the first half of 2024, the Group redefined its operating segments following changes in management responsibilities and its decision to exit or stop investing in Non-core businesses. These redefined segments are detailed below. The data relating to previous periods have been represented to reflect these changes.

### Motor

This segment consists of personal Motor insurance together with the associated legal protection cover. The Group sells Motor insurance direct to customers through its own brands Direct Line, Churchill, Privilege, By Miles and Darwin, through price comparison websites ("**PCWs**") and through partnership brands, including the Group's partnership with Motability Operations, as well as via vehicle manufacturers.

### Non-Motor

Non-Motor consists of Home insurance, together with associated legal protection cover, Rescue products, and Commercial insurance for small and micro-sized enterprises. Home insurance products are sold through the brands Direct Line, Churchill and Privilege, and through partnership brands (NatWest Group), as well as through PCWs. Rescue products are sold direct through the Group's own brand, Green Flag, Rescue policies linked to Motor policies and through partnerships. The Group sells Commercial insurance direct through the Group's brands Direct Line for Business and Churchill. Both brands sell products directly to customers and Churchill also sells products through PCWs.

### Brokered commercial business

On 6 September 2023 the Group announced the sale of its Brokered commercial insurance business to Royal & Sun Alliance Insurance Limited. Under the terms of the agreement, the Group has retained the back book of the business written and earned prior to 1 October 2023 (the "**Risk Transfer Date**"). Business written or earned on or subsequent to the Risk Transfer Date is subject to a quota share arrangement between the two companies. Over time the two companies may enter into discussions regarding the potential transfer of the back book of policies written and earned prior to the Risk Transfer Date.

The Group has aggregated and excluded the results of the Brokered commercial business and Non-core and Run-off from its ongoing results and has restated all relevant comparatives across the report. Results relating to ongoing operations will be clearly labelled. The segmental analysis has been amended to reflect the changes. The earnings/(loss) before finance costs relating to the Brokered commercial business and Non-core and Run-off in H1 2024 was £32.1 million profit and £12.8 million loss (H1 2023: £16.6 million profit and £10.8 million loss respectively).

### Non-core and Run-off

Non-core and Run-off consists of Other Personal Lines insurance, including Travel and Pet sold direct to customers through Direct Line and Churchill brands, Select, the Group's insurance targeted at mid- to high-net worth customers which is sold direct to customers through Direct Line and partnership brands, and Creditor which is closed to new business with renewing policies written under the UKI brand. Run-off Rescue and Travel partnerships have now all been exited by the Group.

### Inter-segmental transactions

No inter-segment transactions occurred in the period ended 30 June 2024 (30 June 2023: £nil, 31 December 2023: £nil). If any transaction were to occur, transfer prices between operating segments would be set on an arm's-length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

For each operating segment, there are no individual policyholders or customers that represent 10% or more of the Group's total revenue.

## 4. Segmental analysis continued

The table below analyses the Group's revenue and results by reportable segment for the period ended 30 June 2024.

| | Motor | Non-Motor | **Total Group - ongoing operations**[1] | Brokered commercial business[1] | Non-core and Run-off[1] | Restructuring and one-off costs[1,2] | **Total Group** |
|---|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | £m | **£m** |
| Insurance revenue | 1,307.9 | 498.3 | **1,806.2** | 328.6 | 110.9 | — | **2,245.7** |
| Insurance service expenses | (1,392.3) | (407.1) | **(1,799.4)** | (274.9) | (120.4) | (4.3) | **(2,199.0)** |
| Allocation of reinsurance premiums paid | (366.7) | (36.7) | **(403.4)** | (258.8) | (2.7) | — | **(664.9)** |
| Amounts recoverable from/(payable on) reinsurers | 422.8 | (0.9) | **421.9** | 223.5 | (2.0) | — | **643.4** |
| **Insurance service result** | **(28.3)** | **53.6** | **25.3** | **18.4** | **(14.2)** | **(4.3)** | **25.2** |
| Investment return | 76.2 | 18.0 | **94.2** | 25.3 | 2.7 | — | **122.2** |
| Net finance income/(expense) from insurance contracts issued | 16.2 | (7.4) | **8.8** | (6.3) | (1.4) | — | **1.1** |
| Net finance (expense)/income from reinsurance contracts held | (13.1) | 1.0 | **(12.1)** | (4.4) | 0.1 | — | **(16.4)** |
| **Investment return and net insurance finance result** | **79.3** | **11.6** | **90.9** | **14.6** | **1.4** | **—** | **106.9** |
| Other operating income | (1.6) | 7.5 | **5.9** | — | 0.9 | — | **6.8** |
| Other operating expenses | (0.3) | (7.2) | **(7.5)** | (0.9) | (0.9) | (60.6) | **(69.9)** |
| **Earnings/(loss) before other finance costs** | **49.1** | **65.5** | **114.6** | **32.1** | **(12.8)** | **(64.9)** | **69.0** |
| Other finance costs | | | | | | | **(7.4)** |
| **Profit before tax** | | | | | | | **61.6** |

The table below analyses the Group's assets and liabilities by reportable segment[3] for the period ended 30 June 2024.

| | Motor | Non-Motor | **Total Group - ongoing operations**[1] | Brokered commercial business[1] | Non-core and Run-off[1] | **Total Group** |
|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | **£m** |
| Goodwill | 134.0 | 74.5 | **208.5** | — | — | **208.5** |
| Assets held for sale | 8.7 | 2.5 | **11.2** | 2.3 | 0.4 | **13.9** |
| Other segment assets | 4,364.4 | 1,179.6 | **5,544.0** | 1,059.7 | 154.0 | **6,757.7** |
| Reinsurance contract assets | 1,176.2 | 64.1 | **1,240.3** | 433.0 | 1.7 | **1,675.0** |
| Insurance contract assets | — | — | **—** | — | 1.6 | **1.6** |
| Reinsurance contract liabilities | (13.8) | (0.1) | **(13.9)** | (250.5) | (0.5) | **(264.9)** |
| Insurance contract liabilities | (3,419.4) | (882.4) | **(4,301.8)** | (889.3) | (130.9) | **(5,322.0)** |
| Other segment liabilities | (435.9) | (112.5) | **(548.4)** | (113.4) | (16.4) | **(678.2)** |
| **Segment net assets** | **1,814.2** | **325.7** | **2,139.9** | **241.8** | **9.9** | **2,391.6** |

Notes:

1. See glossary on pages 52 to 54 for definitions.
2. The Group incurred £64.9 million of restructuring and one-off costs in 2024, which were predominantly driven by work carried out in relation to the Group's two past business reviews, cost efficiency initiatives and impairments.
3. This segmental analysis is prepared using a combination of asset and liability balances directly attributable to each operating segment and an apportionment of assets and liabilities managed at a Group-wide level. This does not represent the Group's view of the capital requirements for its operating segments.

## 4. Segmental analysis continued

The table below analyses the Group's revenue and results by reportable segment for the period ended 30 June 2023.

| | Motor | Non-Motor | **Total Group - ongoing operations**[1] | Brokered commercial business[1] | Non-core and Run-off[1] | Restructuring and one-off costs[1] | **Total Group** |
|---|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | £m | **£m** |
| Insurance revenue | 744.6 | 450.2 | **1,194.8** | 274.0 | 134.3 | — | **1,603.1** |
| Insurance service expenses | (865.7) | (343.1) | **(1,208.8)** | (255.3) | (144.7) | — | **(1,608.8)** |
| Allocation of reinsurance premiums paid | (29.5) | (26.2) | **(55.7)** | (20.8) | (2.2) | — | **(78.7)** |
| Amounts (payable on)/recoverable from reinsurance contracts held | (33.2) | 2.6 | **(30.6)** | 5.1 | 0.5 | — | **(25.0)** |
| **Insurance service result** | **(183.8)** | **83.5** | **(100.3)** | **3.0** | **(12.1)** | **—** | **(109.4)** |
| Investment return | 45.5 | 12.1 | **57.6** | 14.9 | 1.6 | — | **74.1** |
| Net finance income/(expense) from insurance contracts issued | 24.1 | (1.2) | **22.9** | — | (0.1) | — | **22.8** |
| Net finance expenses from reinsurance contracts held | (36.6) | (0.2) | **(36.8)** | (2.6) | — | — | **(39.4)** |
| **Investment return and net insurance finance result** | **33.0** | **10.7** | **43.7** | **12.3** | **1.5** | **—** | **57.5** |
| Other operating income | (2.3) | 6.9 | **4.6** | — | 0.5 | — | **5.1** |
| Other operating expenses | (7.1) | (7.0) | **(14.1)** | 1.3 | (0.7) | (8.8) | **(22.3)** |
| **(Loss)/profit before restructuring and one-off costs** | **(160.2)** | **94.1** | **(66.1)** | **16.6** | **(10.8)** | **(8.8)** | **(69.1)** |
| Other finance costs | | | | | | | **(7.2)** |
| **Loss before tax** | | | | | | | **(76.3)** |

Note:

1. See glossary on pages 52 to 54 for definitions.

## 4. Segmental analysis continued

The table below analyses the Group's revenue and results by reportable segment for the year ended 31 December 2023 (restated[1]).

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | Brokered commercial business[1] | Non-core and Run-off[1] | Restructuring and one-off costs[1] | **Total Group** |
|---|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | £m | **£m** |
| Insurance revenue | 1,805.4 | 919.2 | **2,724.6** | 600.8 | 276.3 | — | **3,601.7** |
| Insurance service expenses | (2,145.2) | (768.6) | **(2,913.8)** | (564.3) | (303.4) | (24.8) | **(3,806.3)** |
| Allocation of reinsurance premiums paid | (240.5) | (61.5) | **(302.0)** | (163.4) | (4.8) | — | **(470.2)** |
| Amounts recoverable from reinsurance contracts | 248.7 | 30.5 | **279.2** | 140.8 | 3.4 | — | **423.4** |
| Insurance service result | **(331.6)** | **119.6** | **(212.0)** | **13.9** | **(28.5)** | **(24.8)** | **(251.4)** |
| Investment return | 179.3 | 56.8 | **236.1** | 59.0 | 7.9 | — | **303.0** |
| Net finance expenses from insurance contracts issued | (146.2) | (22.3) | **(168.5)** | (21.9) | (3.4) | — | **(193.8)** |
| Net finance income from reinsurance contracts held | 25.5 | 1.9 | **27.4** | 0.4 | 0.2 | — | **28.0** |
| Investment return and net insurance finance result | **58.6** | **36.4** | **95.0** | **37.5** | **4.7** | **—** | **137.2** |
| Other operating income | 4.2 | 16.4 | **20.6** | 0.4 | 0.8 | — | **21.8** |
| Other operating expenses | (5.6) | (15.5) | **(21.1)** | (1.8) | (2.0) | (34.7) | **(59.6)** |
| (Loss)/earnings before other finance costs | **(274.4)** | **156.9** | **(117.5)** | **50.0** | **(25.0)** | **(59.5)** | **(152.0)** |
| Gain on disposal of business | | | | | | | **443.9** |
| Other finance costs | | | | | | | **(14.5)** |
| Profit before tax | | | | | | | **277.4** |

The table below analyses the Group's restated assets and liabilities by reportable segment for the year ended 31 December 2023[3]

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | Brokered commercial business[1] | Non-core and Run-off[1] | **Total Group** |
|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | **£m** |
| Goodwill | 134.0 | 74.5 | **208.5** | — | — | **208.5** |
| Assets held for sale | 8.7 | 2.5 | **11.2** | 2.3 | 0.4 | **13.9** |
| Other segment assets | 4,356.6 | 1,212.8 | **5,569.4** | 1,059.6 | 214.4 | **6,843.4** |
| Reinsurance contract assets | 1,076.4 | 61.0 | **1,137.4** | 203.6 | 5.0 | **1,346.0** |
| Insurance contract assets | — | — | **—** | — | 5.4 | **5.4** |
| Reinsurance contract liabilities | (16.9) | (8.4) | **(25.3)** | (89.6) | (1.7) | **(116.6)** |
| Insurance contract liabilities | (3,305.9) | (892.7) | **(4,198.6)** | (866.0) | (174.2) | **(5,238.8)** |
| Other segment liabilities | (415.1) | (112.1) | **(527.2)** | (108.7) | (21.2) | **(657.1)** |
| **Segment net assets** | **1,837.8** | **337.6** | **2,175.4** | **201.2** | **28.1** | **2,404.7** |

Notes:

1. See glossary on pages 52 to 54 for definitions
2. The Group incurred £59.5 million of restructuring and one-off costs in 2023, which were predominantly driven by work carried out in relation to the Group's two past business reviews, cost efficiency initiatives and impairments.
3. This segmental analysis is prepared using a combination of asset and liability balances directly attributable to each operating segment and an apportionment of assets and liabilities managed at a Group-wide level. This does not represent the Group's view of the capital requirements for its operating segments.

## 5. Insurance service result

| | 6 months 2024 £m | 6 months 2023 £m | Full year 2023 £m |
|---|---|---|---|
| **Insurance revenue** | **2,245.7** | 1,603.1 | 3,601.7 |
| Insurance service expenses | | | |
| Incurred claims and other claims expenses | **(1,700.0)** | (1,197.5) | (2,817.5) |
| Past service – incurred claims | **(28.6)** | 54.6 | (80.9) |
| Other directly attributable expenses[1] | **(470.4)** | (465.9) | (907.9) |
| **Total insurance service expenses** | **(2,199.0)** | (1,608.8) | (3,806.3) |
| **Allocation of reinsurance premiums paid** | **(664.9)** | (78.7) | (470.2) |
| Insurance claims recoverable from reinsurance contracts held | | | |
| Claims recoveries | **597.2** | 60.3 | 495.7 |
| Past service – claim recoveries | **18.8** | (73.6) | (63.1) |
| Other directly attributable expenses[2] | **28.0** | (10.2) | (3.4) |
| Effect of non-performance risk of reinsurers | **(0.6)** | (1.5) | (5.8) |
| **Total amounts recoverable from/(payable on) reinsurance contracts held** | **643.4** | (25.0) | 423.4 |
| **Total insurance service result** | **25.2** | (109.4) | (251.4) |

Note:

1. This includes insurance acquisition expenses of £123.4 million (30 June 2023 £156.4 million and 31 December 2023 of £292.3 million) which are fully expensed at initial recognition in accordance with the Groups accounting policy and do not form part of the liability for remaining coverage.
2. This includes expenses recoverable under reinsurance arrangement in place for Brokered commercial business.

## 6. Investment return and net insurance financial result

| | 6 months 2024 £m | 6 months 2023 £m | Full year 2023 £m |
|---|---|---|---|
| **Amounts recognised in profit or loss** | | | |
| **Interest income calculated using effective interest rate method:** | | | |
| Debt securities | **58.1** | 37.3 | 78.9 |
| Cash and cash equivalents | **41.5** | 25.8 | 65.2 |
| Infrastructure debt | **7.7** | 7.0 | 14.8 |
| Commercial real estate loans | **5.1** | 6.4 | 12.9 |
| **Total interest income calculated using effective interest rate method** | **112.4** | 76.5 | 171.8 |
| Rental income from investment property | **8.6** | 8.0 | 16.1 |
| **Other interest and similar income** | **8.6** | 8.0 | 16.1 |
| **Investment income** | **121.0** | 84.5 | 187.9 |
| Investment fees | **(4.2)** | (4.9) | (9.3) |
| **Net investment income** | **116.8** | 79.6 | 178.6 |
| **Net fair value gains/(losses) on financial assets held at fair value through profit or loss:** | | | |
| Debt securities | **(3.4)** | (5.9) | 134.1 |
| Derivatives | **9.4** | (3.3) | (6.4) |
| Equity investments | **—** | — | (0.7) |
| **Total net fair value gains/(losses) on financial assets held at fair value through profit or loss** | **6.0** | (9.2) | 127.0 |
| **Net fair value (losses)/gains on investment property** | **(0.7)** | 3.4 | (1.9) |
| **Net credit impairment gains/(losses) on financial investments** | **0.1** | 0.3 | (0.7) |
| **Investment return** | **122.2** | 74.1 | 303.0 |
| **Insurance finance income/(expense) from insurance contracts issued:** | | | |
| Interest accreted to insurance contracts using current financial assumptions | **1.1** | 22.8 | (193.8) |
| **Reinsurance finance (expense)/income from reinsurance contracts issued:** | | | |
| Interest accreted to reinsurance contracts using current financial assumptions | **(16.4)** | (39.4) | 28.0 |
| **Insurance and reinsurance finance expenses** | **(15.3)** | (16.6) | (165.8) |
| **Total net investment return, insurance and reinsurance finance income/(expenses)** | **106.9** | 57.5 | 137.2 |
| **Amounts recognised in other comprehensive income** | | | |
| Net fair value gains/(losses) on equity investments measured at fair value through other comprehensive income | **2.4** | (0.4) | 2.7 |

## 6. Investment return and net insurance financial result continued

The table below analyses the gains and losses on foreign currency hedging and interest rate hedging instruments included in investment return.

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Gains/(losses) on foreign exchange hedging: | | | |
| Foreign exchange forward contracts[1] | **(3.9)** | 43.5 | 43.0 |
| Associated foreign exchange risk | **4.0** | (49.3) | (48.5) |
| Total gains/(losses) on foreign exchange hedging | **0.1** | (5.8) | (5.5) |
| Interest rate swaps: | | | |
| Gains/(losses) on interest rate swaps[1] | **9.3** | 2.5 | (0.9) |
| **Total gains/(losses) on foreign exchange hedging and interest rate hedging instruments** | **9.4** | (3.3) | (6.4) |

Note:

1. Foreign exchange forward contracts and interest rate swaps are measured at fair value through the statement of profit or loss.

The Group holds fixed rate USD and EUR denominated bonds whose fair value is exposed to movements in interest rates. In order to economically hedge the interest rate risk of these bonds the Group enters into interest rate swaps, paying a fixed rate and receiving a floating rate.

## 7. Other operating expenses

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Non-directly attributable IT and other operating expenses | **37.4** | 16.3 | 33.4 |
| Non-directly attributable staff expenses | **12.0** | 5.9 | 15.7 |
| Impairment of intangible and fixed assets | **20.5** | 0.1 | 10.5 |
| **Total other operating expenses[1]** | **69.9** | 22.3 | 59.6 |

Note:

1. This includes cost efficiency initiatives, non-cash impairments of software development and response work carried out in relation to the non-solicited and highly conditional proposal from Ageas NV.

## 8. Other finance costs

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Interest expense on subordinated liabilities | **5.2** | 5.2 | 10.5 |
| Amortisation of arrangement costs, discount on issue and fair value hedging adjustment of subordinated liabilities | **0.1** | 0.1 | 0.2 |
| Interest expense on lease liabilities | **2.1** | 1.7 | 3.8 |
| Other interest expense | **—** | 0.2 | — |
| **Total** | **7.4** | 7.2 | 14.5 |

## 9. Tax charge/(credit)

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Current taxation: | | | |
| Charge for the period | **14.3** | — | 24.3 |
| Under-provision in respect of prior period | **0.5** | — | (2.6) |
| **Total** | **14.8** | — | 21.7 |
| Deferred taxation: | | | |
| Charge/(credit) for the period | **2.4** | (24.4) | 29.5 |
| Under-provision in respect of prior period | **—** | — | 3.3 |
| **Total** | **2.4** | (24.4) | 32.8 |
| | | | |
| **Tax charge/(credit) for the period** | **17.2** | (24.4) | 54.5 |

## 9. Tax charge/(credit) continued

The following table analyses the difference between the actual income tax (credit)/charge and the expected income tax (credit)/charge computed by applying the standard rate of corporation tax of 25.0% (2023: 23.5% ).

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Profit for the period | **61.6** | (76.3) | 277.4 |
| Expected tax charge | **15.4** | (17.9) | 65.2 |
| Effects of: | | | |
| Previously unrecognised capital losses now offset against capital gains | **—** | — | (12.4) |
| Disallowable expenses | **3.4** | — | 3.7 |
| Non-taxable items | **—** | (0.1) | (0.1) |
| Movement in deferred tax asset/liability not recognised | **—** | — | (0.1) |
| Higher tax rates on overseas earnings | **—** | — | — |
| Effect of change in corporation taxation rate[1] | **—** | (4.4) | 0.2 |
| Under-provision in respect of prior year | **0.5** | — | 0.7 |
| Revaluation of property | **—** | — | 1.2 |
| Deductible Tier 1 notes coupon payment in equity | **(2.1)** | (2.0) | (3.9) |
| **Tax charge/(credit) for the year** | **17.2** | (24.4) | 54.5 |
| **Effective income tax rate** | **27.9%** | 32.0% | 19.6% |

## 10. Dividends and appropriations

| | **6 months 2024** | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Amounts recognised as distributions to equity holders in the period: | **—** | — | — |
| 2023 final dividend of 4.0 pence per share paid on 17 May 2024 | **52.1** | — | — |
| | **52.1** | — | — |
| Coupon payments in respect of Tier 1 notes[1] | **8.3** | 8.3 | 16.6 |
| | **60.4** | 8.3 | 16.6 |
| Proposed dividends: | | | |
| 2024 interim dividend of 2.0 pence per share | **26.0** | — | — |

Note:

1. Coupon payments on the Tier 1 notes issued in December 2017 were treated as an appropriation of retained profits and, accordingly, were accounted for when paid.

The trustees of the employee share trusts waived their entitlement to dividends on shares held to meet obligations arising on the Long-Term Incentive Plan, Deferred Annual Incentive Plan and Restricted Share Plan awards, which reduced the total dividends paid for the periods ended 30 June 2024 by £0.4 million. No Dividends were paid during the periods ended 30 June 2023 or 31 December 2023.

## 11. Earnings per share

### Basic

Basic earnings per share is calculated by dividing the earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the period, excluding Ordinary Shares held as employee trust shares.

### Diluted

Diluted earnings per share is calculated by dividing the earnings attributable to the owners of the Company less coupon payments in respect of Tier 1 notes by the weighted average number of Ordinary Shares during the period, excluding Ordinary Shares held as employee trust shares, adjusted for the dilutive potential Ordinary Shares. The Company has share options and contingently issuable shares as categories of dilutive potential Ordinary Shares. All awards are to be satisfied using market-purchased shares.

## 11. Earnings per share continued

| | 6 months 2024 | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Earnings/(loss) attributable to the owners of the Company | **44.4** | (51.9) | 222.9 |
| Coupon payments in respect of Tier 1 notes | **(8.3)** | (8.3) | (16.6) |
| Profit/(loss) for the calculation of earnings per share | **36.1** | (60.2) | 206.3 |
| Weighted average number of Ordinary Shares in issue for the purpose of basic earnings per share (millions) | **1,300.2** | 1,299.5 | 1,299.0 |
| Effect of dilutive potential of share options and contingently issuable shares (millions)[1] | **18.2** | 16.1 | 17.3 |
| Weighted average number of Ordinary Shares for the purpose of diluted earnings per share (millions) | **1,318.4** | 1,315.6 | 1,316.3 |
| **Basic earnings per share (pence)** | **2.8** | (4.6) | 15.9 |
| **Diluted earnings per share (pence)** | **2.7** | (4.6) | 15.7 |

Note:

1. Prior period comparatives have been restated. As at 30 June 2023, 16.1 million share options and contingently issuable shares are not included in the calculation of diluted earnings per share because they are antidilutive.

## 12. Net asset value per share and return on equity

### Net asset value per share

Net asset value per share is calculated as total shareholders' equity (which excludes Tier 1 notes) divided by the number of Ordinary Shares at the end of the period excluding shares held by employee share trusts.

Tangible net asset value per share is calculated as total shareholders' equity less goodwill and other intangible assets divided by the number of Ordinary Shares at the end of the period, excluding shares held by employee share trusts.

The table below analyses net asset and tangible net asset value per share:

| | 30 Jun 2024 | 31 Dec 2023 |
|---|---|---|
| | **£m** | £m |
| Net assets | **2,045.1** | 2,058.2 |
| Goodwill and other intangible assets[1] | **(784.8)** | (818.6) |
| Tangible net assets | **1,260.3** | 1,239.6 |
| Number of Ordinary Shares (millions) | **1,311.4** | 1,311.4 |
| Shares held by employee trusts (millions) | **(10.8)** | (13.7) |
| Closing number of Ordinary Shares (millions) | **1,300.6** | 1,297.7 |
| **Net asset value per share (pence)** | **157.2** | 158.6 |
| **Tangible net asset value per share (pence)** | **96.9** | 95.5 |

Note:

1. Goodwill has arisen on acquisition by the Group of subsidiary companies and on acquisition of new accident repair centres. Other intangible assets primarily comprise software development costs.

### Return on equity

The table below details the calculation of return on equity.

| | 6 months 2024 | 6 months 2023 | Full year 2023 |
|---|---|---|---|
| | **£m** | £m | £m |
| Earnings attributable to the owners of the Company | **44.4** | (51.9) | 222.9 |
| Coupon payments in respect of Tier 1 notes | **(8.3)** | (8.3) | (16.6) |
| Profit/(loss) for the calculation of return on equity | **36.1** | (60.2) | 206.3 |
| Annualised profit/(loss) for the calculation of return on equity | **72.2** | (120.4) | 206.3 |
| Opening shareholders' equity | **2,058.2** | 1,845.3 | 1,845.3 |
| Closing shareholders' equity | **2,045.1** | 1,785.1 | 2,058.2 |
| Average shareholders' equity | **2,051.7** | 1,815.2 | 1,951.8 |
| **Return on equity** | **1.8%** | (3.3%) | 10.6% |
| **Return on equity annualised** | **3.5%** | (6.6%) | 10.6% |

Note:

1. Profit/(losses) have been annualised using the profit for the periods ended 30 June 2024 and 30 June 2023.

## 13. Share capital

| Issued and fully paid: equity shares | 30 Jun 2024 | | 31 Dec 2023 | |
|---|---|---|---|---|
| | **Number of shares** | **Share capital** | **Number of shares** | **Share capital** |
| Ordinary Shares of 10 10/11 pence each[1] | **millions** | **£m** | **millions** | **£m** |
| **At 1 January and 30 June 2024/31 December 2023** | **1,311.4** | **143.1** | 1,311.4 | 143.1 |

Note:

1. The shares have full voting, dividend and capital distribution rights (including on wind-up) attached to them; these do not confer any rights of redemption.

## 14. Insurance contract assets and liabilities - gross and reinsurance

### 14.1 Insurance and reinsurance contract assets and liabilities by Segment

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | Brokered commercial business[1] | Non-core and Run-off[1] | **Total Group** |
|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | **£m** | **£m** |
| **As at 30 June 2024** | | | | | | |
| Insurance contract assets | — | — | **—** | — | 1.6 | **1.6** |
| Insurance contract liabilities | (3,419.4) | (882.4) | **(4,301.8)** | (889.3) | (130.9) | **(5,322.0)** |
| **Net insurance contract liabilities** | **(3,419.4)** | **(882.4)** | **(4,301.8)** | **(889.3)** | **(129.3)** | **(5,320.4)** |
| Reinsurance contract assets | 1,176.2 | 64.1 | **1,240.3** | 433.0 | 1.7 | **1,675.0** |
| Reinsurance contract liabilities | (13.8) | (0.1) | **(13.9)** | (250.5) | (0.5) | **(264.9)** |
| **Net reinsurance contract assets** | **1,162.4** | **64.0** | **1,226.4** | **182.5** | **1.2** | **1,410.1** |
| **As at 31 December 2023** | | | | | | |
| Insurance contract assets | — | — | — | — | 5.4 | 5.4 |
| Insurance contract liabilities | (3,305.9) | (892.7) | (4,198.6) | (866.0) | (174.2) | (5,238.8) |
| **Net insurance contract liabilities** | (3,305.9) | (892.7) | (4,198.6) | (866.0) | (168.8) | (5,233.4) |
| Reinsurance contract assets | 1,076.4 | 61.0 | 1,137.4 | 203.6 | 5.0 | 1,346.0 |
| Reinsurance contract liabilities | (16.9) | (8.4) | (25.3) | (89.6) | (1.7) | (116.6) |
| **Net reinsurance contract assets** | 1,059.5 | 52.6 | 1,112.1 | 114.0 | 3.3 | 1,229.4 |

## 14. Insurance contract assets and liabilities - gross and reinsurance continued

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | Brokered commercial business[1] | Non-core and Run-off[1] | **Total Group** |
|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | **£m** |
| **As at 30 June 2024** | | | | | | |
| **Insurance contracts liabilities** | | | | | | |
| **Remaining coverage** | **(512.1)** | **(329.2)** | **(841.3)** | **(308.2)** | **(25.0)** | **(1,174.5)** |
| Excluding loss component | (512.1) | (329.2) | (841.3) | (308.2) | (25.0) | **(1,174.5)** |
| Loss component | — | — | — | — | — | **—** |
| **Incurred claims** | **(2,907.3)** | **(553.2)** | **(3,460.5)** | **(581.1)** | **(104.3)** | **(4,145.9)** |
| Estimate of present value cash flows | (2,759.5) | (525.7) | (3,285.2) | (551.3) | (99.6) | **(3,936.1)** |
| Risk adjustment | (147.8) | (27.5) | (175.3) | (29.8) | (4.7) | **(209.8)** |
| **Total insurance contracts liabilities** | **(3,419.4)** | **(882.4)** | **(4,301.8)** | **(889.3)** | **(129.3)** | **(5,320.4)** |
| **As at 31 December 2023** | | | | | | |
| **Insurance contracts liabilities** | | | | | | |
| **Remaining coverage** | (514.7) | (326.1) | **(840.8)** | (289.2) | (22.5) | **(1,152.5)** |
| Excluding loss component | (514.7) | (326.1) | **(840.8)** | (289.2) | (22.5) | **(1,152.5)** |
| Loss component | — | — | **—** | — | — | **—** |
| **Incurred claims** | **(2,791.2)** | **(566.6)** | **(3,357.8)** | **(576.8)** | **(146.3)** | **(4,080.9)** |
| Estimate of present value cash flows | (2,647.6) | (538.3) | **(3,185.9)** | (547.1) | (141.0) | **(3,874.0)** |
| Risk adjustment | (143.6) | (28.3) | **(171.9)** | (29.7) | (5.3) | **(206.9)** |
| **Total insurance contracts liabilities** | **(3,305.9)** | **(892.7)** | **(4,198.6)** | **(866.0)** | **(168.8)** | **(5,233.4)** |

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | Brokered commercial business[1] | Non-core and Run-off[1] | **Total Group** |
|---|---|---|---|---|---|---|
| | £m | £m | **£m** | £m | £m | **£m** |
| **As at 30 June 2024** | | | | | | |
| **Reinsurance contracts (liabilities)/assets** | | | | | | |
| **Remaining coverage** | **(13.8)** | **2.8** | **(11.0)** | **(250.5)** | **(0.5)** | **(262.0)** |
| Excluding loss component | (13.8) | 2.8 | (11.0) | (250.5) | (0.5) | **(262.0)** |
| Loss component | — | — | — | — | — | **—** |
| **Incurred claims** | **1,176.2** | **61.2** | **1,237.4** | **433.0** | **1.7** | **1,672.1** |
| Estimate of present value cash flows | 1,106.1 | 54.5 | 1,160.6 | 416.8 | 0.7 | **1,578.1** |
| Risk adjustment | 70.1 | 6.7 | 76.8 | 16.2 | 1.0 | **94.0** |
| **Total reinsurance contracts assets/(liabilities)** | **1,162.4** | **64.0** | **1,226.4** | **182.5** | **1.2** | **1,410.1** |
| **As at 31 December 2023** | | | | | | |
| **Reinsurance contracts (liabilities)/assets** | | | | | | |
| **Remaining coverage** | (16.9) | (8.4) | (25.3) | (89.6) | (1.7) | (116.6) |
| Excluding loss component | (16.9) | (8.4) | (25.3) | (89.6) | (1.7) | (116.6) |
| Loss component | — | — | **—** | — | — | **—** |
| **Incurred claims** | **1,076.4** | **61.0** | **1,137.4** | **203.6** | **5.0** | **1,346.0** |
| Estimate of present value cash flows | 1,012.7 | 55.1 | **1,067.8** | 192.4 | 4.2 | **1,264.4** |
| Risk adjustment | 63.7 | 5.9 | **69.6** | 11.2 | 0.8 | **81.6** |
| **Total reinsurance contracts assets/(liabilities)** | **1,059.5** | **52.6** | **1,112.1** | **114.0** | **3.3** | **1,229.4** |

Note:

1. See glossary on pages 52 to 54 for definitions.

## 14. Insurance contract assets and liabilities - gross and reinsurance continued

### 14.2.1 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for incurred claims – total Group

| | Insurance contracts issued - liability for incurred claims | | | Reinsurance contracts held - amounts recovered on incurred claims | | | Net |
|---|---|---|---|---|---|---|---|
| | Estimate of present value cash flows | Risk adjustment for non-financial risk | **Total** | Estimate of present value cash flows | Risk adjustment for non-financial risk | **Total** | **Total** |
| | £m | £m | **£m** | £m | £m | **£m** | **£m** |
| Insurance/reinsurance contract assets as at 1 January 2023 | — | — | **—** | 966.3 | 95.3 | **1,061.6** | **1,061.6** |
| Insurance/reinsurance contract liabilities as at 1 January 2023 | (3,394.3) | (218.9) | **(3,613.2)** | — | — | **—** | **(3,613.2)** |
| **Net insurance/reinsurance contract liabilities/assets as at 1 January 2023** | (3,394.3) | (218.9) | **(3,613.2)** | 966.3 | 95.3 | **1,061.6** | **(2,551.6)** |
| Insurance service expenses: | | | | | | | |
| Incurred claims/claims recoveries and other attributable expenses | (3,360.6) | (72.5) | **(3,433.1)** | 464.6 | 27.7 | **492.3** | **(2,940.8)** |
| Past service – incurred claims | (165.4) | 84.5 | **(80.9)** | (21.7) | (41.4) | **(63.1)** | **(144.0)** |
| Effect of non-performance risk of reinsurers | | | | (5.8) | | **(5.8)** | **(5.8)** |
| **Insurance service result**[1] | (3,526.0) | 12.0 | **(3,514.0)** | 437.1 | (13.7) | **423.4** | **(3,090.6)** |
| Insurance/reinsurance finance expenses/income | (193.8) | | **(193.8)** | 28.0 | | **28.0** | **(165.8)** |
| **Total amounts recognised in comprehensive income** | (3,719.8) | 12.0 | **(3,707.8)** | 465.1 | (13.7) | **451.4** | **(3,256.4)** |
| Cash flows: | | | | | | | |
| Claims and other expenses paid/recovered | 3,240.1 | | **3,240.1** | (167.0) | | **(167.0)** | **3,073.1** |
| **Total cash flows** | 3,240.1 | | **3,240.1** | (167.0) | | **(167.0)** | **3,073.1** |
| Insurance/reinsurance contract liabilities/assets as at 31 December 2023 | — | — | **—** | 1,264.4 | 81.6 | **1,346.0** | **1,346.0** |
| Insurance/reinsurance contract liabilities as at 31 December 2023 | (3,874.0) | (206.9) | **(4,080.9)** | — | — | **—** | **(4,080.9)** |
| **Net insurance/reinsurance contract liabilities/assets as at 31 December 2023** | **(3,874.0)** | **(206.9)** | **(4,080.9)** | **1,264.4** | **81.6** | **1,346.0** | **(2,734.9)** |
| Insurance service expenses: | | | | | | | |
| Incurred claims/claims recoveries and other attributable expenses | (2,001.1) | (45.9) | (2,047.0) | 601.5 | 23.7 | 625.2 | (1,421.8) |
| Past service – incurred claims | (71.6) | 43.0 | (28.6) | 30.1 | (11.3) | 18.8 | (9.8) |
| Effect of non-performance risk of reinsurers | | | | (0.6) | | (0.6) | (0.6) |
| **Insurance service result**[1] | (2,072.7) | (2.9) | **(2,075.6)** | 631.0 | 12.4 | **643.4** | **(1,432.2)** |
| Insurance/reinsurance finance expenses/income | 1.1 | | **1.1** | (16.4) | | **(16.4)** | **(15.3)** |
| **Total amounts recognised in comprehensive income** | (2,071.6) | (2.9) | **(2,074.5)** | 614.6 | 12.4 | **627.0** | **(1,447.5)** |
| Cash flows: | | | | | | | |
| Claims and other expenses paid/recovered | 2,009.5 | | **2,009.5** | (300.9) | | **(300.9)** | **1,708.6** |
| **Total cash flows** | 2,009.5 | | **2,009.5** | (300.9) | | **(300.9)** | **1,708.6** |
| Insurance/reinsurance contract assets as at 30 June 2024 | — | — | **—** | 1,578.1 | 94.0 | **1,672.1** | **1,672.1** |
| Insurance/reinsurance contract liabilities as at 30 June 2024 | (3,936.1) | (209.8) | **(4,145.9)** | — | — | **—** | **(4,145.9)** |
| **Net insurance/reinsurance contract liabilities/assets as at 30 June 2024** | **(3,936.1)** | **(209.8)** | **(4,145.9)** | **1,578.1** | **94.0** | **1,672.1** | **(2,473.8)** |

## 14. Insurance contract assets and liabilities - gross and reinsurance continued

### 14.2.2 Roll-forward of net asset or liability for insurance contracts issued and reinsurance contracts held showing the liability for remaining coverage – total Group

| | Insurance contracts issued - liability for remaining coverage | | | Reinsurance contracts held - asset for remaining coverage | | | Net |
|---|---|---|---|---|---|---|---|
| | Excluding loss component | Loss component | **Total** | Excluding loss recovery component | Loss recovery component | **Total** | **Total** |
| | £m | £m | £m | £m | £m | £m | **£m** |
| Insurance/reinsurance contract assets as at 1 January 2023 | 17.3 | — | **17.3** | 13.3 | — | **13.3** | **30.6** |
| Insurance/reinsurance contract liabilities as at 1 January 2023 | (1,012.6) | — | **(1,012.6)** | (13.9) | — | **(13.9)** | **(1,026.5)** |
| **Net insurance/reinsurance contract liabilities/assets as at 1 January 2023** | (995.3) | — | **(995.3)** | (0.6) | — | **(0.6)** | **(995.9)** |
| Insurance revenue/reinsurance expenses | 3,601.7 | | **3,601.7** | (470.2) | | **(470.2)** | **3,131.5** |
| Insurance service expenses: | | | | | | | |
| Incurred claims/claims recovered and other attributable expenses | | — | | | — | **—** | |
| Losses/ loss recovery and reversal of losses from onerous contracts | | — | **—** | | — | **—** | **—** |
| **Insurance service result** | 3,601.7 | — | **3,601.7** | (470.2) | — | **(470.2)** | **3,131.5** |
| Insurance/reinsurance finance expenses/ income | | — | **—** | | — | **—** | **—** |
| **Total amounts recognised in comprehensive income** | 3,601.7 | — | **3,601.7** | (470.2) | — | **(470.2)** | **3,131.5** |
| Cash flows: | | | | | | | |
| Premium received/paid | (3,758.9) | | **(3,758.9)** | 354.2 | | **354.2** | **(3,404.7)** |
| **Total cash flows** | (3,758.9) | | **(3,758.9)** | 354.2 | | **354.2** | **(3,404.7)** |
| Insurance/reinsurance contract liabilities/ assets as at 31 December 2023 | 5.4 | — | **5.4** | — | — | **—** | **5.4** |
| Insurance/reinsurance contract liabilities as at 31 December 2023 | (1,157.9) | — | **(1,157.9)** | (116.6) | — | **(116.6)** | **(1,274.5)** |
| **liabilities/assets as at 31 December 2023** | **(1,152.5)** | **—** | **(1,152.5)** | **(116.6)** | **—** | **(116.6)** | **(1,269.1)** |
| Insurance revenue/reinsurance expenses | 2,245.7 | | **2,245.7** | (664.9) | | **(664.9)** | **1,580.8** |
| Insurance service expenses: | | | | | | | |
| Incurred claims/claims recovered and other attributable expenses | | — | | | — | **—** | |
| Losses/ loss recovery and reversal of losses from onerous contracts | | — | **—** | | — | **—** | **—** |
| **Insurance service result** | 2,245.7 | — | **2,245.7** | (664.9) | — | **(664.9)** | **1,580.8** |
| Insurance/reinsurance finance expenses/ income | | — | **—** | | — | **—** | **—** |
| **Total amounts recognised in comprehensive income** | 2,245.7 | — | **2,245.7** | (664.9) | — | **(664.9)** | **1,580.8** |
| Cash flows: | | | | | | | |
| Premium received/paid | (2,267.7) | | **(2,267.7)** | 519.5 | | **519.5** | **(1,748.2)** |
| **Total cash flows** | (2,267.7) | | **(2,267.7)** | 519.5 | | **519.5** | **(1,748.2)** |
| Insurance/reinsurance contract assets as at 30 June 2024 | 1.6 | — | **1.6** | 2.9 | — | **2.9** | **4.5** |
| Insurance/reinsurance contract liabilities as at 30 June 2024 | (1,176.1) | — | **(1,176.1)** | (264.9) | — | **(264.9)** | **(1,441.0)** |
| **Net insurance/reinsurance contract liabilities/assets as at 30 June 2024** | **(1,174.5)** | **—** | **(1,174.5)** | **(262.0)** | **—** | **(262.0)** | **(1,436.5)** |

## 15. Financial investments

| | 30 Jun 2024 £m | 31 Dec 2023 £m |
|---|---|---|
| **Debt securities measured at fair value through the profit or loss** | | |
| Corporate | **2,965.9** | 2,530.8 |
| Supranational | **26.0** | 25.6 |
| Local government | **27.7** | 0.9 |
| Sovereign | **544.7** | 680.8 |
| **Total** | **3,564.3** | 3,238.1 |
| **Debt securities measured at amortised cost** | | |
| Corporate | **65.7** | 70.6 |
| **Total** | **65.7** | 70.6 |
| **Total debt securities** | **3,630.0** | 3,308.7 |
| Of which: | | |
| Fixed interest rate | **3,629.2** | 3,307.5 |
| Floating interest rate | **0.8** | 1.2 |
| **Loans and receivables measured at amortised cost** | | |
| Infrastructure debt | **202.8** | 214.2 |
| Commercial real estate loans | **126.0** | 145.9 |
| Other loans | **5.3** | 3.1 |
| **Total loans and receivables** | **334.1** | 363.2 |
| **Equity investments measured at fair value through other comprehensive income** | | |
| Interest in unconsolidated structured entities | **20.0** | 18.9 |
| **Total** | **20.0** | 18.9 |
| **Equity investments measured at fair value through profit or loss** | | |
| Unquoted equity investments | **0.7** | 0.7 |
| Quoted equity investments | **—** | 0.1 |
| **Total equity investments** | **20.7** | 19.7 |
| **Total** | **3,984.8** | 3,691.6 |

### Unconsolidated structured entities

The Group invests in structured entities, being insurtech-focused equity fund partnerships, whose primary activity is to invest in unquoted insurtech entities. These structured entities are not consolidated where the Group has determined it does not have control.

On initial recognition the Group made an irrevocable election to classify these equity investments as FVOCI given the instruments are strategic in nature, and are not held for trading.

The maximum loss that the Group is exposed to at the period end date, before consideration of mitigating actions, is the carrying value. Once the Group has disposed of its partnership interest, it ceases to be exposed to any risk from that partnership. The Group has committed to further funding of £10.3 million which may increase the maximum loss exposure in future.

The Group's holdings in the partnerships are less than 20% and as such the net asset value of the structured entities is significantly higher than the carrying value of the Groups asset.

### Amounts arising from expected credit loss: financial investments measured at amortised cost

The table below shows the gross carrying value of financial investments and expected credit loss ("**ECL**") in stages 1 to 3:

| | Gross carrying amount 30 Jun 2024 £m | ECL allowance 30 Jun 2024 £m | Carrying amount 30 Jun 2024 £m | Carrying amount 30 Jun 2023 £m | Carrying amount 31 Dec 2023 £m |
|---|---|---|---|---|---|
| Stage 1 | 390.4 | (1.6) | 388.8 | 471.0 | 415.5 |
| Stage 2 | 5.9 | (0.6) | 5.3 | 17.9 | 12.6 |
| Stage 3 | 13.3 | (7.6) | 5.7 | 7.0 | 5.7 |
| **Total** | **409.6** | **(9.8)** | **399.8** | **495.9** | **433.8** |

## 15. Financial investments continued

The following table shows the Group's updated expected credit loss allowances for financial investments measured at amortised cost should there be a 3-notch downgrade. This reflects an immediate downgrade on the issuers' current credit ratings. The key driver of such a scenario could be a change in the economic outlook which could impact the portfolio as a whole, or a response to an unexpected negative event, for a specific company or industry.

| | ECL | 3-notch immediate downgrade | ECL(restated)[1] | 3-notch immediate downgrade (restated)[1] | ECL | 3-notch immediate downgrade |
|---|---|---|---|---|---|---|
| | 30 Jun 2024 | 30 Jun 2024 | 30 Jun 2023 | 30 Jun 2023 | 31 Dec 2023 | 31 Dec 2023 |
| | £m | £m | £m | £m | £m | £m |
| Infrastructure debt | (1.0) | (3.6) | (16.8) | (19.8) | (16.6) | (19.2) |
| Commercial real estate loans | (7.8) | (10.0) | (6.5) | (9.3) | (7.7) | (10.5) |
| Debt securities held at amortised cost | (0.4) | (2.1) | (0.9) | (3.3) | (0.8) | (2.7) |
| Other loans | (0.6) | (0.6) | (0.3) | (0.3) | (0.4) | (0.4) |
| **Total** | **(9.8)** | **(16.3)** | **(24.5)** | **(32.7)** | **(25.5)** | **(32.8)** |

Note:

1. 30 June 2023 figures for ECL and 3-notch immediate downgrade have been restated from £2.6 million and £10.8 million respectively to include stage 3 ECLs in line with those reported for both 31 December 2023 and 30 June 2024.

## 16. Cash and cash equivalents and borrowings

| | 30 Jun 2024 | 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Short term deposits with credit institutions[1] | **1,320.1** | 1,624.2 |
| Cash at bank and in hand | **156.7** | 148.0 |
| **Cash and cash equivalents** | **1,476.8** | 1,772.2 |
| Bank overdrafts[2] | **(112.6)** | (82.4) |
| **Cash and cash equivalents and borrowings[3]** | **1,364.2** | 1,689.8 |

Notes:

1. This represents money market funds.
2. Bank overdrafts represent short-term timing differences between transactions posted in the records of the Group and transactions flowing through the accounts at the bank.
3. Cash and bank overdrafts total is included for the purposes of the condensed consolidated cash flow statement.

The effective interest rate on short-term deposits with credit institutions for the period ended 30 June 2024 was 5.36% (2023: 4.57%) and average maturity was 10 days (2023: 10 days).

Of the total amount of short-term deposits with credit institutions of £1,320.1 million (2023: £1,624.2 million), £253.6 million (2023: £241.8 million) is invested within money market funds under the 100% quota share reinsurance treaty for the Brokered commercial business, which is operated on a funds withheld basis.

## 17. Fair value

### Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. There were no changes in valuation techniques during the year.

For disclosure purposes, fair value measurements are classified as level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 financial assets are measured in whole or in part by reference to published quotes in an active market. In an active market quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- Level 2 financial assets and liabilities are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These include debt securities held at FVTPL for which pricing is obtained via pricing services, but where prices have not been determined in an active market, or financial assets with fair values based on broker quotes or assets that are valued using the Group's own models whereby the majority of assumptions are market-observable. Derivatives are valued using broker quotes or appropriate valuation models. Model inputs include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of underlying instruments. Level 2 also includes quoted equity investments that the Group holds for which prices are available but, the market transactions upon which those prices are based are not considered to be regularly occurring.
- Level 3 fair value measurements used for investment properties, debt securities measured at amortised cost, infrastructure debt, commercial real estate loans, equity fund partnerships, unquoted equity investments and other loans are those derived from a valuation technique that includes inputs for the asset that are unobservable. Debt securities measured at amortised cost are private placed securities which do not trade on active markets, these are valued using discounted cash flow models designed to appropriately reflect the credit and illiquidity of these instruments. The key unobservable input elements from the discount rate used across private debt securities is the credit spread which is based on the credit quality of the assets and the illiquidity premium. Infrastructure debt and commercial real estate debt are loans which do not trade on active markets. Valuations are derived from external asset managers' credit assessment and pricing models. These aim to take into account movements in broader credit spreads and are aligned to varying degrees with external credit rating equivalents. Equity fund partnerships are valued as the proportion of the Group's holding in the net asset value of the partnership based on external valuation reports prepared by a third-party fund manager using International Private Equity and Venture Capital Valuation Guidelines. Fair values of investments held by the partnerships that are not quoted in an active market are determined primarily using discounted cash flow models. Unobservable inputs include projected cashflows, and the liquidity and credit and risk premium incorporate within the discount rate.

### Comparison of carrying value to fair value of financial instruments and assets where fair value is disclosed

| At 30 June 2024 (unaudited) | Carrying value £m | Level 1 £m | Level 2 £m | Level 3 £m | Fair value £m |
|---|---|---|---|---|---|
| **Assets held at fair value through profit or loss:** | | | | | |
| Investment property | **277.0** | — | — | 277.0 | **277.0** |
| Derivative assets | **14.3** | — | 14.3 | — | **14.3** |
| Debt securities | **3,564.3** | 544.8 | 3,018.0 | 1.5 | **3,564.3** |
| Listed equity investments | **—** | — | — | — | **—** |
| Unlisted equity investments | **0.7** | — | — | 0.7 | **0.7** |
| **Assets held at fair value through other comprehensive income:** | | | | | |
| Equity investments | **20.0** | — | — | 20.0 | **20.0** |
| **Assets held at amortised cost:** | | | | | |
| Debt securities | **65.7** | — | 16.1 | 44.7 | **60.8** |
| Infrastructure debt | **202.8** | — | — | 203.5 | **203.5** |
| Commercial real estate loans | **126.0** | — | — | 125.3 | **125.3** |
| Other loans | **5.3** | **—** | **—** | **5.3** | **5.3** |
| **Total** | **4,276.1** | **544.8** | **3,048.4** | **678.0** | **4,271.2** |
| **Liabilities held at fair value through profit or loss:** | | | | | |
| Derivative liabilities | **15.6** | — | 15.6 | — | **15.6** |
| **Other financial liabilities:** | | | | | |
| Subordinated liabilities | **258.9** | — | 216.8 | — | **216.8** |
| **Total** | **274.5** | **—** | **232.4** | **—** | **232.4** |

## 17. Fair value continued

| At 31 December 2023 | Carrying value £m | Level 1 £m | Level 2 £m | Level 3 £m | Fair value £m |
|---|---|---|---|---|---|
| **Assets held at fair value through profit or loss:** | | | | | |
| Investment property | **277.1** | — | — | 277.1 | **277.1** |
| Derivative assets | **27.4** | — | 27.4 | — | **27.4** |
| Debt securities | **3,238.1** | 680.8 | 2,555.8 | 1.5 | **3,238.1** |
| Listed equity investments | **0.1** | — | 0.1 | — | **0.1** |
| Unlisted equity investments | **0.7** | — | — | 0.7 | **0.7** |
| **Assets held at fair value through other comprehensive income:** | | | | | |
| Equity investments | **18.9** | — | — | 18.9 | **18.9** |
| **Assets held at amortised cost:** | | | | | |
| Debt securities | **70.6** | — | 16.2 | 49.4 | **65.6** |
| Infrastructure debt | **214.2** | — | — | 213.9 | **213.9** |
| Commercial real estate loans | **145.9** | — | — | 145.4 | **145.4** |
| Other loans | **3.1** | — | — | 3.1 | **3.1** |
| **Total** | **3,996.1** | **680.8** | **2,599.5** | **710.0** | **3,990.3** |
| **Liabilities held at fair value through profit or loss:** | | | | | |
| Derivative liabilities | **15.4** | — | 15.4 | — | **15.4** |
| **Other financial liabilities:** | | | | | |
| Subordinated liabilities | **258.8** | — | 212.8 | — | **212.8** |
| **Total** | **274.2** | **—** | **228.2** | **—** | **228.2** |

Differences arise between carrying value and fair value where the measurement basis of the asset or liability is not fair value (for example; assets and liabilities carried at amortised cost). Fair values of the following assets and liabilities approximate their carrying values:

- cash and cash equivalents;
- borrowings; and
- trade and other payables, including insurance payables.

The movements in assets held at fair value and classified as level 3 in the fair value hierarchy relate to investment property and unquoted equity investments. A summary of realised and unrealised gains or losses in relation to investment property at fair value are presented in note 6.

There were no changes in the categorisation of assets between levels 1, 2 and 3 for assets and liabilities held by the Group since 31 December 2023.

The table below shows the unobservable inputs used by the Group in the fair value measurement of its investment property.

| At 30 June 2024 (unaudited) | Fair value £m | Valuation technique | Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| **Investment property** | **277.0[1]** | Income capitalisation | Equivalent yield | **4.80% – 8.02% (average 4.82%)** |
| | | | Estimated rental value per square foot | **£7.00 – £35.00 (average £18.18)** |

Note:

1. The methodology of valuation reflects commercial property held within U K Insurance Limited.

## 17. Fair value continued

The table below analyses the movement in assets carried at fair value classified as level 3 in the fair value hierarchy.

| | Investment property £m | Unquoted equity investments held at FVOCI £m | Unquoted equity investments held at FVTPL £m |
|---|---|---|---|
| **At 1 January 2024** | **277.1** | **18.9** | **0.7** |
| Additions | **0.6** | **2.3** | **—** |
| (Reduction)/increase in fair value in the period | **(0.7)** | **2.4** | **—** |
| Disposals | **—** | **(3.6)** | **—** |
| **At 30 June 2024 (unaudited)** | **277.0** | **20.0** | **0.7** |

## 18. Related parties

Transactions between the Group's subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

Subject to the preceding sentence, there were no sales or purchases of products and services to or from related parties in the period ended 30 June 2024 (2023: £nil).

Full details of the Group's related party transactions for the year ended 31 December 2023 are included on page 249 of the Annual Report & Accounts 2023.

# GLOSSARY

| Term | Definition and explanation |
|---|---|
| **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. |
| **Acquisition costs** | Costs that arise from activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. |
| **Assets under management ("AUM")** | This represents all assets managed or administered by or on behalf of the Group, including those assets managed by third parties. |
| **ASHE index** | The Annual Survey of Hours and Earnings ("**ASHE**") provides information about the levels, distribution and make-up of earnings and paid hours worked for employees in all industries and occupations. The ASHE tables contain estimates of earnings for employees by sex and full-time or part-time status. |
| **Brokered commercial business ("NIG")** | The brokered commercial insurance business of U K Insurance Limited which it was announced on 6 September 2023 was being sold to Royal & Sun Alliance Insurance Limited. The Group has retained the back book of the business written and earned prior to 1 October 2023 (the "**Risk Transfer Date**"). Business written and earned on and subsequent to the Risk Transfer Date is subject to a quota share arrangement between the two companies. Over time the two Companies may to enter into discussions regarding the potential transfer of the back book of policies written prior to the Risk Transfer Date.<br><br>The term brokered commercial business does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such. |
| **Capital** | The funds invested in the Group, including funds invested by shareholders and Tier 1 notes. In addition, the subordinated liabilities in the Group's statement of financial position are 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 net insurance claims, net acquisition and net expense ratios. The ratio measures the amount of claims costs, acquisition and operating expenses, compared to net insurance revenue. A ratio of less than 100% indicates profitable underwriting. The ratio and the comparative are calculated on an IFRS 17 basis and are not comparable to combined operating ratios that were calculated on an IFRS 4 'Insurance Contracts' basis published previously. (See page 56 - Alternative Performance Measures.) |
| **Current-year attritional net insurance claims 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. (See page 56 - Alternative Performance Measures.) |
| **Effect of change in yield curve** | Reflects the effect of changes in discounting, due to movements in the PRA risk-free yield curve and ASHE index, on claims previously recognised. |
| **Events not in data ("ENIDs")** | Events not in data allow for short- and long-term risks not reflected in other actuarial inputs, including uncertainties in relation to the actuarial best estimate. |
| **Fair value through profit or loss ("FVTPL")** | A financial asset or liability where at each statement of financial position date the asset or liability is remeasured to fair value and any movement in that fair value is taken directly to the statement of profit or loss. |
| **Fair value gains/(losses)** | Includes fair value gains/(losses) on financial assets held at FVTPL, fair value gains/(losses) on investment property and net expected credit losses on financial investments. (See note 6 Investment return and net insurance financial result.) |
| **Financial leverage ratio** | Tier 1 notes and financial debt (subordinated Tier 2 notes) as a percentage of total capital employed. |
| **Gross written premium and associated fees** | The total premiums from insurance contracts that were incepted during the period including the impact of a contractual change to Green Flag premium such that a portion of income that was historically included in gross written premium is included in service fee income.<br>Gross written premium is included for the Motability contract for the following six months at the commencement of each six month pricing period. |
| **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. |
| **Investment income yield** | The investment return, excluding funds withheld interest income divided by the average AUM (excluding funds withheld assets). The average AUM derives from the period's opening and closing balances for the total Group. (See page 56 - Alternative Performance Measures.) |
| **Investment return** | Total investment return recognised through the statement of profit or loss, earned from the investment portfolio, including investment fees, fair value gains and losses and impairments. |

| Term | Definition and explanation |
|---|---|
| **Investment return yield** | The investment return divided by the average AUM (excluding funds withheld assets). The average AUM (excluding fund withheld assets) derives from the period's opening and closing balances. (See page 56 - Alternative Performance Measures.) |
| **Minimum capital requirement ("MCR")** | The minimum amount of capital that an insurer needs to hold to cover its risks under the Solvency II regulatory framework. If an insurer's capital falls below the MCR then authorisation will be withdrawn by the regulator unless the insurer is able to meet the MCR within a short period of time. |
| **Net acquisition cost ratio** | The ratio of acquisition costs divided by net insurance contract revenue (See page 56 - Alternative Performance Measures.) |
| **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 expense ratio** | The ratio of operating expenses divided by net insurance contract revenue (See page 56 - Alternative Performance Measures.) |
| **Net insurance claims ratio** | The ratio of net insurance contract claims divided by net insurance contract revenue (See page 56 - Alternative Performance Measures.) |
| **Net insurance margin** | The ratio of insurance service result divided by net insurance contract revenues. The **normalised net insurance margin** adjusts net insurance claims and acquisition costs for weather and changes to the Ogden discount rate, when relevant. (See page 56 - Alternative Performance Measures.) |
| **Net insurance revenue** | The total insurance contract revenue (consisting of gross written premium and associated fees, instalment income and movement in liability for remaining coverage) less expenses from reinsurance contracts held (consisting of reinsurance premium paid and movement in asset for remaining coverage). |
| **Non-core businesses** | The Group has excluded the results of Other personal lines products, including three partnerships that were previously disclosed as being exited, from its ongoing operations and has restated all relevant comparatives across this review. Other personal lines is made up of Pet, Travel, Creditor and Select, our insurance targeted at Mid- to high-net worth customers. Pet is the largest product within Other personal lines. As announced at the Group's Capital Markets Day in July 2024, the decision was taken to pause investment in these products. Other personal lines represented around £130 million of gross written premium and associated fees in 2023. |
| **Ogden discount rate** | The discount rate set by the Lord Chancellor and used by courts to calculate lump sum awards in bodily injury cases. |
| **Ongoing operations** | The Group's ongoing operations include Motor and Non-Motor (comprising: Home, Commercial Direct and Rescue) segments and excludes the brokered commercial business, Non-core and Run-off businesses. Please also refer to **Brokered commercial business, Non-core businesses** and **Run-off partnerships**.<br>The use of the term ongoing operations is not considered equivalent to continuing operations as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as brokered commercial business and Run-off partnerships do not meet the criteria of discontinued operations and have not been accounted for as such. (See page 56 - Alternative Performance Measures.) |
| **Operating earnings/ (loss) per share** | The operating earnings attributable to the owners of the Company. Operating profit from ongoing operations is adjusted to include other finance costs and coupon payments in respect of Tier 1 notes and is divided by the weighted average of Ordinary Shares outstanding in the relevant financial period, excluding Ordinary Shares held by as employee trust shares, adjusted for the dilutive potential Ordinary Shares. The Group's Long-term Incentive Plan outcomes are partly based on this metric. |
| **Operating profit** | The pre-tax profit that the Group's activities generate, including insurance and investment activity, but excluding fair value gains/(losses), change in yield curve, other finance costs, restructuring and one-off costs and gain on disposal of business which are not considered by the Group to be operating costs/income. The Group uses an **adjusted operating profit** in its operating RoTE and operating earnings/(loss) per share calculations. **Normalised operating profit** is operating profit adjusted for weather and any changes to the Ogden discount rate. **Current-year operating profit** is calculated using the operating profit adjusted for prior-year reserve movements. (See page 57 - Alternative Performance Measures.) |
| **Operating return on tangible equity ("RoTE")** | This is adjusted operating profit from ongoing operations divided by the Group's average shareholders' equity less goodwill and other intangible assets. Operating profit is adjusted to include other finance costs and coupon payments in respect of Tier 1 notes. It is stated after charging tax using the UK standard rate of 25% (2023: 23.5%). (See page 57 - Alternative Performance Measures.) |
| **Other finance costs** | The cost of servicing the Group's external borrowings and including the interest on right-of-use assets. |

| Term | Definition and explanation |
|---|---|
| **Other operating expenses** | These are the expenses relating to business activities excluding restructuring and one-off costs and those included within the insurance service result. (See Appendix B - Expenses, on page 66) |
| **Periodical payment order ("PPO")** | These are claims payments as awarded under the Courts Act 2003. PPOs are used to settle certain large personal injury claims. They generally provide a lump-sum award plus inflation-linked annual payments to claimants who require long-term care. |
| **PRA risk-free yield curve** | Schedules of risk-free interest rates in a number of currencies produced by the Bank of England. These rates are used to calculate the present value of the expected future costs of honouring insurance companies' obligations to policyholders. |
| **Restructuring and one-off costs** | Restructuring costs are costs incurred in respect of those business activities which have a material effect on the nature and focus of the Group's operations. One-off costs are costs that are non-recurring in nature. |
| **Return on equity** | This is calculated by dividing the profit/(loss) attributable to the owners of the Company after deduction of the Tier 1 coupon payments by average shareholders' equity for the period. |
| **Run-off partnerships** | The Group has exited three partnerships which will reduce its exposure to low margin packaged bank accounts so it may redeploy capital to potentially 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 expired in the first half of 2024. Although the Nationwide partnership contract ended during H1 2024, upgrades on existing policies will continue to be underwritten by the Group until 30 April 2025.<br>The term Run-off partnerships does not meet the criteria of a discontinued operation as defined under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and has not been accounted for as such. |
| **Solvency capital ratio** | The ratio of Solvency II own funds to the solvency capital requirement. |
| **Solvency capital requirement ("SCR")** | The SCR is the amount of capital the regulator requires an insurer to hold to meet the requirements under the Solvency II regulatory framework. The Group uses a partial internal model to determine the SCR. |
| **Tangible equity** | This shows the equity excluding Tier 1 notes and intangible assets (for comparability with companies which have not acquired businesses or capitalised intangible assets). (See page 57 - Alternative Performance Measures.) |
| **Tangible net assets per share** | This shows the amount of tangible equity allocated to each Ordinary Share (for comparability with companies which have not acquired businesses or capitalised intangible assets). (See page 57 - Alternative Performance Measures.) |
| **Unwind of discounting of claims** | Comprises insurance finance income and expenses arising from the release of the effect of discounting as projected cash flows move one period closer. The discount unwind is calculated every quarter on opening reserves on a period-to-period basis. |

### Forward-looking statements disclaimer

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

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

- changes to law, regulation or regulatory approach following any change in government;
- United Kingdom ("**UK**") domestic and global economic business conditions, and changes of a geo-political and/or macro-economic nature;
- the Trade and Cooperation Agreement between the UK and the European Union ("**EU**") regarding the terms of the trading relationships between the UK and the EU and its implementation, and any subsequent trading and other relationship arrangements between the UK and the EU and their implementation;
- the terms of trading and other relationships between the UK and other countries following Brexit;
- the impact of the FCA's GIPP regulations and Consumer Duty regulations and of responses by insurers, customers and other third parties and of interpretations of such rules by any relevant regulatory authority;
- market-related risks such as fluctuations in interest rates, exchange rates and credit spreads, including those created or exacerbated by the war in Ukraine following the Russian invasion and/or the conflict in the Middle East involving Israel and Gaza;
- the policies and actions and/or new principles, rules and/or regulations, of regulatory authorities and bodies, and of changes to, or changes to interpretations of, principles, rules and/or regulations (including changes made directly or indirectly as a result of Brexit or related to capital and solvency requirements or related to the Ogden discount rates) and of changes to law and/or understandings of law and/or legal interpretation following the decisions and judgements of courts;
- the impact of competition, currency changes, inflation and deflation;
- the timing, impact and other uncertainties of future acquisitions, disposals, partnership arrangements, joint ventures or combinations within relevant industries; and
- the impact of tax and other legislation and other regulation and of regulator expectations, requirements, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards in the jurisdictions in which the Group and its affiliates operate.

In addition, even if the Group's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

The forward-looking statements contained in this document reflect knowledge and information available as of the date of preparation of this document. The Group and the Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document constitutes or should be construed as a profit forecast.

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

## APPENDIX A – ALTERNATIVE PERFORMANCE MEASURES

The Group has identified Alternative Performance Measures ("**APMs**") in accordance with the European Securities and Markets Authority's published Guidelines. The Group uses APMs to improve comparability of information between reporting periods and reporting segments, by adjusting for either uncontrollable or one-off costs which impact the IFRS measures, to aid the user of this report in understanding the activity taking place across the Group. These APMs are contained within the main narrative sections of this document, outside of the financial statements and notes, and may not necessarily have standardised meanings for ease of comparability across peer organisations.

Further information is presented below, defined in the glossary on pages 52 to 54 and reconciled to the most directly reconcilable line items in the financial statements and notes. Note 4 on page 34 of the condensed consolidated financial statements presents a reconciliation of the Group's business activities on a segmental basis to the condensed consolidated statement of profit or loss. All note references in the table below are to the notes to the condensed consolidated financial statements on pages 30 to 51.

| Group APM | Closest equivalent IFRS measure | Definition and/or reconciliation | Rationale for APM |
|---|---|---|---|
| Combined operating ratio | Insurance service result | Combined operating ratio is defined in the glossary on page 52 and reconciled in Appendix B on pages 60 to 65. | This is a measure of underwriting profitability and excludes non-insurance income, whereby a ratio of less than 100% represents an underwriting profit and a ratio of more than 100% represents an underwriting loss. |
| Current-year attritional insurance claims ratio | Net insurance claims | Current-year attritional claims ratio is defined in the glossary on page 52 and is reconciled to the net insurance claims ratio in Appendix B. | Expresses claims performance in the current accident year in relation to net insurance revenue. |
| Gross written premium and associated fees | Insurance revenue | Gross written premium and associate fees is defined in the glossary on page 52 and reconciled in Appendix B. | The IFRS 17 profit or loss account disclosures reflect revenue earned from service provided, compared to a premium written basis under IFRS 4. The Group will continue to provide detail on trading volumes on a written basis as an alternative performance measure. |
| Investment income yield | Investment income | Investment income yield is defined in the glossary on page 52 and is reconciled on page 58. | Expresses a relationship between the investment income and the associated opening and closing assets adjusted for portfolio hedging instruments. |
| Investment return yield | Investment return | Investment return yield is defined in the glossary on page 52 and is reconciled on page 58. | Expresses a relationship between the investment return and the associated opening and closing assets adjusted for portfolio hedging instruments. |
| Net acquisition ratio | Other directly attributable expenses | Net acquisition ratio is defined in the glossary on page 52 and reconciled in Appendix B on pages 60 to 65. | Expresses acquisition costs in relation to net insurance contract revenue. |
| Net expense ratio | Other directly attributable expenses | Net expense ratio is defined in the glossary on page 52 and reconciled in Appendix B. | Expresses underwriting and policy expenses in relation to net insurance revenue. Note that restructuring and one-off costs are not considered as underwriting costs and are not included in expense ratio calculations. |
| Net insurance claims ratio | Net insurance claims | Net expense ratio is defined in the glossary on page 52 and reconciled in Appendix B. | Expresses claims performance in relation to net insurance revenue. |
| Net insurance margin | Insurance service result | Net insurance margin is defined in the glossary on page 53 and reconciled in Appendix B on pages 60 to 65. | This is a measure of underwriting profitability and excludes non-insurance income. A ratio greater than 0% represents an underwriting profit and a ratio of less than 0% represents an underwriting loss. |
| Normalised net insurance margin | Insurance service result | Net insurance margin and normalised net insurance margin are defined in the glossary on page 52 and reconciled in Appendix B on pages 60 to 65. | This is a measure of underwriting profitability excluding the variances of event weather from our assumptions and Ogden discount rate changes (when relevant). It also excludes non insurance income. A ratio greater than 0% represents an underwriting profit and a ratio of less than 0% represents an underwriting loss. |

| Group APM | Closest equivalent IFRS measure | Definition and/or reconciliation | Rationale for APM |
|---|---|---|---|
| Ongoing operations (see also Brokered commercial business, Non-core businesses and Run-off partnerships) | Multiple - rationale for APM | Ongoing operations, Brokered commercial business, Non-core businesses and Run-off partnerships are defined in the glossary on page 53 and reconciled in Appendix B on pages 60 to 65. | The Group's ongoing operations result excludes the results of the brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024.<br>The purpose of this is to give the reader a clearer view of the Group's ongoing activities and activities that it is seeking to exit from. |
| Operating earnings/(loss) per share | Diluted earnings per share | Operating earnings/(loss) per share is defined in the glossary on page 53 and reconciled on page 59. | This is a measure of profitability. A three-year cumulative operating earnings per share (the sum of the amounts for the three years starting with the year that the award is made) is used in long-term incentive plan ("**LTIP**") calculations. |
| Operating profit | Profit before tax | Operating profit is defined in the glossary on page 53 and reconciled in Appendix B on pages 60 to 65. | This shows the underlying performance (before tax and excluding net fair value gains/(losses), effect of the change in the yield curve in insurance finance expenses, finance costs, gains on disposal of businesses and restructuring and one-off costs) of the business activities. |
| Operating return on tangible equity | Return on equity | Operating return on tangible equity is defined in the glossary on page 53 and is reconciled on page 58. | This shows performance against a measure of equity that is more easily comparable to that of other companies. |
| Other operating expenses | Other directly attributable expenses | Operating expenses are defined in the glossary on page 53 and reconciled in Appendix B on page 34. | This shows the expenses relating to business activities excluding restructuring and one-off costs and those included within the insurance service result. |
| Tangible equity | Equity | Tangible equity is defined in the glossary on page 54 and is reconciled on page 59. | This shows the equity excluding Tier 1 notes and intangible assets for comparability with companies which have not acquired businesses or capitalised intangible assets. |
| Tangible net asset value per share | Net asset value per share | Tangible net assets per share is defined in the glossary on page 54 and reconciled in note 12 on page 18. | This shows the equity excluding Tier 1 notes and intangible assets per share for comparability with companies which have not acquired businesses or capitalised intangible assets. |

## Investment income and return yields[1]

| | Notes[2] | **H1 2024 £m unaudited** | H1 2023 £m unaudited |
|---|---|---|---|
| Investment income | 6 | **121.0** | 84.5 |
| Less: Funds withheld interest | | **(6.6)** | 0.0 |
| Investment fees | 6 | **(4.2)** | (4.9) |
| Realised and unrealised gains/(losses) | 6 | **5.4** | (5.5) |
| Adjusted total investment return | | **115.6** | 74.1 |
| Opening investment property | | **277.1** | 278.5 |
| Opening financial investments | | **3,691.6** | 3,696.4 |
| Opening cash and cash equivalents (excluding funds withheld asset) | | **1,530.4** | 1,003.6 |
| Opening borrowings | | **(82.4)** | (65.2) |
| Opening derivatives asset[3] | | **12.4** | 1.6 |
| Opening assets under management (excluding funds withheld asset) | | **5,429.1** | 4,914.9 |
| Closing investment property | | **277.0** | 281.9 |
| Closing financial investments | 15 | **3,984.8** | 3,074.0 |
| Closing cash and cash equivalents (excluding funds withheld asset) | 16 | **1,223.2** | 1,600.9 |
| Closing borrowings | 16 | **(112.6)** | (95.8) |
| Closing derivatives asset[3] | | **(1.3)** | 31.3 |
| Closing assets under management (excluding funds withheld asset) | | **5,371.1** | 4,892.3 |
| Average assets under management (excluding funds withheld asset)[4] | | **5,400.1** | 4,903.6 |
| **Investment income yield[1]** | | **4.1%** | 3.2% |
| **Investment return yield[1]** | | **4.3%** | 3.0% |

Notes:
1. See glossary on pages 52 to 54 for definitions.
2. See notes to the condensed consolidated financial statements.
3. See Assets under management table, footnote 1 on page 17.
4. Mean average of opening and closing balances.

## Operating return on tangible equity[1]

| | **30 Jun 2024 £m** | 30 Jun 2023 £m |
|---|---|---|
| Operating profit/(loss)[1] - ongoing operations[1,2] | **63.7** | (93.7) |
| Other finance costs[1] | **(7.4)** | (7.2) |
| Coupon payments in respect of Tier 1 notes | **(8.3)** | (8.3) |
| **Adjusted operating profit/(loss) - ongoing operations before tax** | **48.0** | (109.2) |
| Tax (charge)/credit (2024 UK standard tax rate of 25.0%, 2023 UK standard tax rate of 23.5%) | **(12.0)** | 25.7 |
| **Adjusted operating profit/(loss) - ongoing operations after tax** | **36.0** | (83.5) |
| **Annualised adjusted operating profit/(loss) - ongoing operations after tax** | **72.0** | (167.0) |
| Opening shareholders' equity | **2,058.2** | 1,845.3 |
| Opening goodwill and other intangible assets | **(818.6)** | (822.2) |
| Opening shareholders' tangible equity | **1,239.6** | 1,023.1 |
| Closing shareholders' equity | **2,045.1** | 1,785.1 |
| Closing goodwill and other intangible assets | **(784.8)** | (839.3) |
| Closing shareholders' tangible equity | **1,260.3** | 945.8 |
| Average shareholders' tangible equity[3] | **1,250.0** | 984.5 |
| **Operating return on tangible equity[1]** | **2.9%** | (8.5%) |
| **Operating return on tangible equity annualised** | **5.8%** | (17.0%) |

Notes:
1. See glossary on pages 52 to 54 for definitions.
2. See the Management view statement of profit or loss tables in Appendix B for reconciliations of operating profit/(loss) to profit/(loss) before tax.
3. Mean average of opening and closing balances.

## Operating earnings/(loss) per share

| | 30 Jun 2024 £m | 30 Jun 2023 £m |
|---|---|---|
| Operating profit/(loss)[1] - ongoing operations[1] | **63.7** | (93.7) |
| Other finance costs[1] | **(7.4)** | (7.2) |
| Coupon payments in respect of Tier 1 notes | **(8.3)** | (8.3) |
| **Adjusted operating profit/(loss) - ongoing operations before tax** | **48.0** | (109.2) |
| Tax (charge)/credit/(2024 UK standard tax rate of 25.0%, 2023 UK standard tax rate of 23.5%) | **(12.0)** | 25.7 |
| **Adjusted profit/(loss) for the period attributable to the owners of the Company** | **36.0** | (83.5) |
| Weighted average total shares (number of Ordinary Shares (millions)) | **1,311.4** | 1,311.4 |
| Weighted average of Share Trust owned shares (millions) | **(11.2)** | (11.9) |
| **Weighted average number of Ordinary Shares in issue (millions)** | **1,300.2** | 1,299.5 |
| Effect of dilutive potential of share options and contingently issuable shares (millions) | **18.2** | 16.1 |
| **Weighted average number of Ordinary Shares for the purpose of operating earnings per share (millions)** | **1,318.4** | 1,315.6 |
| **Operating earnings/(loss) per share** | **2.7** | (6.3) |

Notes:

1. See the Management view statement of profit or loss tables in Appendix B for reconciliations of operating profit/(loss) to profit/(loss) before tax.
2. See glossary on pages 52 to 54 for definitions.

## Insurance and reinsurance finance expenses

| | 6 months 2024 £m | 6 months 2023 £m | Full year 2023 £m |
|---|---|---|---|
| **Insurance finance expense from insurance contracts issued:** | | | |
| Unwind of discounting of claims | **(92.6)** | (76.3) | (189.8) |
| Of which: | | | |
| Ongoing operations in operating profit[1] | **(77.7)** | (64.2) | (161.5) |
| Brokered commercial business[1] | **(12.9)** | (10.6) | (24.4) |
| Non-core and Run-off[1] | **(2.0)** | (1.5) | (3.9) |
| Effect of change in yield curve[1] | **93.7** | 99.1 | (4.0) |
| **Insurance finance expense from insurance contracts issued** | **1.1** | 22.8 | (193.8) |
| **Reinsurance finance expense from insurance contracts issued:** | | | |
| Unwind of discounting of claims[1] | **33.2** | 20.1 | 49.5 |
| Of which: | | | |
| Ongoing operations in operating profit[1] | **27.9** | 18.3 | 45.0 |
| Brokered commercial business[1] | **5.2** | 1.8 | 4.3 |
| Non-core and Run-off[1] | **0.1** | — | 0.2 |
| Effect of change in yield curve[1] | **(43.0)** | (59.5) | (21.5) |
| Interest expense on funds withheld liabilities | **(6.6)** | — | — |
| **Reinsurance finance expense from insurance contracts issued** | **(16.4)** | (39.4) | 28.0 |
| | | | |
| **Net insurance finance expense:** | | | |
| Unwind of discounting of claims[1] | **(59.4)** | (56.2) | (140.3) |
| Of which: | | | |
| Ongoing operations in operating profit[1] | **(49.8)** | (45.9) | (116.5) |
| Brokered commercial business[1] | **(7.7)** | (8.8) | (20.1) |
| Non-core and Run-off[1] | **(1.9)** | (1.5) | (3.7) |
| Effect of change in yield curve[1] | **50.7** | 39.6 | (25.5) |
| Interest expense on funds withheld liabilities | **(6.6)** | — | — |
| **Net insurance finance expense** | **(15.3)** | (16.6) | (165.8) |

Note:

1. See glossary on pages 52 to 54 for definitions.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### Management view statement of profit or loss – period ended 30 June 2024

The table below analyses the Group's management view results by reportable segment for the period ended 30 June 2024.

| | Notes | Motor £m | Non-Motor £m | **Total Group - ongoing operations[1] £m** | Brokered commercial business[1] £m | Non-core and Run-off[1] £m | **Total Group £m** |
|---|---|---|---|---|---|---|---|
| Gross written premium and associated fees | | 1,339.3 | 499.2 | **1,838.5** | 348.8 | 108.6 | **2,295.9** |
| Instalment income | | 36.0 | 13.1 | **49.1** | 1.0 | — | **50.1** |
| Movement in liability for remaining coverage | | (67.4) | (14.0) | **(81.4)** | (21.2) | 2.3 | **(100.3)** |
| **Insurance revenue** | 4 | 1,307.9 | 498.3 | **1,806.2** | 328.6 | 110.9 | **2,245.7** |
| Expenses from reinsurance contracts held | 4 | (366.7) | (36.7) | **(403.4)** | (258.8) | (2.7) | **(664.9)** |
| **Net insurance revenue** | | 941.2 | 461.6 | **1,402.8** | 69.8 | 108.2 | **1,580.8** |
| Incurred claims - including losses from onerous contracts and other directly attributable claims income | | (1,159.6) | (276.5) | **(1,436.1)** | (192.6) | (95.6) | **(1,724.3)** |
| Amounts recoverable from/(payable on) reinsurers | 4 | 422.8 | (0.9) | **421.9** | 223.5 | (2.0) | **643.4** |
| **Net insurance claims** | | (736.8) | (277.4) | **(1,014.2)** | 30.9 | (97.6) | **(1,080.9)** |
| Of which: | | | | | | | |
| Prior-year reserves development | | (6.6) | (8.6) | **(15.2)** | 6.0 | 3.6 | **(5.6)** |
| Acquisition costs | | (47.2) | (38.6) | **(85.8)** | (34.8) | (2.8) | **(123.4)** |
| Operating expenses | | (185.5) | (92.0) | **(277.5)** | (47.5) | (22.0) | **(347.0)** |
| **Other directly attributable expenses** | | (232.7) | (130.6) | **(363.3)** | (82.3) | (24.8) | **(470.4)** |
| **Insurance service result** | 4 | (28.3) | 53.6 | **25.3** | 18.4 | (14.2) | **29.5** |
| Investment income | | 72.8 | 17.0 | **89.8** | 24.5 | 2.5 | **116.8** |
| Unwind of discounting of claims[1] | | (39.5) | (10.3) | **(49.8)** | (7.7) | (1.9) | **(59.4)** |
| Other operating income and expenses | | (1.9) | 0.3 | **(1.6)** | (0.9) | — | **(2.5)** |
| **Operating profit/(loss)** | | 3.1 | 60.6 | **63.7** | 34.3 | (13.6) | **84.4** |
| Net fair value gains[2] | 6 | | | | | | **5.4** |
| Effect of change in yield curve[1] | | | | | | | **50.7** |
| Interest expense on funds withheld liabilities | | | | | | | **(6.6)** |
| Restructuring and one-off costs[1,2] | 4 | | | | | | **(64.9)** |
| Other finance costs | 8 | | | | | | **(7.4)** |
| Gain on disposal of business | | | | | | | **—** |
| **Profit before tax** | | | | | | | **61.6** |

### Key performance indicators – period ended 30 June 2024

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | **Total Group** |
|---|---|---|---|---|
| **Net insurance margin[1]** | **(3.0%)** | **11.6%** | **1.8%** | **1.9%** |
| Combined operating ratio[1] | 103.0% | 88.4% | **98.2%** | **98.2%** |
| Net expense ratio[1] | 19.7% | 19.9% | **19.8%** | **22.0%** |
| Net acquisition costs ratio[1] | 5.0% | 8.4% | **6.1%** | **7.8%** |
| Net insurance claims ratio[1] | 78.3% | 60.1% | **72.3%** | **68.4%** |
| – current-year attritional[1] | 77.6% | 53.0% | **69.5%** | **66.5%** |
| – prior-year reserves development | 0.7% | 1.9% | **1.1%** | **0.4%** |
| – event weather | N/A | 5.2% | **1.7%** | **1.5%** |
| Effect of weather | | | | |
| Net insurance claims ratio[1] | N/A | (1.5%) | **(0.5%)** | **(0.4%)** |
| Net acquisition ratio[11] | N/A | 0.0% | **0.0%** | **0.0%** |
| **Net insurance margin normalised for event weather[1]** | **N/A** | **10.1%** | **1.3%** | **1.5%** |

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### Additional data to support key performance indicators – period ended 30 June 2024

| | Motor | Non-Motor | Total Group - ongoing operations[1] | Total Group |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Net insurance claims** | **(736.8)** | **(277.4)** | **(1,014.2)** | **(1,080.9)** |
| Attritional net insurance claims | (730.2) | (244.7) | **(974.9)** | **(1,051.2)** |
| Prior-year reserves development | (6.6) | (8.6) | **(15.2)** | **(5.6)** |
| Major weather events | N/A | (24.1) | **(24.1)** | **(24.1)** |

### Normalised operating profit[1] – period ended 30 June 2024

| | Total Group - ongoing operations[1] |
|---|---|
| | £m |
| Operating profit | **63.7** |
| Effect of: | |
| Normalised weather - claims | **(7.0)** |
| Normalised weather - profit share | **—** |
| **Normalised operating profit** | **56.7** |
| Prior-year adjustments | |
| Prior-year reserves development | **(15.2)** |
| **Prior-year normalised operating loss** | **(15.2)** |
| **Current-year normalised operating profit** | **71.9** |
| **Current-year normalised operating profit ratio** | **127%** |

Notes:
1. See glossary on pages 52 to 54 for definitions.
2. Restructuring and one-off costs include £4.3 million expenses included in the Group insurance service result as disclosed in note 4.

# APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

## Management view statement of profit or loss – period ended 30 June 2023

The table below analyses the Group's management view results by reportable segment for the period ended 30 June 2023.

| | Notes | Motor | Non-Motor | **Total Group - ongoing operations[1]** | Brokered commercial business | Non-core and Run-off | **Total Group** |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | £m |
| Gross written premium and associated fees | | 758.7 | 439.1 | 1,197.8 | 353.6 | 136.1 | 1,687.5 |
| Instalment income | | 32.0 | 12.2 | 44.2 | 0.9 | — | 45.1 |
| Movement in liability for remaining coverage | | (46.1) | (1.1) | (47.2) | (80.5) | (1.8) | (129.5) |
| **Insurance revenue** | 4 | 744.6 | 450.2 | 1,194.8 | 274.0 | 134.3 | 1,603.1 |
| Expenses from reinsurance contracts held | 4 | (29.5) | (26.2) | (55.7) | (20.8) | (2.2) | (78.7) |
| **Net insurance revenue** | | 715.1 | 424.0 | 1,139.1 | 253.2 | 132.1 | 1,524.4 |
| Incurred claims - including losses from onerous contracts and other directly attributable claims income | | (669.2) | (218.4) | (887.6) | (137.2) | (118.1) | (1,142.9) |
| Amounts recoverable from/(payable on) reinsurers | 4 | (33.2) | 2.6 | (30.6) | 5.1 | 0.5 | (25.0) |
| **Net insurance claims** | | (702.4) | (215.8) | (918.2) | (132.1) | (117.6) | (1,167.9) |
| Of which: | | | | | | | |
| Prior-year reserves development | | (59.8) | 14.1 | (45.7) | 21.3 | (1.8) | (26.2) |
| Acquisition costs | | (32.5) | (38.1) | (70.6) | (74.5) | (11.3) | (156.4) |
| Operating expenses | | (164.0) | (86.6) | (250.6) | (43.6) | (15.3) | (309.5) |
| **Other directly attributable expenses** | | (196.5) | (124.7) | (321.2) | (118.1) | (26.6) | (465.9) |
| **Insurance service result** | 4 | (183.8) | 83.5 | (100.3) | 3.0 | (12.1) | (109.4) |
| Investment income | | 48.2 | 13.8 | 62.0 | 15.7 | 1.9 | 79.6 |
| Unwind of discounting of claims | | (35.4) | (10.5) | (45.9) | (8.8) | (1.5) | (56.2) |
| Other operating income and expenses | | (9.4) | (0.1) | (9.5) | 1.3 | (0.2) | (8.4) |
| **Operating (loss)/profit** | | (180.4) | 86.7 | (93.7) | 11.2 | (11.9) | (94.4) |
| Net fair value losses[2] | 6 | | | | | | (5.5) |
| Effect of change in yield curve | | | | | | | 39.6 |
| Restructuring and one-off costs[2,3] | 4 | | | | | | (8.8) |
| Other finance costs | 8 | | | | | | (7.2) |
| **Loss before tax** | | | | | | | (76.3) |

## Key performance indicators – period ended 30 June 2023

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | **Total Group** |
|---|---|---|---|---|
| **Net insurance margin[2]** | (25.6%) | 19.7% | (8.8%) | (7.2%) |
| Combined operating ratio[2] | 125.6% | 80.3% | 108.8% | 107.2% |
| Net expense ratio[2] | 22.9% | 20.4% | 22.0% | 20.3% |
| Net acquisition costs ratio[2] | 4.5% | 9.0% | 6.2% | 10.3% |
| Net insurance claims ratio[2] | 98.2% | 50.9% | 80.6% | 76.6% |
| – current-year attritional[2] | 89.8% | 51.7% | 75.7% | 74.1% |
| – prior-year reserves development | 8.4% | (3.3%) | 4.0% | 1.7% |
| – event weather | N/A | 2.5% | 0.9% | 0.8% |
| Effect of weather | | | | |
| Net insurance claims ratio[2] | N/A | (4.5%) | (1.7%) | (1.9%) |
| Net acquisition ratio[2] | N/A | 0.0% | 0.0% | 0.0% |
| **Net insurance margin normalised for event weather[2]** | N/A | 15.2% | (10.5%) | (9.1%) |

# APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

## Additional data to support key performance indicators – period ended 30 June 2023

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | **Total Group** |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Net insurance claims** | (702.4) | (215.8) | (918.2) | (1,167.9) |
| Attritional net insurance claims | (642.6) | (219.2) | (861.8) | (1,130.0) |
| Prior-year reserves development | (59.8) | 14.1 | (45.7) | (26.2) |
| Major weather events | N/A | (10.7) | (10.7) | (11.7) |

## Normalised operating profit[2] – period ended 30 June 2023

| | Total Group - ongoing operations[1,2] |
|---|---|
| | £m |
| Operating loss | (93.7) |
| Effect of: | |
| Normalised weather - claims | (19.1) |
| Normalised weather - profit share | — |
| **Normalised operating loss** | (112.8) |
| Prior-year adjustments | |
| Prior-year reserves development | (45.7) |
| **Prior-year normalised operating loss** | (45.7) |
| **Current-year normalised operating loss** | (67.1) |
| **Current-year normalised operating loss ratio** | 59% |

Notes:

1. Ongoing operations – See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.
2. See glossary on page 53 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.
3. Restructuring and one-off costs include £24.8 million expenses included in the Group insurance service result as disclosed in note 4.

# APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

## Management view statement of profit or loss – year ended 31 December 2023

The table below analyses the Group's management view results by reportable segment for the year ended 31 December 2023.

| | Notes | Motor £m | Non-Motor £m | **Total Group - ongoing operations** £m | Brokered commercial business £m | Non-core and Run-off £m | **Total Group** £m |
|---|---|---|---|---|---|---|---|
| Gross written premium and associated fees | | 2,047.8 | 929.8 | 2,977.6 | 665.8 | 278.5 | 3,921.9 |
| Instalment income | | 66.1 | 24.8 | 90.9 | 1.9 | — | 92.8 |
| Movement in liability for remaining coverage | | (308.5) | (35.4) | (343.9) | (66.9) | (2.2) | (413.0) |
| **Insurance revenue** | 4 | 1,805.4 | 919.2 | 2,724.6 | 600.8 | 276.3 | 3,601.7 |
| Expenses from reinsurance contracts held | 4 | (240.5) | (61.5) | (302.0) | (163.4) | (4.8) | (470.2) |
| **Net insurance revenue** | | 1,564.9 | 857.7 | 2,422.6 | 437.4 | 271.5 | 3,131.5 |
| Incurred claims - including losses from onerous contracts and other directly attributable claims income | | (1,743.5) | (524.1) | (2,267.6) | (356.8) | (249.2) | (2,873.6) |
| Amounts recoverable from reinsurers | 4 | 248.7 | 30.5 | 279.2 | 140.8 | 3.4 | 423.4 |
| **Net insurance claims** | | (1,494.8) | (493.6) | (1,988.4) | (216.0) | (245.8) | (2,450.2) |
| Of which: | | | | | | | |
| Prior-year reserves development | | (138.4) | (6.1) | (144.5) | 32.2 | (11.8) | (124.1) |
| Acquisition costs | | (89.6) | (76.3) | (165.9) | (116.3) | (10.1) | (292.3) |
| Operating expenses | | (312.1) | (168.2) | (480.3) | (91.2) | (44.1) | (615.6) |
| **Other directly attributable expenses** | | (401.7) | (244.5) | (646.2) | (207.5) | (54.2) | (907.9) |
| **Insurance service result** | 4 | (331.6) | 119.6 | (212.0) | 13.9 | (28.5) | (226.6) |
| Investment income | | 107.7 | 31.4 | 139.1 | 35.2 | 4.3 | 178.6 |
| Unwind of discounting of claims | | (94.3) | (22.2) | (116.5) | (20.1) | (3.7) | (140.3) |
| Other operating income and expenses | | (1.4) | 0.9 | (0.5) | (1.4) | (1.2) | (3.1) |
| **Operating (loss)/profit** | | (319.6) | 129.7 | (189.9) | 27.6 | (29.1) | (191.4) |
| **Net fair value gains**[3] | 6 | | | | | | 124.4 |
| Effect of change in yield curve | | | | | | | (25.5) |
| Restructuring and one-off costs[3] | 4 | | | | | | (59.5) |
| Other finance costs | 8 | | | | | | (14.5) |
| Gain on disposal of business | | | | | | | 443.9 |
| **Profit before tax** | | | | | | | 277.4 |

## Key performance indicators – year ended 31 December 2023

| | Motor | Non-Motor | **Total Group - ongoing operations**[1] | **Total Group** |
|---|---|---|---|---|
| **Net insurance margin** | (21.1%) | 14.0% | (8.7%) | (7.2%) |
| Combined operating ratio | 121.1% | 86.0% | 108.7% | 107.2% |
| Net expense ratio | 19.9% | 19.6% | 19.8% | 19.7% |
| Net acquisition costs ratio | 5.7% | 8.9% | 6.8% | 9.3% |
| Net insurance claims ratio | 95.5% | 57.5% | 82.1% | 78.2% |
| – current-year attritional | 86.7% | 53.7% | 75.0% | 73.3% |
| – prior-year reserves development | 8.8% | 0.7% | 6.0% | 4.0% |
| – event weather | N/A | 3.1% | 1.1% | 0.9% |
| Effect of weather | | | | |
| Net insurance claims ratio | N/A | (3.8%) | (1.3%) | (1.6%) |
| Net acquisition ratio | N/A | 0.0% | 0.0% | 0.0% |
| **Net insurance margin normalised for event weather** | N/A | 10.2% | (10.0%) | (8.8%) |

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### Additional data to support key performance indicators – year ended 31 December 2023

| | Motor | Non-Motor | **Total Group - ongoing operations[1]** | **Total Group** |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Net insurance claims** | (1,494.8) | (493.6) | (1,988.4) | (2,450.2) |
| Attritional net insurance claims | (1,356.4) | (460.8) | (1,817.2) | (2,297.9) |
| Prior-year reserves development | (138.4) | (6.1) | (144.5) | (124.1) |
| Major weather events | N/A | (26.7) | (26.7) | (28.2) |

### Normalised operating profit[3] – year ended 31 December 2023

| | Total Group - ongoing operations |
|---|---|
| | £m |
| Operating loss | (189.9) |
| Effect of: | |
| Normalised weather - claims | (32.7) |
| Normalised weather - profit share | — |
| **Normalised operating loss** | (222.6) |
| Prior-year adjustments | |
| Prior-year reserves development | (144.5) |
| **Prior-year normalised operating loss** | (144.5) |
| **Current-year normalised operating loss** | (78.1) |
| **Current-year normalised operating profit ratio** | 35% |

Notes:

1. Ongoing operations – See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.
2. See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### Operating expenses - ongoing operations[1]

| | H1 2024 | | | H1 2023 | | |
|---|---|---|---|---|---|---|
| | **Insurance service result** | **Other expenses** | **Total expenses** | **Insurance service result** | **Other expenses** | **Total expenses** |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| Commission expenses | **(58.9)** | **N/A** | **(58.9)** | (49.2) | N/A | (49.2) |
| Marketing | **(26.9)** | **N/A** | **(26.9)** | (21.4) | N/A | (21.4) |
| **Acquisition expenses** | **(85.8)** | **N/A** | **(85.8)** | (70.6) | N/A | (70.6) |
| Staff costs[2] | **(98.4)** | **(2.8)** | **(101.2)** | (90.6) | (2.8) | (93.4) |
| IT and other operating expenses[2,3] | **(50.3)** | **(4.7)** | **(55.0)** | (57.1) | (11.1) | (68.2) |
| Insurance levies | **(58.2)** | **N/A** | **(58.2)** | (42.5) | N/A | (42.5) |
| Depreciation, amortisation and impairment of intangible and fixed assets[4] | **(70.6)** | **—** | **(70.6)** | (60.4) | (0.2) | (60.6) |
| **Operating expenses** | **(277.5)** | **(7.5)** | **(285.0)** | (250.6) | (14.1) | (264.7) |
| **Total expenses - ongoing operations** | **(363.3)** | **(7.5)** | **(370.8)** | (321.2) | (14.1) | (335.3) |
| Total expenses - Brokered commercial insurance | **(82.3)** | **(0.9)** | **(83.2)** | (118.1) | 1.3 | (116.8) |
| Total expenses - Non-Core and Run-off partnerships | **(24.8)** | **(0.9)** | **(25.7)** | (26.6) | (0.7) | (27.3) |
| Restructuring and one-off costs | **N/A** | **N/A** | **(64.9)** | N/A | N/A | (8.8) |
| **Total expenses** | **(470.4)** | **(9.3)** | **(544.6)** | (465.9) | (13.5) | (488.2) |
| Net acquisition ratio[5] - ongoing operations | **6.1%** | | | 6.2% | | |
| Net acquisition ratio[5] - total Group | **7.8%** | | | 10.3% | | |
| Net expense ratio[5] - ongoing operations | **19.8%** | | | 22.0% | | |
| Net expense ratio[5] - total Group | **22.0%** | | | 20.3% | | |

| | FY 2023 | | |
|---|---|---|---|
| | **Insurance service result** | **Other expenses (note 7)** | **Total expenses** |
| | £m | £m | £m |
| Commission expenses | (104.8) | N/A | (104.8) |
| Marketing | (61.1) | N/A | (61.1) |
| **Acquisition expenses** | (165.9) | N/A | (165.9) |
| Staff costs[2] | (185.1) | (5.5) | (190.6) |
| IT and other operating expenses[2,3] | (93.2) | (5.3) | (98.5) |
| Insurance levies | (79.1) | N/A | (79.1) |
| Depreciation, amortisation and impairment of intangible and fixed assets[4] | (122.9) | (10.3) | (133.2) |
| **Operating expenses** | (480.3) | (21.1) | (501.4) |
| **Total expenses - ongoing operations[1]** | (646.2) | (21.1) | (667.3) |
| Total expenses - Brokered commercial insurance | (207.5) | (1.8) | (209.3) |
| Total expenses - Non-Core and Run-off partnerships | (54.2) | (2.0) | (56.2) |
| Restructuring and one-off costs | N/A | N/A | (59.5) |
| **Total expenses** | (907.9) | (24.9) | (992.3) |
| Net acquisition ratio[5] - ongoing operations | 6.8% | | |
| Net acquisition ratio[5] - total Group | 9.3% | | |
| Net expense ratio[5] - ongoing operations | 19.8% | | |
| Net expense ratio[5] - total Group | 19.7% | | |

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

Notes:

1. Ongoing operations – See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.
2. Staff costs and other operating expenses attributable to claims handling activities are allocated to the cost of insurance claims.
3. IT and other operating expenses include professional fees and property costs.
4. Includes right-of-use ("**ROU**") assets and property, plant and equipment. For the period ended 30 June 2024, there were no impairment charges which relate solely to own occupied freehold property (H1 2023: no impairments).
5. See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.

### Motor and Home average premium (£)

| £ | **HY 2024** | HY 2023 | **Q2 2024** | Q1 2024 | Q4 2023 | Q3 2023 | Q2 2023 |
|---|---|---|---|---|---|---|---|
| New business | **592** | 512 | **588** | 599 | 594 | 588 | 532 |
| Renewal | **514** | 392 | **514** | 515 | 513 | 480 | 412 |
| Motor own brands[1] | **538** | 423 | **536** | 541 | 537 | 507 | 445 |
| New business | **246** | 196 | **255** | 238 | 212 | 214 | 204 |
| Renewal | **268** | 239 | **276** | 261 | 259 | 257 | 249 |
| Home own brands | **264** | 233 | **272** | 257 | 249 | 250 | 243 |

Note:

1. Excluding the By Miles brand.

### Gross written premium and associated fees

| At | **Q2 2024 £m** | Q2 2023 £m | **H1 2024 £m** | H1 2023 £m |
|---|---|---|---|---|
| Own brands[1,2] | **414.5** | 391.3 | **814.6** | 744.2 |
| Partnerships[3] | **500.5** | 8.7 | **524.7** | 14.5 |
| **Motor** | **915.0** | 400.0 | **1,339.3** | 758.7 |
| Own brands[1] | **111.1** | 89.1 | **221.6** | 183.5 |
| Partnerships | **37.3** | 34.6 | **74.1** | 69.2 |
| **Home** | **148.4** | 123.7 | **295.7** | 252.7 |
| Rescue: Green Flag | **22.5** | 21.5 | **42.8** | 40.9 |
| Rescue: Partners | **3.2** | 3.4 | **5.0** | 5.2 |
| Rescue: Linked | **10.4** | 9.6 | **20.2** | 21.1 |
| **Rescue** | **36.1** | 34.5 | **68.0** | 67.2 |
| **Commercial Direct[1]** | **63.8** | 56.8 | **135.5** | 119.2 |
| **Non-Motor** | **248.3** | 215.0 | **499.2** | 439.1 |
| **Ongoing operations[4]** | **1,163.3** | 615.0 | **1,838.5** | 1,197.8 |
| **Non-core and Run-off[4]** | **46.7** | 70.1 | **108.6** | 136.1 |
| Of which: Run-off partnerships | **15.9** | 38.3 | **46.2** | 72.3 |
| **Brokered commercial insurance** | **193.7** | 196.7 | **348.8** | 353.6 |
| **Total gross written premium and associated fees** | **1,403.7** | 881.8 | **2,295.9** | 1,687.5 |

Notes:

1. Own brands include gross written premium for Home and Motor under the Direct Line, Churchill, Darwin, Privilege and By Miles brands. Commercial Direct includes gross written premium under the Direct Line for Business and Churchill brands.
2. Gross written premiums for the By Miles brand which were previously reported within Motor partnerships have been reallocated to own brands. There is no impact on in-force policies.
3. Motor partnerships includes the Motability partnership, which started on 1 September 2023, and resulted in significant growth in the third quarter of 2023. From 2024, the majority of Motability gross written premium is recognised twice a year on 1 April and 1 October.
4. Ongoing operations – See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.

## APPENDIX B – MANAGEMENT VIEW STATEMENTS OF PROFIT OR LOSS, EXPENSES, AVERAGE PREMIUMS, GROSS WRITTEN PREMIUM AND ASSOCIATED FEES AND IN-FORCE POLICIES

### In-force policies (thousands)

| At | **30 Jun 2024** | 31 Mar 2024 | 31 Dec 2023 | 30 Sep 2023 | 30 Jun 2023 |
|---|---|---|---|---|---|
| Own brands[2] | **3,119** | 3,235 | 3,373 | 3,441 | 3,607 |
| Partnerships[3] | **860** | 837 | 808 | 795 | 66 |
| **Motor** | **3,979** | 4,072 | 4,181 | 4,236 | 3,673 |
| Own brands[2] | **1,746** | 1,721 | 1,706 | 1,686 | 1,705 |
| Partnerships | **720** | 729 | 738 | 748 | 759 |
| **Home** | **2,466** | 2,450 | 2,444 | 2,434 | 2,464 |
| Rescue: Green Flag | **1,022** | 1,036 | 1,048 | 1,062 | 1,093 |
| Rescue: Partners | **251** | 275 | 313 | 322 | 316 |
| Rescue: Linked | **594** | 593 | 604 | 616 | 653 |
| **Rescue** | **1,867** | 1,904 | 1,965 | 2,000 | 2,062 |
| **Commercial Direct[2,4]** | **639** | 641 | 645 | 652 | 645 |
| **Non-Motor** | **4,972** | 4,995 | 5,054 | 5,086 | 5,171 |
| **Ongoing operations[4]** | **8,951** | 9,067 | 9,235 | 9,322 | 8,844 |
| **Non-core and Run-off[4]** | **376** | 1,020 | 2,431 | 2,417 | 2,426 |
| Of which: Run-off partnerships[4] | **185** | 819 | 2,224 | 2,221 | 2,199 |
| **Brokered commercial insurance[4]** | **272** | 281 | 286 | 291 | 293 |
| **Total in-force policies** | **9,599** | 10,368 | 11,952 | 12,030 | 11,563 |

Notes:

1. Non-core and Run-off and total in-force policies as at 31 March 2024 have been amended to remove 1,771,000 policies included in the Group's Q1 2024 Trading Update.
2. Own brands include in-force policies for Home and Motor under the Direct Line, Churchill, Darwin, Privilege and By Miles brands. Commercial Direct includes policies under the Direct Line for Business and Churchill brands.
3. Motor partnerships includes the Motability partnership, which started on 1 September 2023, and resulted in significant growth in the third quarter of 2023. From 2024, the majority of Motability gross written premium is recognised twice a year on 1 April and 1 October. As the Motability contract is a fleet contract, customer numbers are used to allow a more representative presentation of the Group's in-force policies.
4. Ongoing operations – See glossary on pages 52 to 54 for definitions and appendix A – Alternative Performance Measures on pages 56 to 59 for reconciliation.

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

1. the condensed consolidated financial statements, which have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of Direct Line Insurance Group plc and the undertakings included in the consolidation taken as a whole as required by Disclosure and Transparency Rule 4.2.4R;
2. the interim management report includes a fair review of the information required by:

– Disclosure and Transparency Rule 4.2.7R being an indication of important events that have occurred during the first six months of the current financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

– Disclosure and Transparency Rule 4.2.8R being related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the entity during that period, and any changes in the related parties transactions described in the last Annual Report & Accounts that could do so.

Signed on behalf of the Board

**ADAM WINSLOW**
CHIEF EXECUTIVE OFFICER

3 September 2024

**NEIL MANSER**
CHIEF FINANCIAL OFFICER

3 September 2024

LEI: 213800FF2R23ALJQOP04

# INDEPENDENT REVIEW REPORT TO DIRECT LINE INSURANCE GROUP PLC

## Conclusion

We have been engaged by Direct Line Insurance Group plc ("the Company" or "the Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises Condensed Consolidated Statement of Profit or Loss; Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income; Condensed Consolidated Statement of Financial Position; Condensed Consolidated Statement of Changes in Equity; Condensed Consolidated Cash Flow Statement and the related explanatory notes on pages 30 to 51.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("**the DTR**") of the UK's Financial Conduct Authority ("**the UK FCA**").

## Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("**ISRE (UK) 2410**") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

## Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2.1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

## The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

**James Anderson**
**for and on behalf of KPMG LLP**
Chartered Accountants

15 Canada Square
London
E14 5GL

3 September 2024