

## Additional information

### Market

The Company has a primary listing on the UK Listing Authority's Official List and its Ordinary Shares are admitted to trading on the London Stock Exchange.

### Share ownership

#### Share capital

The details of the Company's share capital are presented in note 27 to the consolidated financial statements.

#### Dividends

The Group aims to generate long-term sustainable value for shareholders, while balancing operational, regulatory, rating agency and policyholder requirements. The Board has adopted a progressive dividend policy for the Company, which will aim to increase the dividend annually in real terms to reflect its cash flow generation and long-term earnings potential.

It is expected that one-third of the annual dividend will generally be paid in the third quarter as an interim dividend and two-thirds will be paid as a final dividend in the second quarter of the following year. The Board may revise the dividend policy from time to time.

In addition, if the Board believes that the Group has capital that is surplus to the Board's view of its requirements, it is intended that it will be returned to shareholders. The Company may consider a special dividend and/or the repurchase of its own shares as a means of distributing surplus capital to shareholders.

The Company pays its dividends in Pounds Sterling to shareholders registered on its principal register in the UK.

Shareholders may have their cash dividends paid directly into a bank or building society by completing a dividend mandate form, which is available from the Company's share registrar ("Registrar") Computershare Investor Services PLC in the UK. Contact details for the Registrar are set out on page 180. Alternatively, shareholders may access their shareholdings online and download a dividend mandate from the Investor Centre, please see page 180 for details.

### Shareholder enquiries

Shareholders with queries on any matter relating to their shares are invited to contact our Registrar using the contact details listed on page 180 of this Annual Report & Accounts.

Shareholders should notify the Registrar of any change in shareholding details in a timely manner.

Shareholders can also access their current shareholding details online at [www.investorcentre.co.uk/directline](http://www.investorcentre.co.uk/directline). Investor Centre is a free-to-use, secure, self-service website where shareholders can manage their holdings online. The website enables shareholders to:

- check their holdings;
- update their records (including address and direct credit details);
- access all their securities in one portfolio by setting up a personal account;
- vote online; and
- register to receive electronic shareholder communications.

The website requires shareholders to quote their Shareholder Reference Number in order to access this information.

### Shareholder warning

5,000 people contact the FCA about share fraud each year, with victims losing an average of £20,000.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

#### How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares
- Do not get into a conversation; note the name of the person and firm contacting you and then end the call
- Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you are authorised by the FCA
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details
- Use the firm's contact details listed on the Register if you want to call it back
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams)
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice before you hand over any money
- Remember: if it sounds too good to be true, it probably is

## Additional information continued

### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

### Tips on how you can protect your shares

- Ensure all your certificates are kept in a safe place, or consider holding your shares in the UK's electronic registration and settlement system for equity, CREST, or via a nominee
- Keep all correspondence from the Registrar that shows your shareholder reference number in a safe place and shred unwanted correspondence
- Inform the Registrar as soon as you change your address
- If you receive a letter from the Registrar regarding a change of address and you have not recently moved, please contact them immediately
- Be aware of when the dividends are paid and contact the Registrar if you do not receive your dividend
- Consider having your dividends paid directly into your bank account (you will need to fill out a dividend mandate form and send it to the Registrar); this reduces the risk of the cheque being intercepted or lost in the post
- If you change your bank account, inform the Registrar of the details of your new account immediately
- If you are buying or selling shares, deal only with brokers registered in the UK or in your country of residence
- Be aware that the Company will never contact you by telephone concerning investment matters. If you receive such a call from a person purporting to represent the Group please contact the Company Secretary immediately

### Corporate website

The Group's corporate website is [www.directlinegroup.com](http://www.directlinegroup.com). It contains more useful information for the Company's investors and shareholders, including press releases, forthcoming events, essential shareholder information, a financial calendar and details of the Company's AGM. You may also subscribe for email news alerts.

### Electronic communications and voting

The Group produces a range of communications which shareholders can receive in a range of formats. View online, download or receive a paper copy by contacting the Registrar. The contact details can be found on page 180.

Shareholders who register their email address with our Registrar or on the Investor Centre can be kept informed of events such as the AGM and receive shareholder communications like the Annual Report & Accounts and Notice of Meeting electronically.

### Dealing facilities

Shareholders can buy, sell or transfer Direct Line Group shares through a stockbroker or a high street bank, or through the Registrar's share-dealing facility.

The Registrar may be contacted regarding its share-dealing facility by telephone or by email as follows:

- for telephone sales call +44 (0)870 703 0084 between 8.30 am and 5.30 pm, Monday to Friday excluding public holidays; and
- for internet sales log on to [www.investorcentre.co.uk/directline](http://www.investorcentre.co.uk/directline). You will need your shareholder reference number as shown on your share certificate or your welcome letter from the Chairman.

### Financial calendar

2014

26 February	Announcement of results 2013
12 March	'Ex-dividend' date for second special interim and 2013 final dividend
14 March	Record date for second special interim and 2013 final dividends
2 May <sup>1</sup>	First quarter 2014 Interim Management Statement
15 May	Annual General Meeting
20 May	Payment date for second special interim and 2013 final dividends
1 August <sup>1</sup>	Half year 2014 Interim Report
13 August <sup>1</sup>	'Ex-dividend' date for 2014 interim dividend
15 August <sup>1</sup>	Record date for 2014 interim dividend
12 September <sup>1</sup>	Payment date for 2014 interim dividend
31 October <sup>1</sup>	Third quarter 2014 Interim Management Statement

Note:

1. These dates are subject to change

### Annual General Meeting

The 2014 AGM will be held on 15 May 2014 at The Auditorium, Allen & Overy LLP, One Bishops Square, London E1 6AD, starting at 10.00 am. All shareholders will receive a separate notice convening the AGM, which will explain the resolutions to be put to the meeting.

# Glossary

Term	Definition
<b>Actuarial best estimate</b>	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement. A best estimate of reserves will therefore normally be designed to include no margin for optimism or conversely, caution.
<b>AIP</b>	Annual Incentive Plan
<b>Available-for-sale ("AFS") investment</b>	Financial assets that are classified as available for sale. Please refer to the accounting policy note 1.12 on page 117.
<b>BAYE</b>	Buy-As-You-Earn
<b>BitC</b>	Business in the Community
<b>Capital</b>	The funds invested in the Group, which includes funds invested by shareholders and retained profits.
<b>Claims frequency</b>	The number of claims divided by the number of policies per year.
<b>Claims reserve (provision for losses and loss adjustment expense)</b>	Funds set aside by the Group to meet the estimated cost of claims payments and related expenses that the Group considers will ultimately be required to be paid.
<b>Clawback</b>	The ability of the Company to claim repayment of paid amounts as a debt.
<b>Combined operating ratio ("COR")</b>	The sum of the loss, expense and commission ratios. The ratio is a measure of the amount of claims costs and expenses compared to net earned premium generated. A ratio of less than 100% indicates a profitable business.
<b>Commission</b>	Amounts paid to brokers, partners and price comparison websites for generating business.
<b>Commission ratio</b>	The ratio of commission expense divided by net earned premium.
<b>Current-year attritional loss ratio</b>	The loss ratio for the current accident year excluding the impact of movement of claims reserves relating to previous accident years and claims relating to weather events in the Home division.
<b>DAIP</b>	Deferred Annual Incentive Plan
<b>DL4B</b>	Direct Line for Business, an extension of the Direct Line brand, is our direct commercial insurance brand for micro and small-sized businesses in the UK that have straightforward commercial insurance requirements.
<b>Earnings per share</b>	The amount of the Group's profit allocated to each Ordinary Share of the Company.
<b>ERB</b>	Employee Representative Body
<b>Expense ratio</b>	The ratio of operating expenses divided by net earned premium.
<b>Finance costs</b>	The cost of servicing the Group's external borrowings.
<b>Financial Conduct Authority ("FCA")</b>	The independent body that regulates firms and financial advisers to help put the interests of their customers and the integrity of the market at the core of what they do.
<b>FOS</b>	Financial Ombudsman Service
<b>FRC</b>	Financial Reporting Council
<b>Gross written premium</b>	The total premiums from contracts that began during the period.
<b>IASB</b>	International Accounting Standards Board
<b>Incurred but not reported ("IBNR")</b>	Funds set aside to meet the cost of claims for accidents that have taken place, but have not yet been reported to us.
<b>Incurred loss</b>	Claims that have been paid plus claims advised by a policyholder but not yet paid. Does not include IBNR (see above).
<b>ICA</b>	Individual capital assessment
<b>ICAS</b>	Individual capital adequacy standards
<b>ICAS+</b>	Introduced by the PRA in 2013, ICAS+ is an extension of the ICAS regime to allow firms to use their developing Solvency II frameworks, in particular the internal model.
<b>In-force policies</b>	The number of policies on a given date that are active and against which the Group will pay following a valid insurance claim.
<b>Initial Public Offering ("IPO")</b>	The first sale of shares by a previously unlisted company to investors on a securities exchange.
<b>IFRS</b>	International Financial Reporting Standard
<b>Insurance reserves</b>	This consists of insurance liabilities and liability adequacy reserve. Together these amount to the reserves an insurance company maintains to meet current and future claims.
<b>Investment income yield</b>	The annualised investment return earned through the income statement during the period, divided by the average assets under management ("AUM") for each asset class during the same period. The investment return excludes realised gains, impairments and fair value adjustments, while the average AUM for the period is derived by taking the opening and closing balances for the period.

## Glossary continued

Term	Definition
<b>Investment return</b>	The income earned from the investment portfolio.
<b>Investment return yield</b>	The total annualised investment return earned through the income statement during the period, including items such as realised gains, fair value adjustments and impairments, divided by the average AUM for each asset class during the same period.
<b>KPI</b>	Key performance indicator
<b>Loss ratio</b>	Net insurance claims divided by net earned premium.
<b>LTIP</b>	Long-Term Incentive Plan
<b>Malus</b>	An arrangement that permits the forfeiture of unvested remuneration awards, in circumstances considered appropriate by the Company.
<b>Net asset value</b>	The net asset value of the Group is calculated by subtracting total liabilities from total assets.
<b>Net claims</b>	The cost of claims incurred in the period less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
<b>Net earned premium</b>	The element of gross earned premium less reinsurance premium ceded for the period that insurance cover has already been provided.
<b>Ogden discount rate</b>	The discount rate set by the relevant government bodies, the Lord Chancellor and Scottish Ministers, and used to calculate lump sum awards in bodily injury cases.
<b>Ongoing operations</b>	Includes the Group's ongoing segments: Motor, Home, Rescue and other personal lines, Commercial and International. It excludes the Run-off segment and restructuring and other one-off costs.
<b>Operating profit</b>	The pre-tax profit generated by the activities of the Group, including insurance and investment activity, but excluding finance costs.
<b>ORSA</b>	Own Risk and Solvency Assessment
<b>Periodic payment order ("PPO")</b>	These are claims payments as awarded under the Courts Act 2003. PPOs are used to settle large personal injury claims and generally provide claimants who require long-term care with a lump sum award together with inflation-linked annual payments.
<b>Prudential Regulation Authority ("PRA")</b>	The Prudential Regulation Authority is a part of the Bank of England and responsible for the prudential regulation and supervision of insurers and financial institutions in the UK.
<b>RBS Group</b>	The Royal Bank of Scotland Group plc and its subsidiary companies.
<b>Reinsurance</b>	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer.
<b>Reserves</b>	Funds that have been set aside to meet outstanding insurance claims and IBNR.
<b>Return on equity</b>	Return on equity is calculated by dividing the profit attributable to the owners of the Company by average ordinary shareholders' equity for the period.
<b>Return on tangible equity ("RoTE")</b>	Return on tangible equity is adjusted profit after tax from ongoing operations divided by the Group's average tangible shareholders' equity. Profit after tax is adjusted to exclude the Run-off segment and restructuring and other one-off costs and is stated after charging tax (using the UK standard tax rate). Pro forma RoTE is based on RoTE, but assumes that the capital actions taken by the Group during 2012 (£1 billion dividend payment and £500 million long-term subordinated debt issue) occurred on 1 January 2012.
<b>Risk mix</b>	This reflects the expected level of claims from the portfolio.
<b>Run-off</b>	Where the Group no longer underwrites new business but continues to meet its claims liabilities under existing contracts.
<b>SME</b>	Small and medium-sized enterprises
<b>Solvency II</b>	The proposed capital adequacy regime for the European insurance industry, which establishes a revised set of EU-wide capital requirements and risk management standards. It is comprised of three pillars: Pillar I, which sets out capital requirements for an insurer, Pillar II which focuses on systems of governance and Pillar III which deals with disclosure requirements.
<b>Three lines of defence</b>	The 1st line of defence is provided by line managers who are responsible for ownership and management of the risks to the achievement of business objectives on a day-to-day basis. The 2nd line of defence is provided by specialist control functions, including Risk and Compliance, which are responsible for the provision of proportionate oversight of the business and related or emerging risks. Group Audit delivers the 3rd line of defence through the provision of an independent view for the Board on the effectiveness of risk management.
<b>Total shareholder return ("TSR")</b>	Compares the movements in the share price and dividends paid over a period of time, as a percentage of the share price at the beginning of the period.
<b>UK Corporate Governance Code (the "Code")</b>	The UK Corporate Governance Code, dated September 2012 and issued by the FRC.
<b>Underwriting profit / loss</b>	The profit or loss from operational activities, excluding investment performance. It is calculated as: $\text{Net earned premium} \quad \text{less} \quad \text{Net insurance claims} \quad \text{less} \quad \text{Total expenses}$

## Forward-looking statements disclaimer

This Annual Report & Accounts has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

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", "anticipates", "believes", "continue", "could", "estimates", "expects", "guidance", "intends", "may", "outlook", "plans", "predicts", "projects", "seeks", "should", "targets" or "will" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things: the Group's results of operations, financial condition, prospects, growth, strategies and the industry in which the Group operates. Examples of forward-looking statements include financial targets which are contained in this document specifically with respect to RoTE, the Group's COR, the COR for the Group's Commercial division, and cost savings. 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 or are beyond the Group's control.

Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this document, for example directly or indirectly as a result of, but not limited to, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements or the Ogden discount rate), the impact of competition, currency changes, inflation and deflation, the timing impact and other uncertainties of future acquisitions, disposals, joint ventures or combinations within relevant industries, as well as the impact of tax and other legislation and other regulation 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 obligations or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document 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.

## Contact information

### Registered office

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Company Secretary: Humphrey Tomlinson

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### Registrars

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BS99 6ZZ

Shareholder helpline: +44 (0)870 873 5880  
Shareholder fax: +44 (0)870 703 6101  
Telephone number for the hard of hearing:  
+44 (0)870 702 0005  
Website: [www.computershare.com](http://www.computershare.com)

Investor Centre:  
To find out more about Investor Centre, go  
to [www.investorcentre.co.uk/directline](http://www.investorcentre.co.uk/directline)

### Auditors

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### Legal advisers

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### Principal banker

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### Corporate brokers

Goldman Sachs International  
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