

Chair's statement



Capital returned to shareholders since IPO

£4.0bn

Dear Shareholders,

It has been a pivotal year in the Direct Line Group's history, and one in which the value and potential of our business and brands have come into sharp focus.

In a highly competitive and dynamic market one of our top priorities has been to return to profit. I have been impressed by the resilience and tenacity of our colleagues, who have worked to support a new and invigorated strategy and transformative plan, which has delivered a solid financial and operational performance. This has been an impressive team effort, achieved by a relentless focus on continuously improving how we attract and compete for customers within our risk appetite.

New management, strategy and performance

Adam Winslow joined the Group as CEO on 1 March 2024 and was appointed to the Board as an Executive Director on 21 March 2024. He undertook a comprehensive review of the business and, after listening carefully to our investors, customers and colleagues, established a new strategy, designed to position Direct Line Group to become the customers' insurer of choice, and to set a clear path to profitable growth.

Adam assembled a highly experienced executive team which swiftly began to take the critical action necessary to turn the business around with energy and determination. He and his team adapted to the many and varied challenges leading the turnaround with exemplary judgement, phenomenal levels of energy and great connection with our people – all done at remarkable pace. Adam's vision and hard work have been central to the considerable progress made in 2024 and I, and my Board would like to thank him for that.

You will see in this Annual Report that we've made considerable progress in delivering the new strategy and turnaround, resulting in a Group operating profit¹ from ongoing operations² of £205 million and improved our Motor net insurance margin¹. A great deal of what was planned in 2024 is due to come to fruition in 2025, and the Board anticipates the positive momentum continuing.

With this positive progress, the Board was able to pay a small dividend of two pence per share at Half Year. We are also recommending a further five pence per share final dividend with our full year results.

Takeover approaches

The Board takes its aim of maximising value for shareholders very seriously. Early in the year, we received an indicative proposal from Ageas to purchase the Company. After intensive deliberation and consultation with investors, the Board unanimously rejected this proposal, believing it to be uncertain, unattractive and significantly undervaluing the future prospects of the business.

In late November 2024, we received an approach from Aviva plc which, again, the Board rejected on the grounds that it undervalued the business. Aviva subsequently improved its offer, and we announced on 23 December 2024 that we had reached agreement on the terms of a recommended cash and share offer. Based on the closing price of Aviva shares on 27 November 2024, that offer values each Direct Line share at 275 pence, and values the entire diluted share capital at approximately £3.7 billion.

The Board firmly believes that the new strategy set out by Adam would drive substantial value, and are confident in the prospects that the Group would have as a standalone business. However, the Board also believes that Aviva's offer represents an attractive proposition for our investors and recognises that it provides an accelerated path to returns, including significant synergies and value upside potential in the combined group of companies. Therefore, following detailed consideration and engagement with investors and other stakeholders, the Board unanimously decided to recommend Aviva's offer to shareholders for approval. Aviva's culture and values align well to those of Direct Line Group and were an important consideration in the Board recommending the offer.

People

Having spoken to many of our colleagues over the past few months, I have felt the huge sense of pride that they have in the work they do to support customers, and in the progress we have made. They really care about our customers and being brilliant for them every day.

I know that working with uncertainty isn't easy, and I commend and thank them all the more for their continued support and professionalism during this period.

Customers

During the year, we continued to put our customers at the heart of our decisions and aspired to excellence through all stages of the customer journey. One area of particular focus has been on delivering good customer outcomes under the Consumer Duty. The regulations are outcome based and the Financial Conduct Authority ("FCA") has been clear that they expect firms to keep developing and improving. In order to enhance the Board's continued oversight of the Consumer Duty, the Customer & Sustainability Committee has been given a strengthened role.

Board

In addition to Adam Winslow, we were delighted to welcome our new CFO, Jane Poole, to the Board as an Executive Director on 10 October 2024. Jane has made a meaningful impact in the few months since her appointment, progressing the transformation of our Finance function, enhancing our financial strategies and playing a central role in the negotiations with Aviva. We were also pleased to welcome Carol Hagh to the Board as a Non-Executive Director on 1 April 2024. I am grateful to all of my Board colleagues for their unstinting support and hard work, both in supporting the management team in resetting the Group's strategy and in starting the transformation of the business, and in diligently discharging their roles during the detailed discussions leading up to our recommendation of the Aviva offer.

It has been a privilege to serve as a member of your Board since 2017 and as Chair since 2020. I am extremely proud of everything our people have achieved in building our outstanding brands, transforming our businesses and supporting our customers. I am certain they will continue to excel, either in an independent Direct Line Group or as part of the Aviva Group. I would also like to thank all our stakeholders for their continuing support and wish them every success in the future.



Danuta Gray
Chair of the Board

Agreement for the acquisition of Direct Line Group by Aviva

- As announced on 23 December 2024, the Boards of Direct Line Insurance Group plc ("**Direct Line**") and Aviva plc ("**Aviva**") reached agreement on the terms of a recommended cash and share offer for Direct Line.
- The transaction values each Direct Line share at 275 pence and values the entire diluted share capital of the Group at approximately £3.7 billion¹.
- The transaction is subject to certain regulatory approvals, including from the Prudential Regulation Authority ("**PRA**") and the Financial Conduct Authority ("**FCA**") as well as review by the Competition and Markets Authority ("**CMA**").
- Direct Line shareholder meetings are scheduled to be held on 10 March and the transaction, subject to regulatory clearances, is expected to become effective mid-2025.

Note

1. Based on the closing price of Aviva shares of 489.3 pence on 27 November 2024 (being the last closing share price before the commencement of the Offer Period) and taking into account the final dividend of 5 pence per share announced today.

Notes:

1. See glossary on pages 238 to 241 for definitions and appendix A – Alternative performance measures on pages 242 to 245 for reconciliation to financial statement line items.
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 238 to 241 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 246 to 253.

Section 172(1) statement

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have had regard (amongst other matters) to those matters set out in Section 172(1)(a) to (f) Companies Act 2006.

Please refer to pages 86 to 88 for our detailed statement, which describes how the interests of the Company's key stakeholders and the matters set out in Section 172(1)(a)-(f) Companies Act 2006 have been considered in Board discussions and decision making.