Our strategic progress

In our first full year as a listed company, we continued to make good progress in our financial performance and advance our transformation plan.

Highlights

- Operating profit from ongoing operations[1] of £526.5 million for 2013, up 14.2% (2012: £461.2 million); and total Group profit before tax of £423.9 million (2012: £249.1 million)
- Investment in improved customer-focused capabilities and propositions, launch of two telematics products and start of roll-out of smartphone and tablet optimised websites
- Extended efficiency programme particularly in head office functions and announced additional cost savings, targeting a reduced total cost base[2] of approximately £1,000 million in 2014
- Completed claims transformation for Motor and Home, extended ClaimCenter to Commercial Motor and Italy and laid the foundations for DLG Legal Services Limited
- Continued to develop Commercial and International, in particular full roll-out of eTrading and strong growth in Germany
- Combined operating ratio for ongoing operations[1] of 96.1% for 2013, an improvement of 3.1 percentage points against 2012 (99.2%), and ahead of the target 98% for 2013
- Combined operating ratio for ongoing operations[1] in 2013 included higher than expected contribution from prior-year reserve releases of 12.4 percentage points (£435.1 million) compared to 8.7 percentage points in 2012 (£322.0 million)
- Return on tangible equity[3] from ongoing operations of 16.0% for 2013 (2012: 11.5% and pro forma[4] 13.4%)
- 5.0% increase in final dividend per share to 8.4 pence per share and second special interim dividend of 4.0 pence per share taking total dividends for 2013 to 20.6 pence per share
- Strong capital position maintained with risk-based capital coverage of 148.7% post final and second special interim dividends, towards the upper end of the target range of 125% to 150%

Financial highlights

Return on tangible equity[3]
(%)

16.0% (KPI)

● 13.4% pro forma in 2012[4]

Profit before tax
(£m)

£423.9m

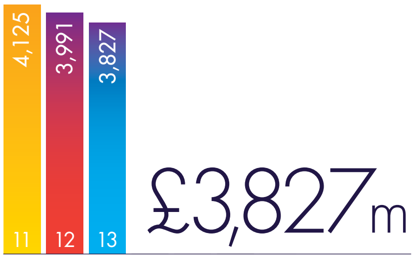
Notes:

1. Ongoing operations include the Group's ongoing divisions: Motor, Home, Rescue and other personal lines, Commercial and International. It excludes the Run-off segment, restructuring and other one-off costs and gain on disposal of subsidiary.
2. Operating expenses and claims handling expenses from ongoing operations. It excludes the Run-off segment and restructuring and other one-off costs.
3. Return on tangible equity ("RoTE") 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, restructuring and other one-off costs and gain on disposal of subsidiary and is stated after charging tax (using the UK standard tax rate of 23.25%; 2012: 24.5%).
4. Pro forma RoTE is based on the return on tangible equity, but assumes that the capital actions taken by the Group prior to the initial public offering (£1 billion dividend payment and £500 million long-term subordinated debt issue) occurred on 1 January 2012.

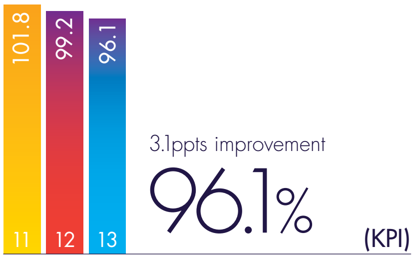
For information on our financial performance see p.34

For information on performance rewards see our remuneration report on p.76

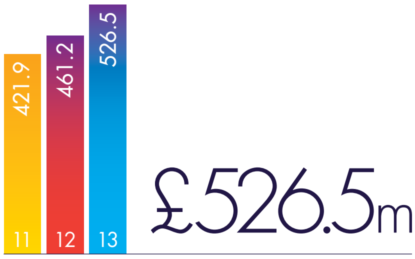
Gross written premium[1]
(£m)



Combined operating ratio[1]
(%)



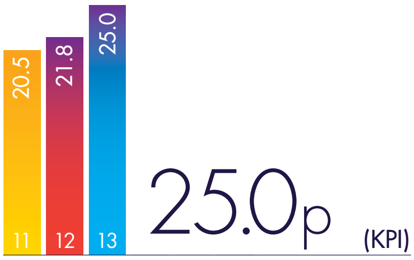
Operating profit[1]
(£m)



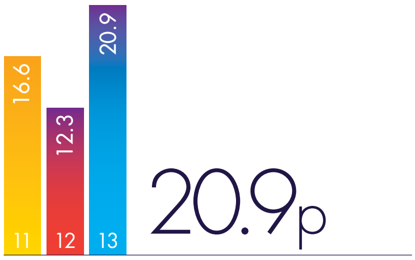
Dividend per share[5]
(pence)

● 12.0 pence pro forma full year dividend for 2012

Adjusted earnings per share – diluted[6] (pence)



Earnings per share – basic
(pence)



5. For 2013, total special interim dividends of 8.0 pence per share were paid. For 2012, pro forma full year dividend is based on the final dividend of 8.0 pence per share representing two-thirds of the full year payout ratio.
6. Adjusted earnings per share – diluted, excludes the Run-off segment, restructuring and other one-off costs and gain on disposal of subsidiary (using UK standard tax rate of 23.25%; 2012: 24.5%).