Direct Line Group

Changing Gears

Capital Markets Day, 10 July 2024

Today's agenda

12:00 – 1:00	Arrival and lunch	
1:00 – 2:45	**Group Strategy**	**Adam Winslow** – CEO
	Motor	**Lucy Johnson** – Motor MD
	Non-Motor	**Adam Winslow** – CEO
	Break	
	Costs and Margins	**Adam Winslow** – CEO
	Capital and Dividends	**Neil Manser** – CFO
	Closing	**Adam Winslow** – CEO
2:45	**Q&A**	

Direct Line Group

Group Strategy

Adam Winslow

Key takeaways

1. Strong foundations with iconic brands and leading market positions
2. Rejoin the front-runners in motor through technical excellence and launching Direct Line on PCWs
3. Target leading positions in Home, Commercial Direct and Rescue
4. Target at least £100m gross run-rate cost savings by exit 2025 and a 13% NIM in 2026
5. Capital generative business with a healthy balance sheet, announcing new dividend policy at ~60% payout ratio. Opportunity for additional capital returns

Changing gears

Customers' insurer of choice

Deliver our turnaround

Rejoin front-runners in motor

Target leading positions in Home, Commercial Direct and Rescue

Achieve top quartile insurance technical excellence

Build a performance culture

Reduce cost base

Actions delivered since full-year results

- ✓ Recruited an experienced and high performing leadership team
- ✓ Conducted a comprehensive strategic review across the Group
- ✓ Decided to launch Direct Line Motor on PCWs, following a detailed assessment
- ✓ Paused or stopped investment in areas with limited return potential, or outside our future strategy, to focus our portfolio on targeted profitable growth
- ✓ Set up a transformation office, already tracking and delivering on our cost reduction targets

Strong foundations that we must leverage further

Iconic brands[1]

Direct Line®

churchill™

Well-positioned businesses[2,3]

Motor
£2.1bn
Top 2

Home
£552m
Top 4

Commercial Direct
£241m
Top 5

Rescue
£137m
Top 3

Unique assets

DLG AUTO SERVICES

Largest UK insurer-owned repair network with 50%+ of claims volumes[4] serviced in our 23 accident repair centres

GREEN FLAG

Largest rescue brand owned by a UK Personal Lines insurer, with an NPS of >70

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1. Conjoint analysis for attribute importance shows which motor brands are most preferred if all brands were priced the same, DLG online market survey with 4000+ respondents, August 2023
2. Gross written premium and associated fees
3. Sources: IPSOS, Customer Intelligence, Mintel, GlobalData Report: UK SME Insurance: CompetitorDynamics 2023
4. Of own brand claims

Focus on where DLG can win and grow profitably

Core

Motor[1]

Win through technical excellence and fully embrace PCW-led distribution

Home

Leverage capabilities provided by the new platform

Commercial Direct

Grow offering and expand presence in underserved segments

Rescue

Broaden distribution and expand fleet of owned patrol vehicles

Other Personal Lines

(incl. Pet and Travel)

Return to profit and growth

Margin accretive, high single-digit growth targeted

No investment

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1. Including Motability

A clear break from the past

DLG's historic performance challenges	Actions underway
Re-platforming costs and implementation delays	Investment focused on insurance capabilities not extensive technology transformation
Over-reliance on strengths in the direct channel	Launch Direct Line Motor on PCWs
Insufficient focus on performance and ineffective delivery of outcomes	Refreshed leadership team and strengthened performance management and delivery culture
Complex organisation and operating model	Transitioning to a simpler operating model with end-to-end accountability and better controls

New experienced and high-calibre team

🟩 Joined 🟦 Joining

Lucy Johnson
Managing Director of Motor
June
Hastings, Barclaycard

Hugh Hessing
Chief Operating Officer
July
Aviva, KPMG

Jane Poole
Chief Financial Officer
Oct
Aviva, RSA

Craig Thornton
Managing Director of Home, Commercial Direct and Rescue
Oct
LBG, Swiss Re, Aviva

Martin Milliner
Managing Director of Claims
Oct
Allianz LV, RBS

Maz Bown
Chief Risk Officer
Dec
Aviva

Dhruv Gahlaut
Chief Strategy and Investor Relations Officer
Aug
SiriusPoint, HSBC, RSA

Underpinned by strengthened performance management and delivery culture

Set up to deliver attractive shareholder returns

Targeting at least £100m gross run-rate cost savings by exit 2025

13% NIM in 2026 target

New regular dividend policy at ~60% payout ratio, opportunity for additional capital returns

Turnaround strategy with a focus on technical excellence to drive profitable growth

Motor

Lucy Johnson

Key messages

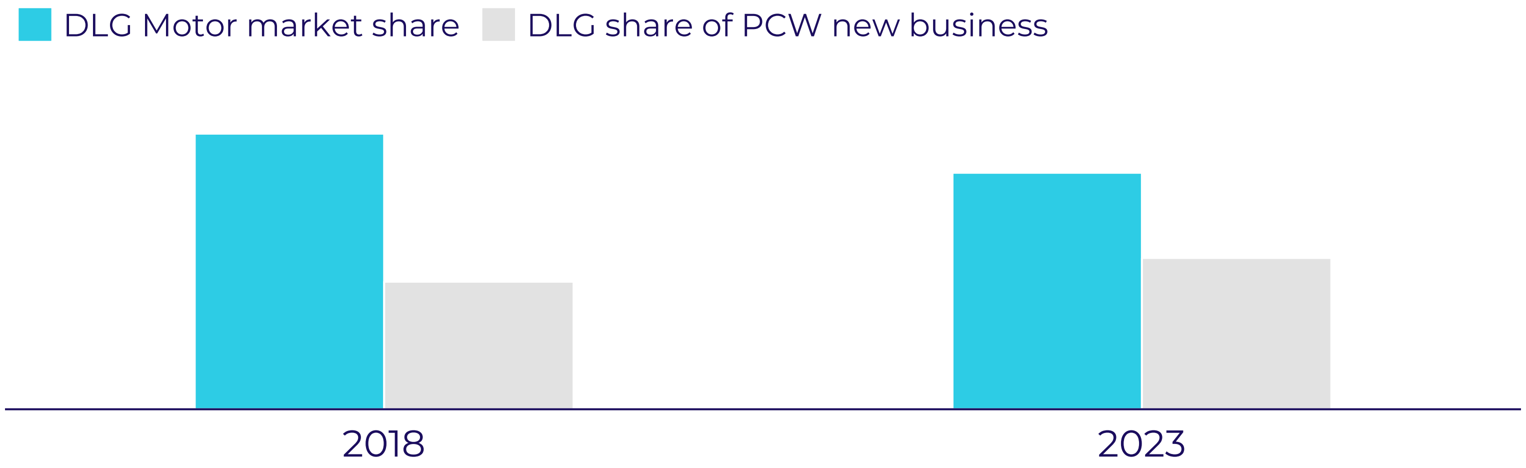
- **Winning in the motor market now a known formula for DLG,** despite market competitiveness and complexity
- **Insurance technical excellence** essential for driving profitable growth, and **central to Motor strategy**
- Launching the most recognised brand, **Direct Line, on PCWs,** following careful consideration
- **Strengthened team** and now in full **execution mode,** already delivering benefits
- Confident in readiness **to drive sustained profitable growth**

PCWs are key to winning in the UK motor market

DLG and PCW market share evolution

PCW share of new business sales, %

DLG market performance[1], %



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1. Not including Motability

Source: ABI, 2018 - 2023

Note: charts are not to the same scale

Winning in motor is a known formula

PCW importance	**Responding to an ever-evolving market**
Pricing accuracy and agility	Claims inflation volatility
Product tiering to meet customer needs	Political and regulatory attention
Extensive use of data, both external and internal	Vehicle technology influencing type and cost of claims

Remediating root causes of past performance

Motor's historic performance challenges	Actions underway
Material opportunity cost of delayed re-platforming; 8-years compared to 2-3 for peers	Technology platform is now operating at scale, ready to support growth ambition
Occupied by multiple routes to market	Focus investments on improving PCW distribution over the next 3 years
Substantial loss of experienced team members	Rebuild underway since 2023, 10+ new senior members have joined Motor leadership team
Considerable under-pricing of inflation; projections for 2022 inflation increased 7pts during 2023	Proven extensive monthly monitoring now embedded
Unsustainable expense ratio ~6pts higher[1] than peers	Group wide cost transformation underway

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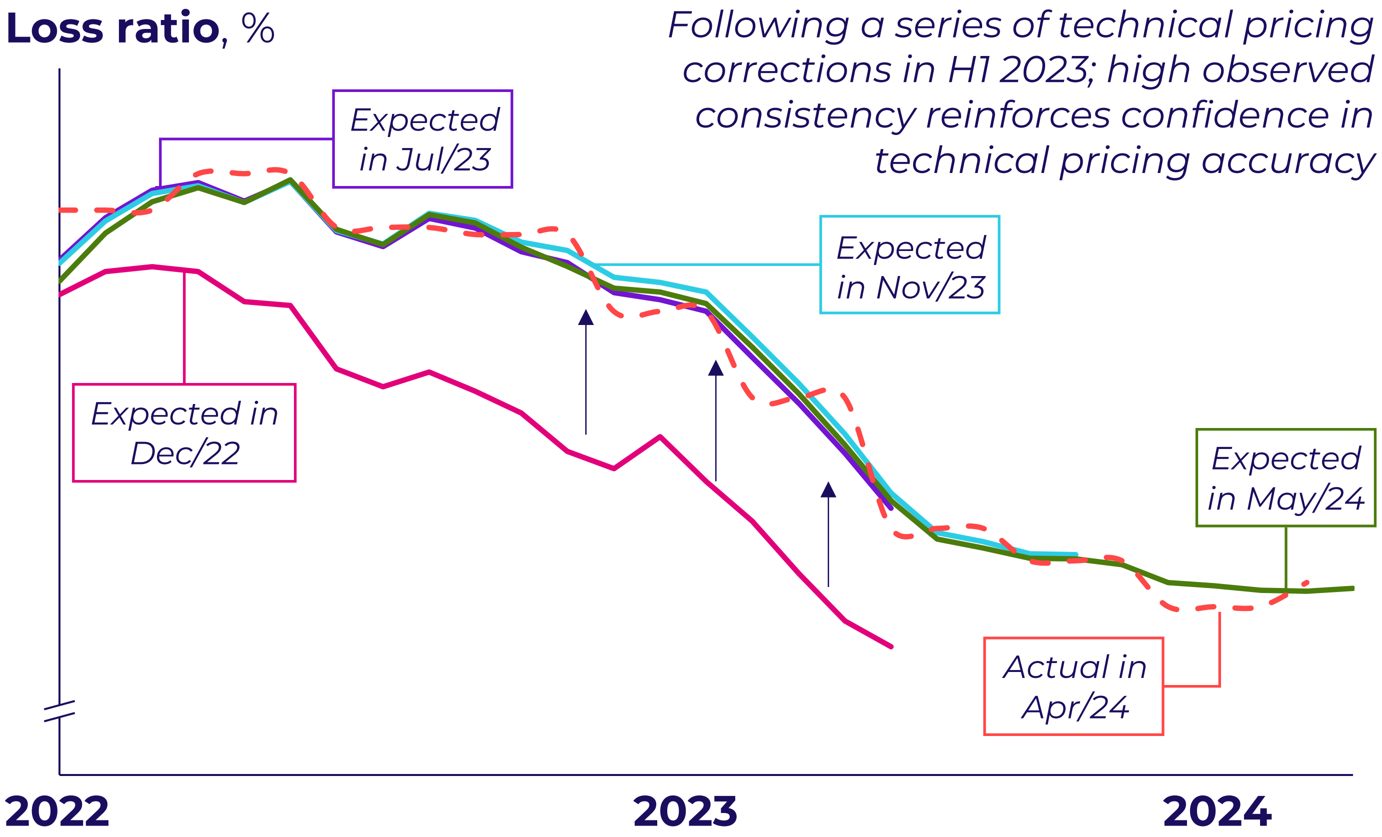
[1] Gross admin expense ratio across the Group

Confidence in pricing adequacy

Actual versus expected Motor loss ratio comparison
2022-24



Following a series of technical pricing corrections in H1 2023; high observed consistency reinforces confidence in technical pricing accuracy

Robust portfolio management to ensure profitability

Automated embedded monthly process

200+ pieces of analysis reviewed, to confirm pricing is under control

Experienced management oversight

Source: Motor written capped loss ratios from internal risk models and projected actual experience of Direct Line, Churchill and Privilege, 01/01/2022 - 01/05/2024

Excelling across the core insurance value chain

Pricing and underwriting

Customer experience

Claims

Distribution

Ways of working

Establish end-to-end accountability, build and nurture a high-performing team and increase the speed of delivery

Transform our culture and increase focus on delivery

Refreshed, highly experienced leadership team in Motor

Matt Pernet
Retail Director

Colin Anthony
Manufacturing Director

Katie Griffin
Business Improvement Director

Sumit Bahukhandi
Darwin Director

Maddy Howlett
By Miles CEO

10+ leaders hired from companies with a strong track record in PCW growth

Fast, high quality delivery

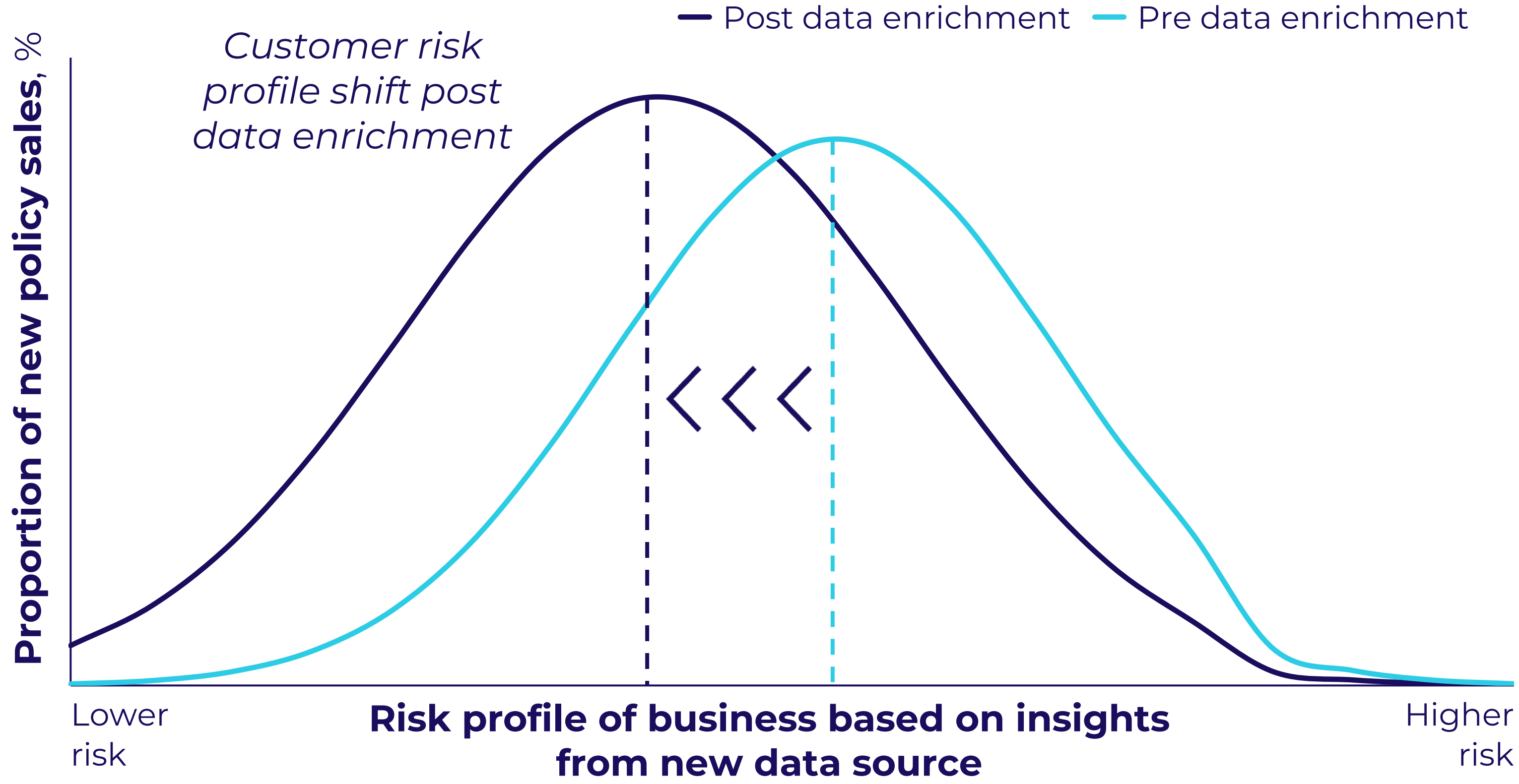
Simplified organisational structure

Streamlined decision making

End-to-end ownership of outcomes

Increased technical pricing accuracy

Proportion of Motor policy sales split by new data enrichment factor, %



Source: DLG policy data, 23/05/2024 - 12/06/2024

Substantial improvements across pricing and underwriting

Monthly portfolio review of emerging performance

Substantial rebuild of technical models, live in pricing

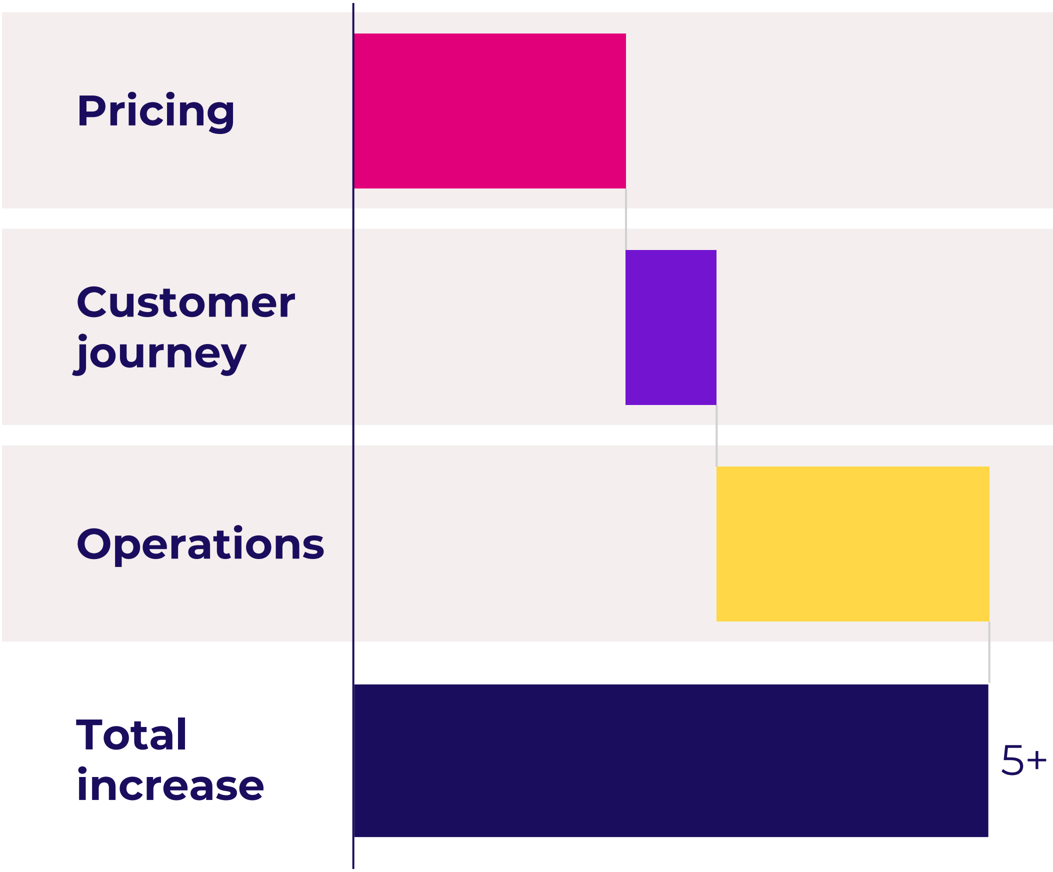
Segmental portfolio analysis and repricing actions

Active underwriting management

Aim to increase Motor retention by 5pts+

Programme to improve retention over next 18 months

Retention rate increase, pts



Deploying a comprehensive suite of levers

Attract and retain targeted customer segments through market leading pricing capabilities; improved modelling techniques and data enrichment including increasing use of machine learning and unique internal data

Remove obstacles to create long-term loyalty; advanced analytics informing tailored approach to different segments across all channels

Simplify operations to improve customer satisfaction and retention; highly efficient processes, reducing operational expenses with calls directed to the right agents at the right time

Simplify customer journeys to win on PCWs

Over-reliance on analogue[1]

Number of calls[2]

>14m

2023

Volume of printed transactional packs

>24m

Last 12 months

Key levers

- **Click-to-sale rate**
- **Self-service rate**
- **E-docs adoption**

Ambition

Top quartile performance

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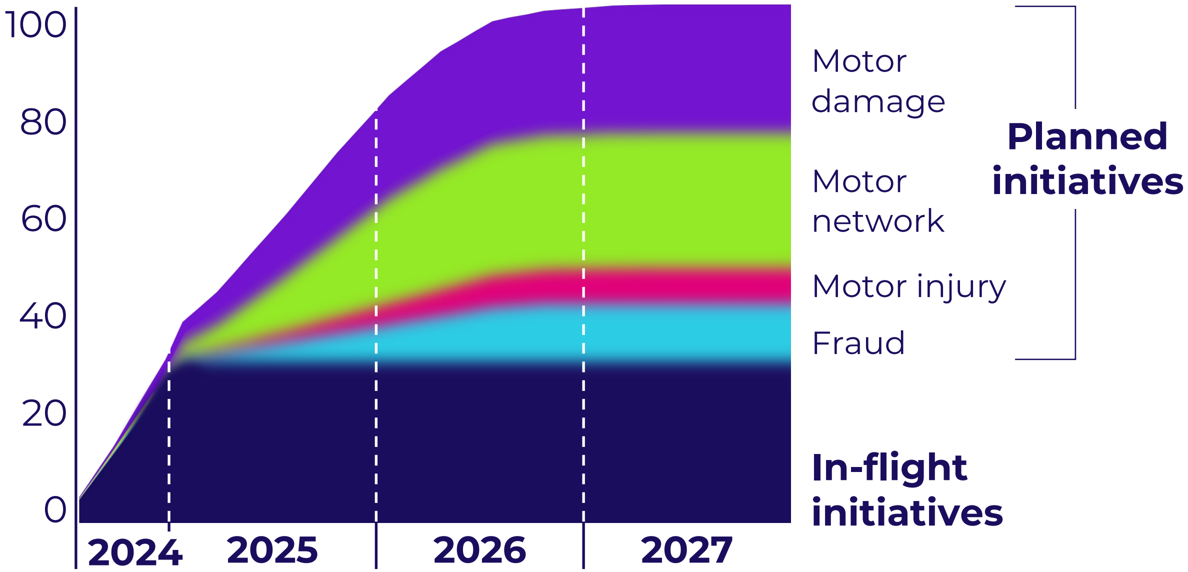
1. Across Group
2. Sales, service and claims

Ambition to lead in claims cost control

Expected impact ramp up of claims cost excellence

% of total run-rate



Example initiatives

+4% **Increase in ultimate repair network conversion**, deploying machine learning based solutions to reduce variability in claims handling and repair processing

+10% **Increase in claims-related income** via re-examining and refreshing agreements with supply chain partners

+30% **Increase in counter-fraud benefit per policy**, combining holistic advanced analytics solutions with technology-enabled human detection

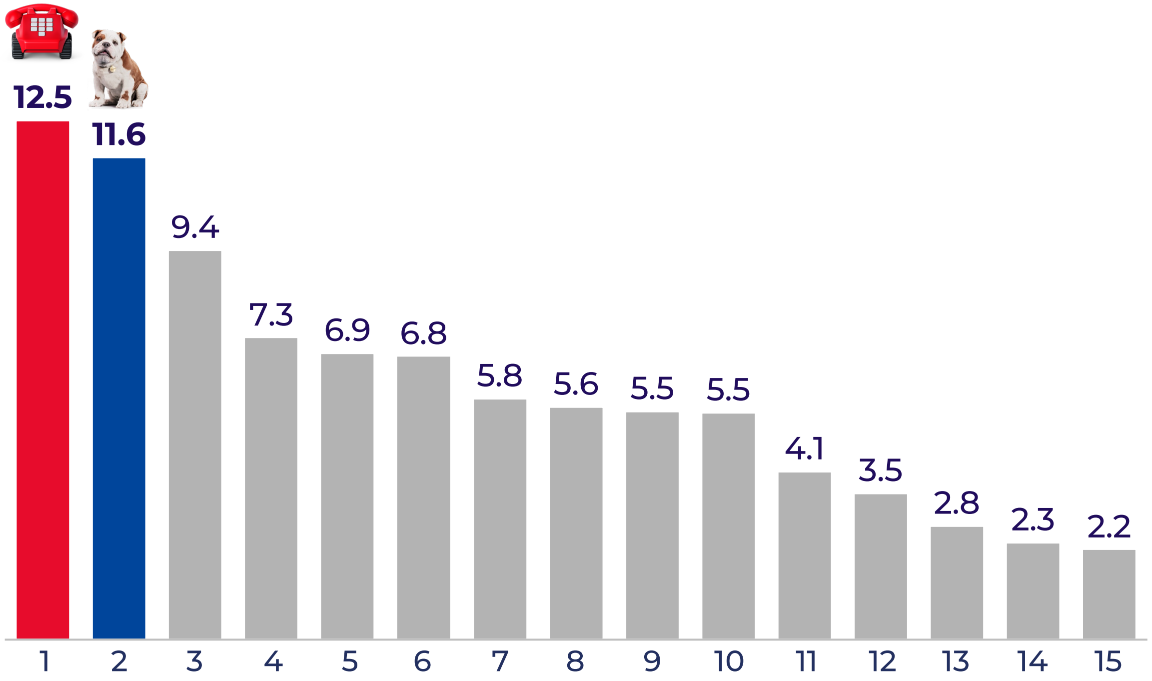
Customer experience

Seamless, digital-first journeys supported by new online claims portal

Launch DLG's best brand on the most important channel

Strongest motor brand recognition

Brand preference in a price agnostic scenario[1], %



Distinct peers

Fully embrace PCW-led distribution

Focus investments on improving **PCW distribution** over the next 3 years

All brands available on PCWs

Launch a **fully refreshed Direct Line Motor PCW product suite**

More efficient allocation of brand marketing spend in line with market leading personal lines insurers

Underpinned by pricing and underwriting control and capability

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1. Conjoint analysis for attribute importance shows which motor brands are most preferred if all brands were priced the same, DLG online market survey with 4000+ respondents, August 2023

Ambition to rejoin the front-runners

UK motor market competitor landscape

Front-runners

In the pack

Below the pack

DLG is well-placed:

Heritage that separates it from "the pack" – one of the largest motor books with extensive scale and data

Unique assets that allow DLG to compete at the top – top two brands in the market with decades of investment, largest in-house garage network and insurer-owned rescue brand

Started rebuilding the team and organisational culture to execute, improve core insurance capabilities and achieve cost ambition

Non-Motor

Adam Winslow

Key messages

- **Focus our Non-Motor portfolio on Home, Commercial Direct and Rescue,** which offer significant potential for profitable growth:
  - **Home**: Leverage new capabilities provided by the new platform and revamp product suite to drive growth
  - **Commercial Direct**: Grow existing offering and expand presence in underserved segments
  - **Rescue**: Broaden distribution and expand fleet of owned patrol vehicles
- **Disciplined capital allocation** to maximise shareholder returns

Targeting growth across 3 high performing business lines

Line of business	**GWP**[1], £m	**Share of total portfolio**[2], %	**NIM,** 2023, %	**Targeted CAGR,** 2023-26, %
Home	552	18%	11%[3]	7-10%
Commercial Direct	241	8%		
Rescue	137	4%		

Targeting continued profitable growth, led by existing high-performing team

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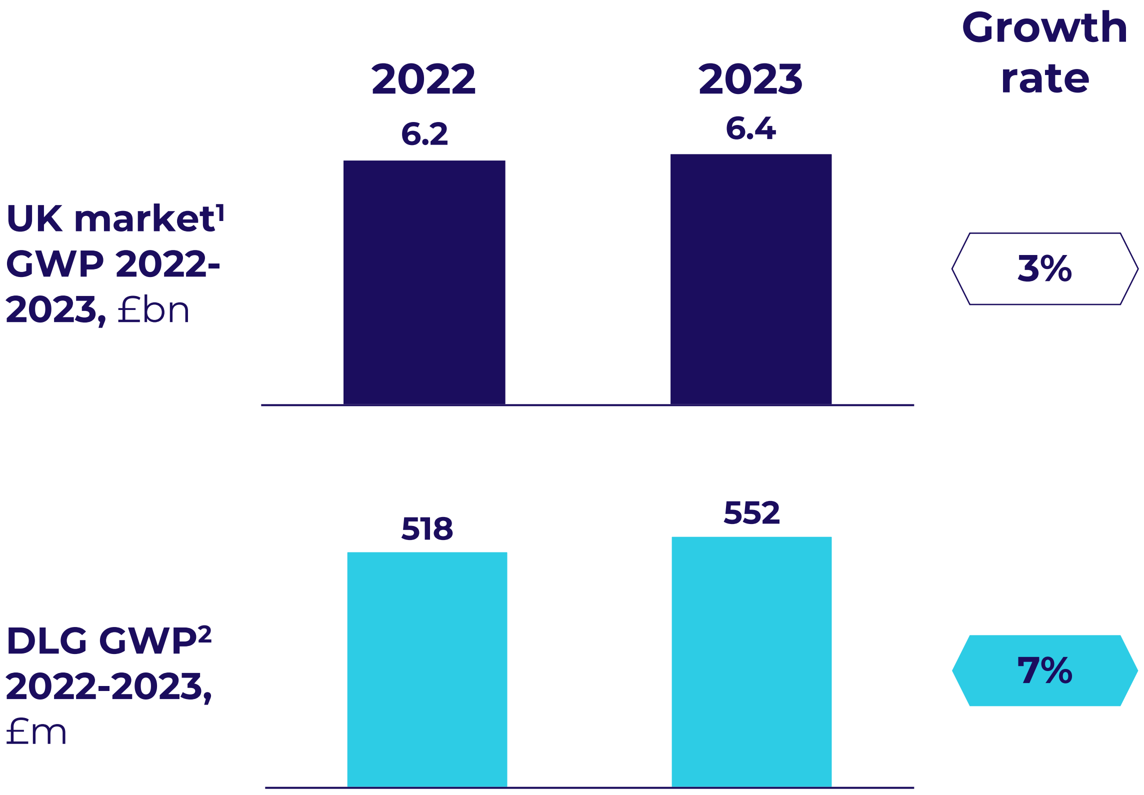
1. Gross written premium and associated fees, see glossary on page 62
2. Based on ongoing GWP, 2023
3. Normalised for weather and GIPP remediation provisions

Outperforming peers in a large and stabilising market



	2022	2023
DLG market share, %	~8%	~9%

Large market at £6.4bn GWP in 2023, second largest line of business after Motor for DLG

Solid position in the market with growing market share (~9% in 2023) and a strong **portfolio of brands**

Successfully navigated trading conditions over the last 2 years

Margin improvements targeted through cost programme, claims cost control, pricing improvements and new products

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1. Mintel 2024 UK General Insurance Market report, ABI 2023 UK Market report, GlobalData Report 2023
2. Gross written premium and associated fees

Note: Growth rate calculated based on exact figures

Building on strong foundations to accelerate growth

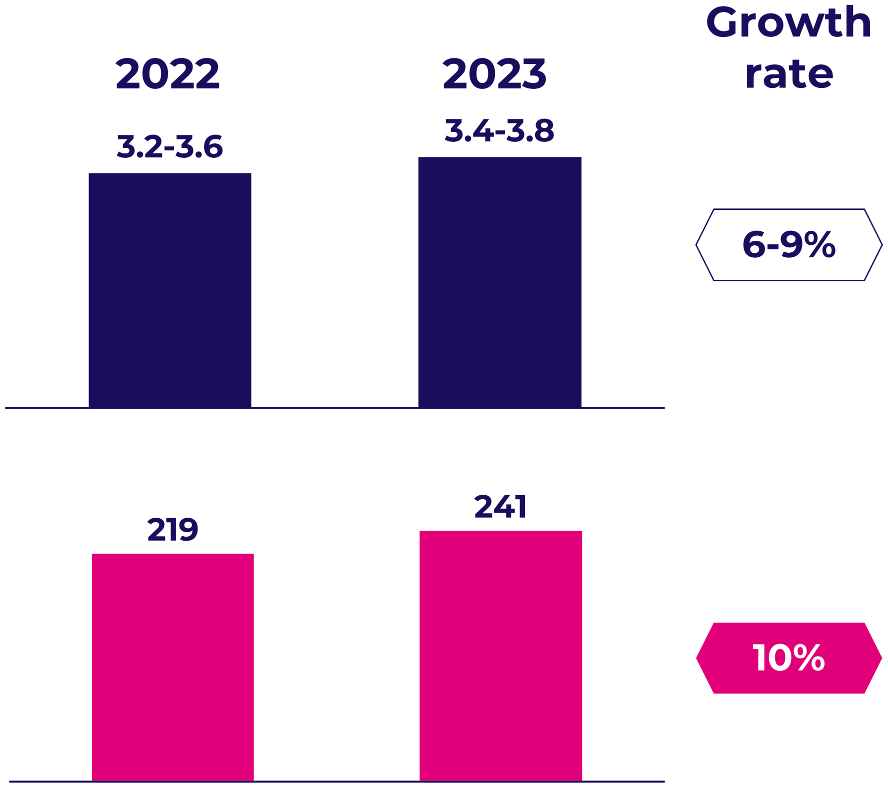
Pricing and underwriting	**Enhance underwriting risk selection**	Leverage new **pricing engine** (Radar Live) and **analytics platform**
Distribution	**Develop new routes to customers**	**Cross-sell to DLG's large customer base** using customer insights and data enrichment
Product and service	**Launch new products and improve customer experience**	Launch a lower tiered **Essentials product,** a market segment which accounts for 24% of new business sales Optimise **customer experience**, improving conversion, while reducing cost to serve

Fast-growing book with dual focus on Direct and PCWs

Commercial Direct Market

UK market[1,2] GWP 2022-2023, £bn

DLG GWP[3] 2022-2023, £m



	2022	2023
DLG market share, %	6-7%	6-7%

Highly fragmented micro-SME market of £3.4-3.8bn in 2023

Diverse portfolio comprising Landlord (45%), SME (20%) and Van (35%)

Focus on Direct and PCWs to continue to grow over the next 3 years

Continued margin improvements targeted through cost, pricing initiatives and technology simplification

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1. DLG addressable market: micro-SME in Direct and PCWs channel
2. Mintel 2024 UK General Insurance Market report, ABI 2023 UK Market report, GlobalData Report: UK SME Insurance: CompetitorDynamics 2023
3. Gross written premium and associated fees

Note: Growth rate calculated based on exact figures

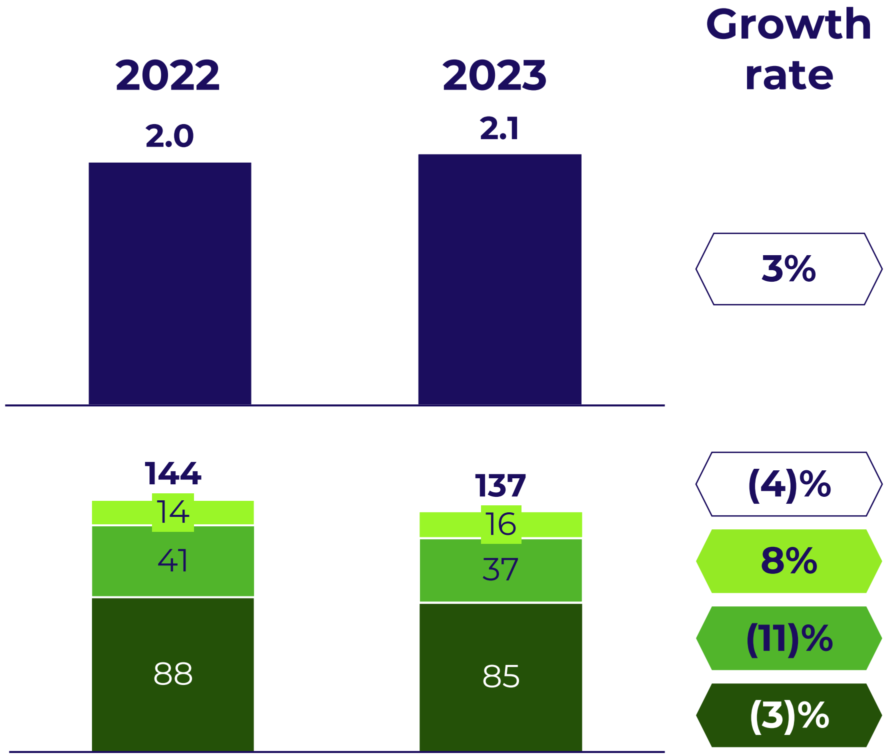
Targeting growth in underserved segments

Pricing and underwriting	**Enhance core capabilities to enable expansion**	**Bolster technical talent** across Commercial Direct **Improve core elements in pricing** e.g. updated risk models
Distribution	**Expand within existing profitable segments and channels**	**Expand underwriting criteria** to achieve broader cover for micro-SMEs **Increase penetration** in landlord market **Boost presence across PCWs** by increasing footprint
Product and service	**Further develop digital servicing**	**Enhance digital servicing** with digital documents, policy changes and claims processing

Grow and challenge market incumbents

UK market[1] GWP 2022-2023, £bn

DLG GWP[2] 2022-2023, £m



🟩 Partnership

🟩 Linked

🟩 Direct

DLG market share, %

	2022	2023
DLG market share, %	~7%	~7%

DLG is #3, and the top-2 players account for 80%+ of market

Motor-linked policies mostly driving decline in 2023

Aiming to grow book faster than the market over the next 3 years

Launching own fleet of patrol vehicles to improve margins and customer experience

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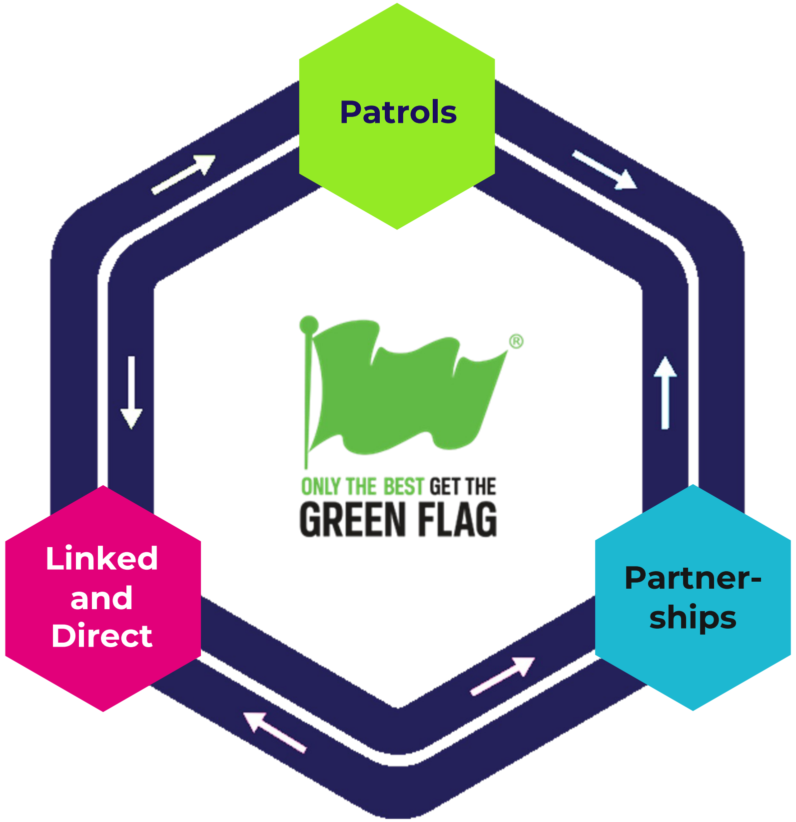
1. Mintel 2024 UK General Insurance Market report, ABI 2023 UK Market report
2. Gross written premium and associated fees

Note: Growth rate calculated based on exact figures

10x patrol growth and new partnerships planned



Own patrol fleet lowering the cost of claims

New partnerships providing additional scale

Boosted brand presence supporting customer awareness

Already 30+ vehicles on the road. Plan to further scale to 300+ vehicles; leasing to minimise capital expenditure

>50% increase in new business linked rescue sales due to customer journey enhancements in Motor

New partnerships in 2024

Growing Motor book will create tailwinds for Rescue

Key messages

- **Focus our Non-Motor portfolio on Home, Commercial Direct and Rescue,** which offer significant potential for profitable growth:
  - **Home**: Leverage new capabilities provided by the new platform and revamp product suite to drive growth
  - **Commercial Direct**: Grow existing offering and expand presence in underserved segments
  - **Rescue:** Broaden distribution and expand fleet of owned patrol vehicles
- **Disciplined capital allocation** to maximise shareholder returns

Break

Costs and Margins

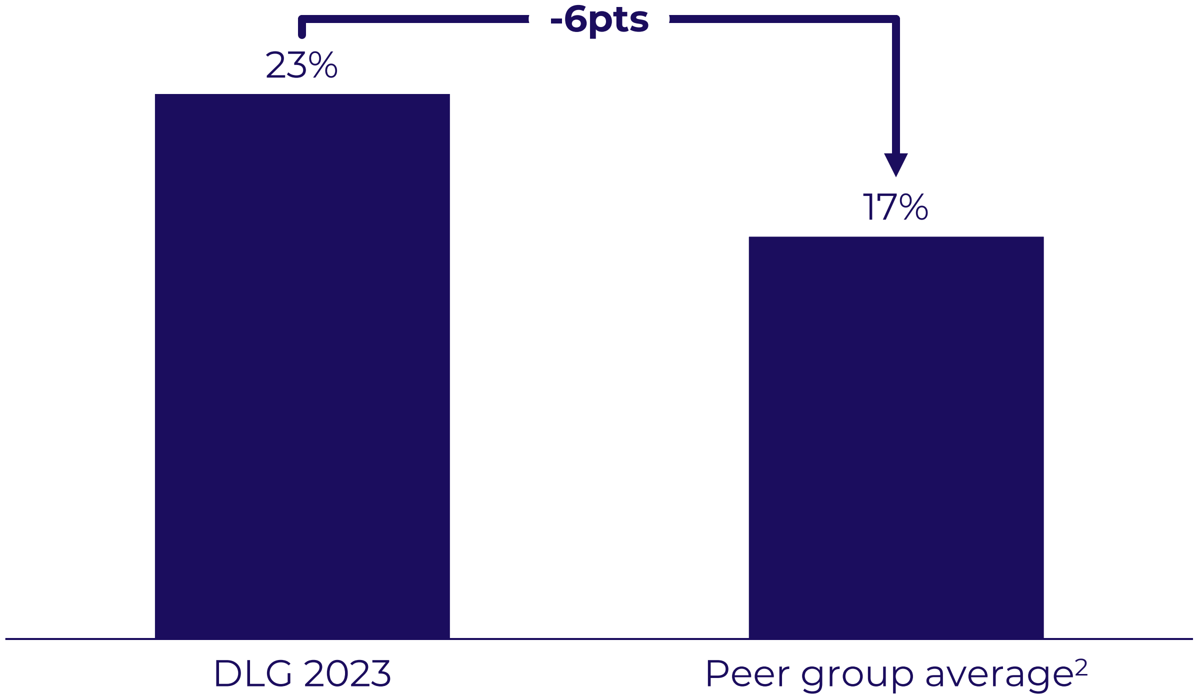
Adam Winslow

Key messages

- Significant **opportunity to reduce cost base,** closing the 6pt expense ratio gap vs. peers
- **Overall cost base was £849m** in 2023 of which ~75% is addressable
- Granular plans in place to **deliver at least £100m in gross run-rate cost savings by exit 2025**
- **Savings to be delivered across three key levers:**
  - Technology
  - Operations and demand
  - Simplification
- Support the delivery of a **13% NIM in 2026**

Opportunity to reduce the cost gap to peers

Gross admin expense ratio[1]



Corporate functions are costlier and larger than peers by ~20%

Inefficient service operations due to complex technology and limited customer digital adoption (e.g. only ~30% Motor policy servicing and retention is digital)

Current cost programme to close half the gap to peers; intend to close the remaining difference through growth and additional cost levers

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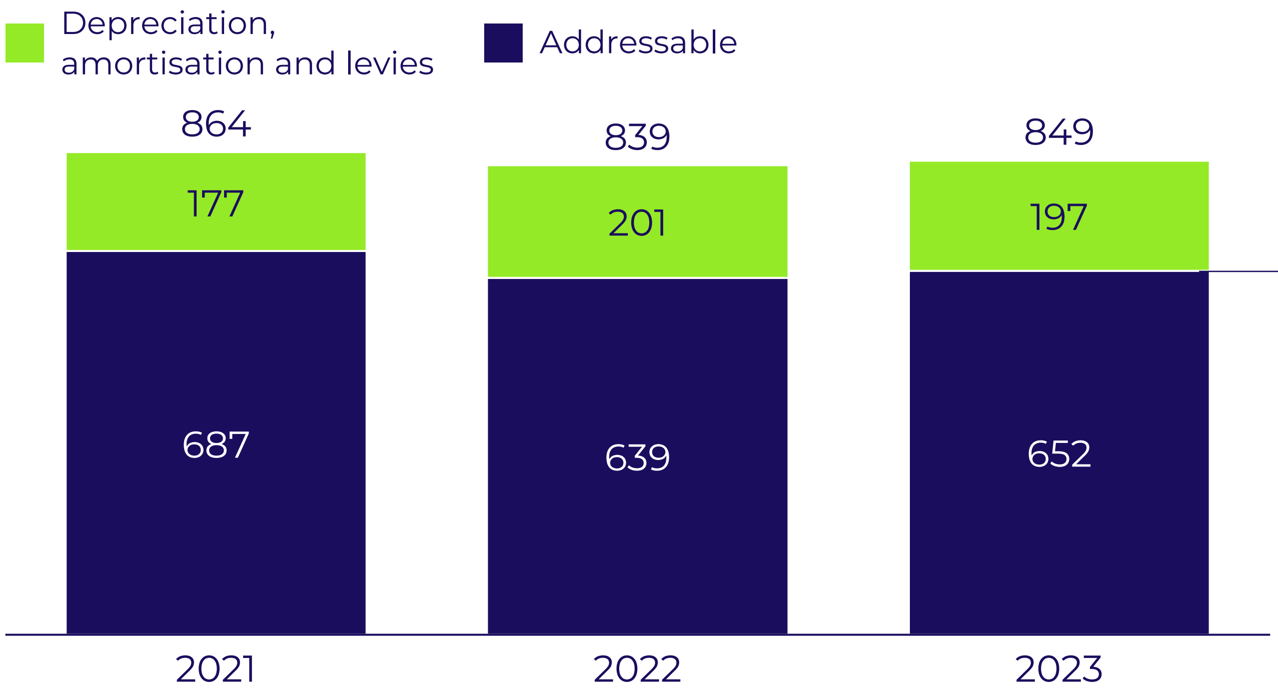
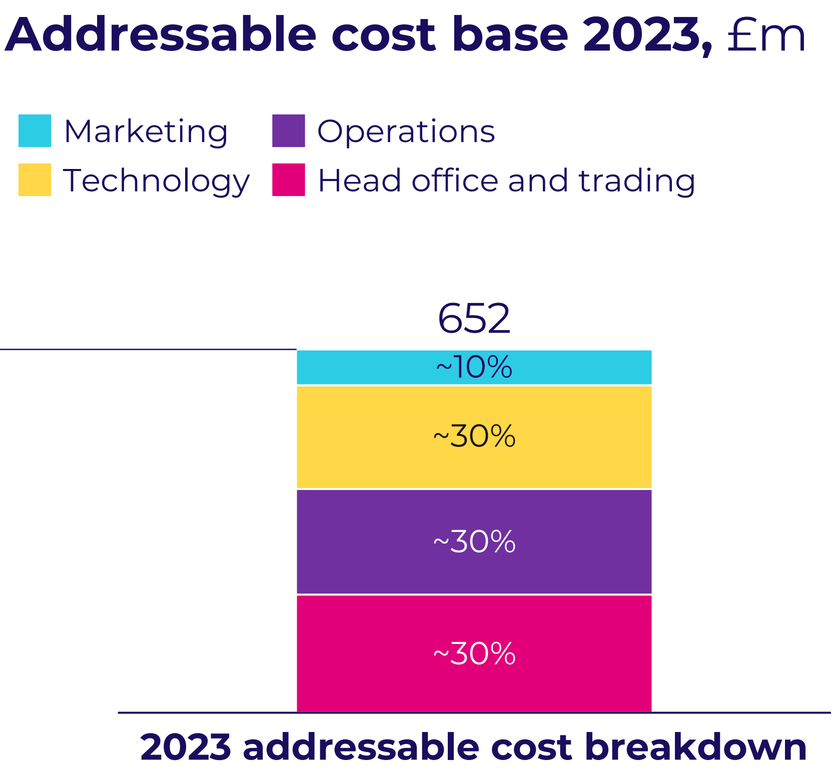
1. See glossary on page 62 and breakdown on page 63
2. Pure direct players / direct operations that are part of larger groups. Management estimate based on market benchmark data

~75% of DLG's £849m cost base is addressable





	2022	2023
Net expense ratio[2]	19%	20%

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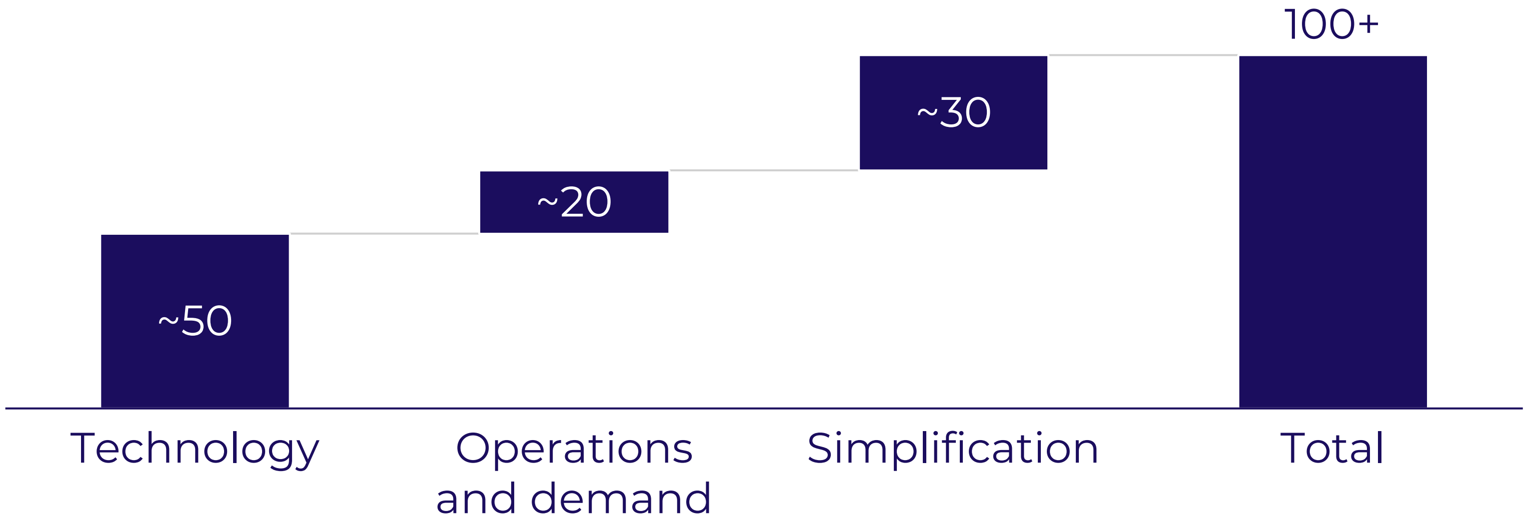
1. See glossary on page 62 and breakdown on page 63
2. Net expense ratio for ongoing operations as reported under IFRS 17, see page 62

At least £100m gross run-rate savings targeted by exit 2025

Three strategic delivery themes building up to DLG's cost saving ambition

Estimated gross run-rate cost savings by exit 2025, £m



Majority of ~£165m cost to achieve is captured within existing capital expenditure expectations

In-flight early wins

More efficient allocation of brand marketing spend

Reviewed change budget resulting in prioritisation and focused investment

Targeted focus on recruitment aligning to the future-state operating model

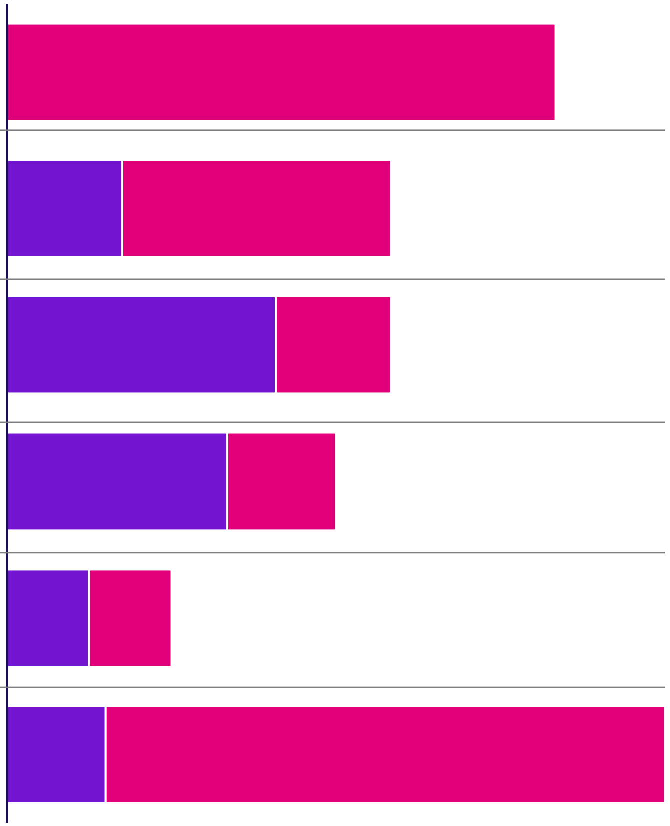
Review of discretionary spend

Remove legacy systems, leverage existing platforms

Initiatives

Gross cost run-rate savings, % of technology

🟪 Benefits planned for exit run-rate 2024
🟥 Incremental benefits planned for exit run-rate 2025



Decommission mainframe[1]

Consolidate and streamline technology across operations from ~40 systems to 1

Further extract value from in-house IT and remove dependency on key suppliers

Increase document digitisation from ~25% to 60%+

Streamline and simplify data analytics tools and platforms

Additional ~15 initiatives

Total initiatives	**~20**
Proportion of initiatives in-flight	**~40%**
Total gross cost savings across all initiatives	**~£50m**

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[1] Precise timing subject to Home re-platforming and non-core next steps

Improving efficiency and adoption of digital

Initiatives

Gross cost run-rate savings, % of operations and demand

🟪 Benefits planned for exit run-rate 2024
🟥 Incremental benefits planned for exit run-rate 2025

Drive up customer adoption of online portal by 20%[1] for service and retention transactions

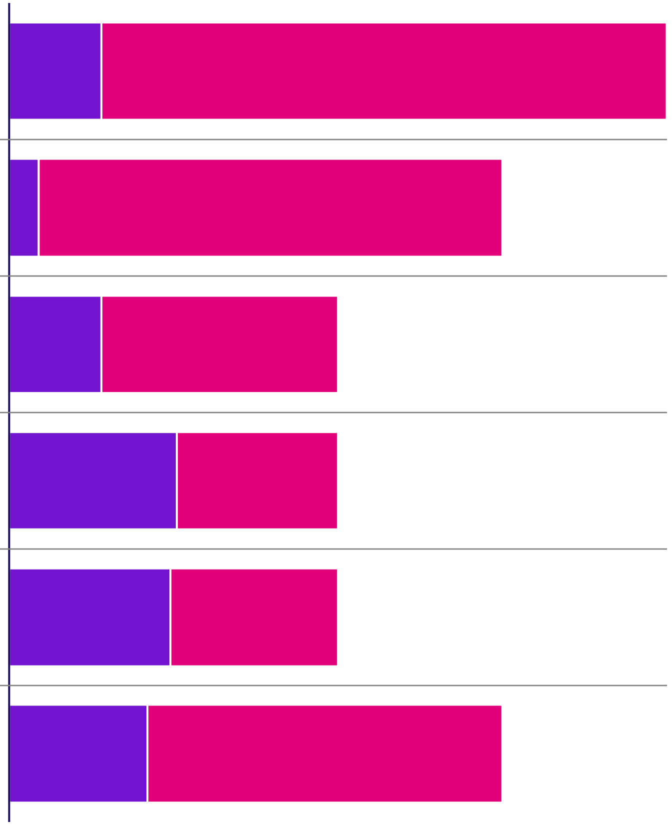
Digitise 50% of claims first notification of loss journeys

Maximise automation across sales & service

Increase straight-through-processing across claims landscape

Conduct end-to-end review of outsourcing

Additional ~10 initiatives



Total initiatives	**~15**
Proportion of initiatives in-flight	**~40%**
Total gross cost savings across all initiatives	**~£20m**

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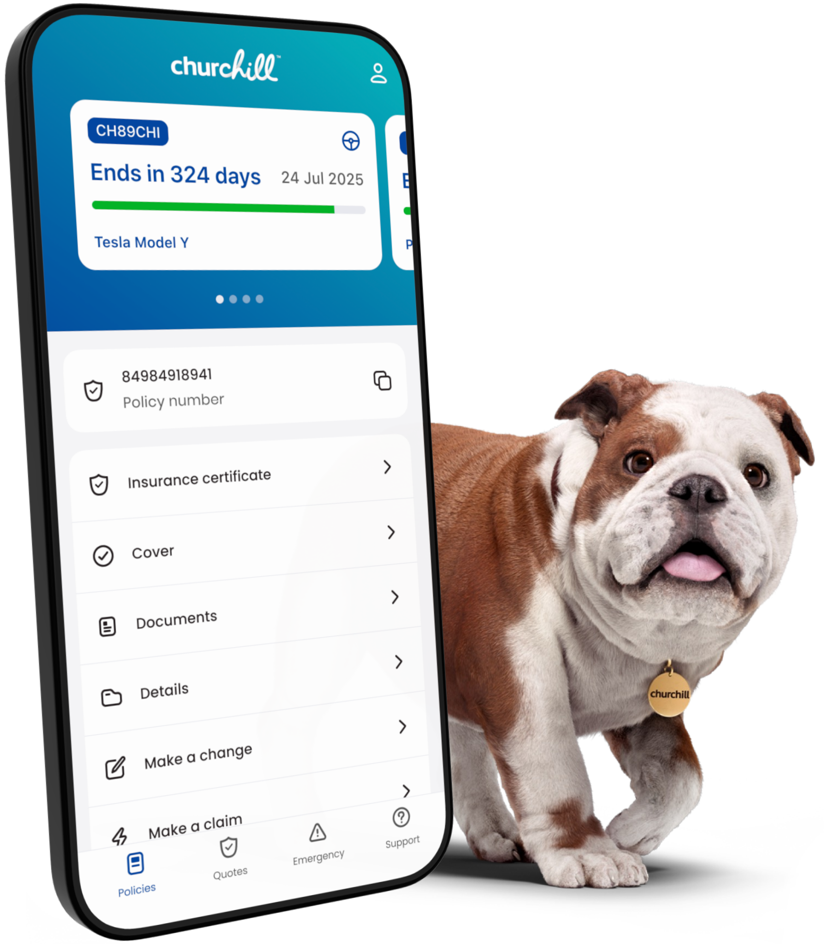
1. Blended average across all lines of business

Meeting customers in their channel of choice



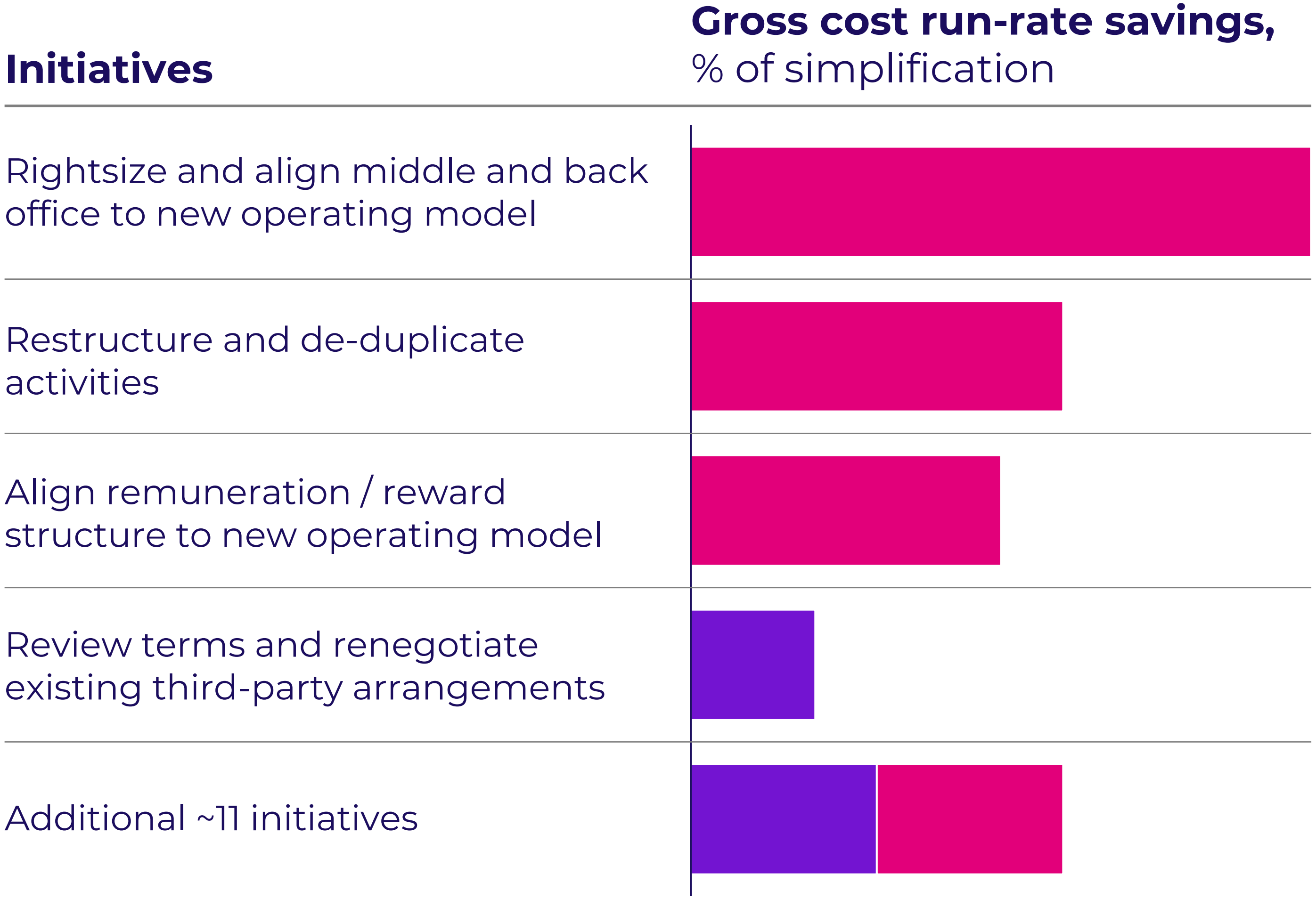
Ends in 324 days 24 Jul 2025

Tesla Model Y

84984918941
Policy number

- Keep track of your policies across different product lines
- Make changes to your policies
- A hub for your quotes
- See your policy details and documents
- Make a claim on the go
- Policies in your pocket; Add to your Apple or Google wallet

Simpler, performance oriented operating model



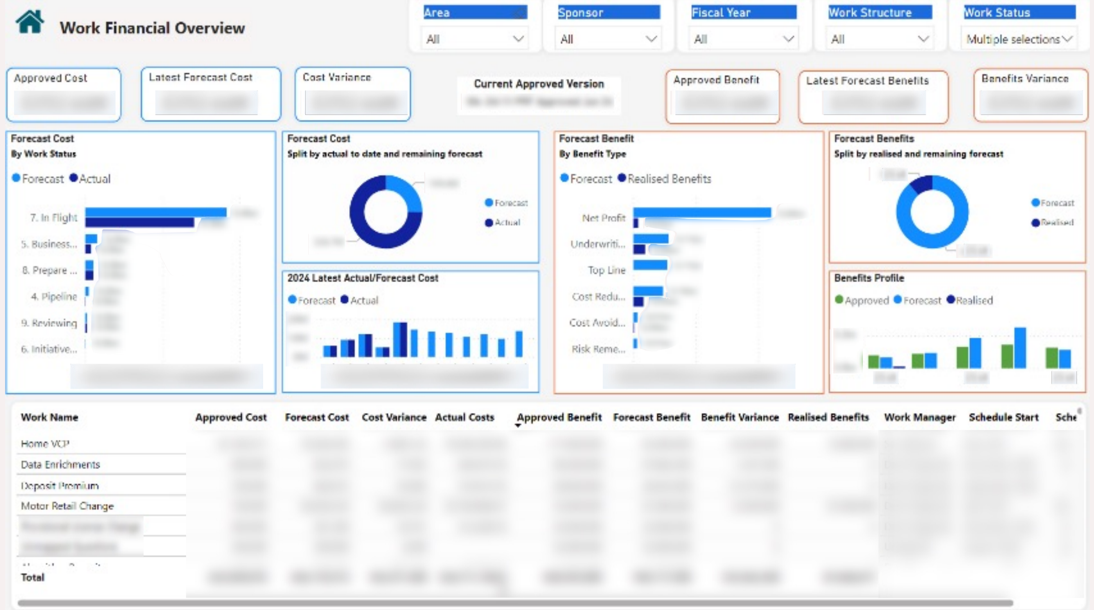
🟪 Benefits planned for exit run-rate 2024
🟥 Incremental benefits planned for exit run-rate 2025

Total initiatives	**~15**
Proportion of initiatives in-flight	**~30%**
Total gross cost savings across all initiatives	**~£30m**

Rigorous prioritisation to ensure focus

- ✓ Hired experienced **Chief Transformation Officer**
- ✓ Set up transformation centre hiring **dedicated experienced talent**
- ✓ Identified **~50 cost initiatives** (of 300+ in total[1]). Mapped realisation benefits, tracking in flight progress
- ✓ **Initiatives go through a rigorous prioritisation process**, driving clear start / stop / pause decisions
- ✓ **Addressing quick wins as a priority** to meet 2025 target. Ambition to further improve cost position

All initiatives are already mapped in a transparent and accessible tool



Area: All
Sponsor: All
Fiscal Year: All
Work Structure: All
Work Status: Multiple selections

Work Name	Approved Cost	Forecast Cost	Cost Variance	Actual Costs	Approved Benefit	Forecast Benefit	Benefit Variance	Realised Benefits	Work Manager	Schedule Start	Sche
Home VCP											
Data Enrichments											
Deposit Premium											
Motor Retail Change											
Total											

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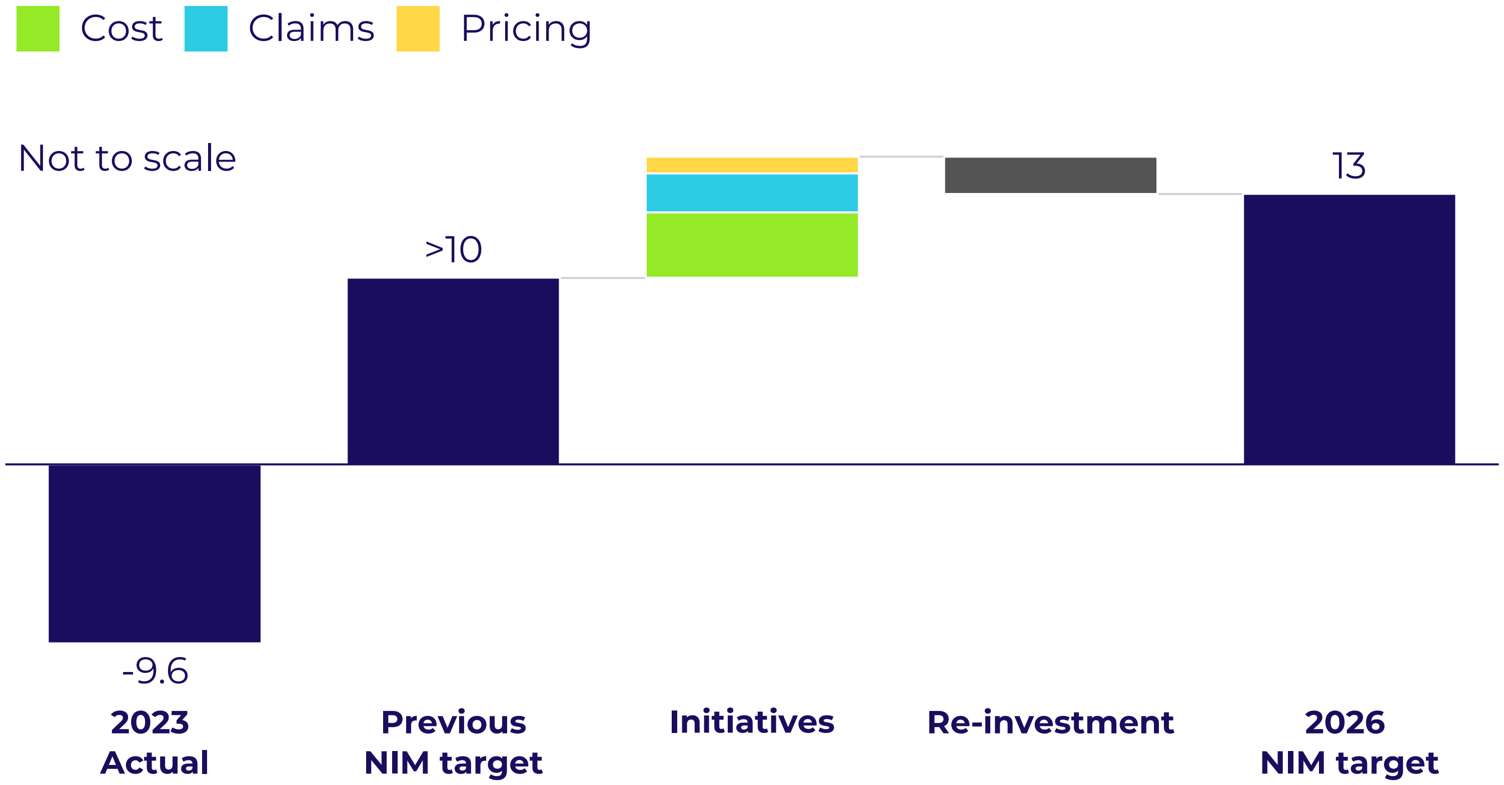
1. Including growth, margin and enabler initiatives

Reconfirming 13% NIM target

Net insurance margin[1]**,%**



On track to deliver

Clear plan to drive margin improvement

Actions expected to deliver ~4-5pts of NIM

Margin upside above NIM target will be re-invested for growth

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1. Ongoing operations, normalised for weather. See glossary on page 62

Key messages

- Significant **opportunity to reduce cost base,** closing the 6pt expense ratio gap vs. peers
- **Overall cost base was £849m** in 2023 of which ~75% is addressable
- Granular plans in place to **deliver at least £100m in gross run-rate cost savings by exit 2025**
- **Savings to be delivered across three key levers:**
  - Technology
  - Operations and demand
  - Simplification
- Support the delivery of a **13% NIM in 2026**

Capital and Dividends

Neil Manser

Key messages

- Capital allocation framework **balances returns with investments**
- **Diversified capital stack** has significantly reduced cost of capital
- **Targeting a solvency ratio of ~180%** in the medium term and believe a minimum risk appetite of 140% is appropriate
- **Moving to a payout ratio of ~60%** for regular dividends
- Solvency ratio expected to build over time to **support additional shareholder returns**

Capital allocation framework balances returns with organic investments

Ongoing priorities

Organic investment

Ongoing investment programme to expand capabilities and realise cost efficiencies

Regular dividend

Target a payout ratio of ~60% of post-tax operating profit[1]

Additional shareholder returns

Based on level of surplus capital versus solvency target

No current plans

Bolt-on opportunities

Inorganic investment opportunities in line with the strategy and accretive to the Group

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

Diversified capital stack and reduced cost of capital

Well diversified, low cost of capital

Debt

£260m 4.0% subordinated Tier 2 notes

Due 2032

£350m 4.75% Restricted Tier 1 notes

Fixed rate perpetual notes, first call 2027

Structured reinsurance

10% whole account quota share ex. Motability, 3-year term

Motability: 80% quota share reinsurance with Motability Operations

Excess of loss reinsurance

Motor and Property Catastrophe, 1-year term

Shareholders' equity

Equity

Actions taken to optimise capital

Debt

Optimised debt stack, reducing average cost from 9.25% to ~4%

Reinsurance

Entered into a 10% whole account quota share reinsurance programme in Q1 2023

Internal model provides additional benefit

Capital requirements 20% lower than using standard formula

Opportunities for bespoke reinsurance not otherwise available through use of standard formula

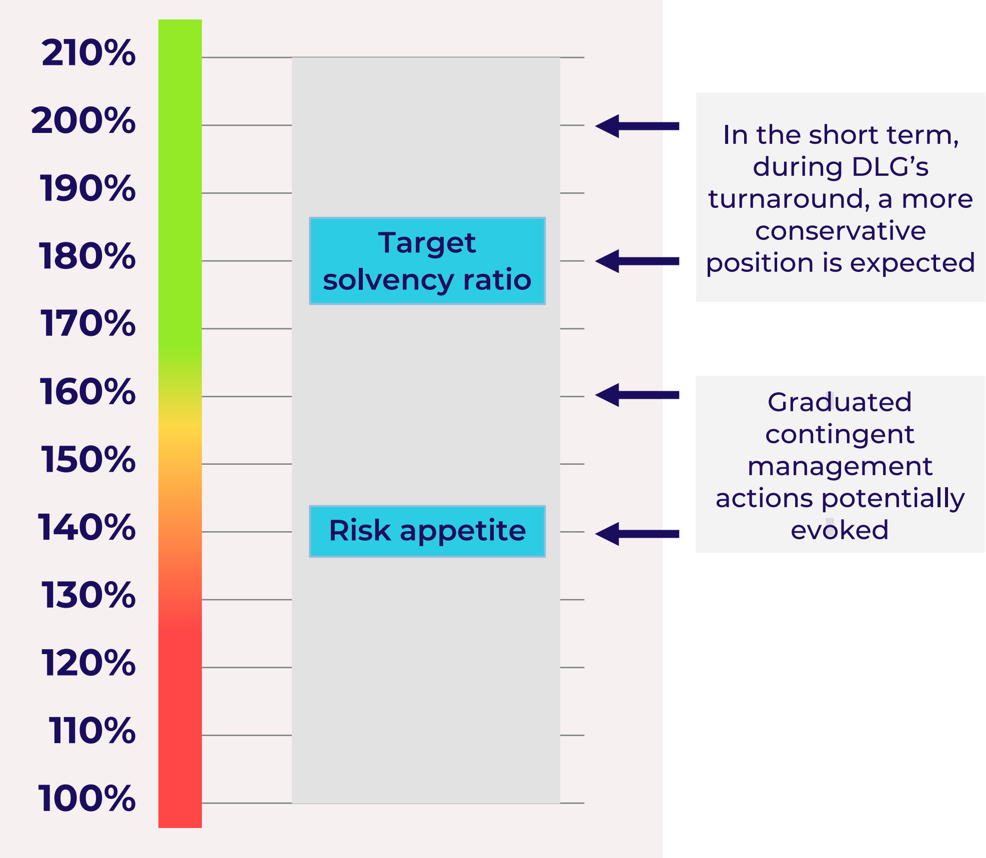
Further opportunities

Reserve risk to reduce as Brokered Commercial business back book runs off

Further potential reinsurance opportunities for balance sheet optimisation

Targeting a solvency ratio of ~180% in the medium term

Targeting solvency ratio of ~180%[1], well above risk appetite of 140%

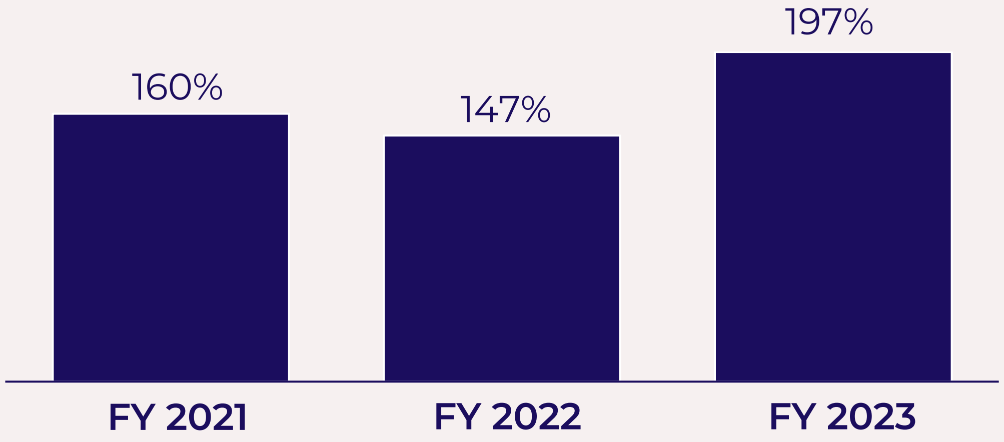


In the short term, during DLG's turnaround, a more conservative position is expected

Graduated contingent management actions potentially evoked

The Group's capital position has been restored

Management actions improved the capital position during 2023, exiting with a strong solvency ratio of 197%



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1. In normal circumstances

Dividend and capital returns policy

Regular dividend[1]

Target a payout ratio of ~60% of post-tax operating profit[2]

Additional potential returns

Review annually alongside full-year results and strategic plan

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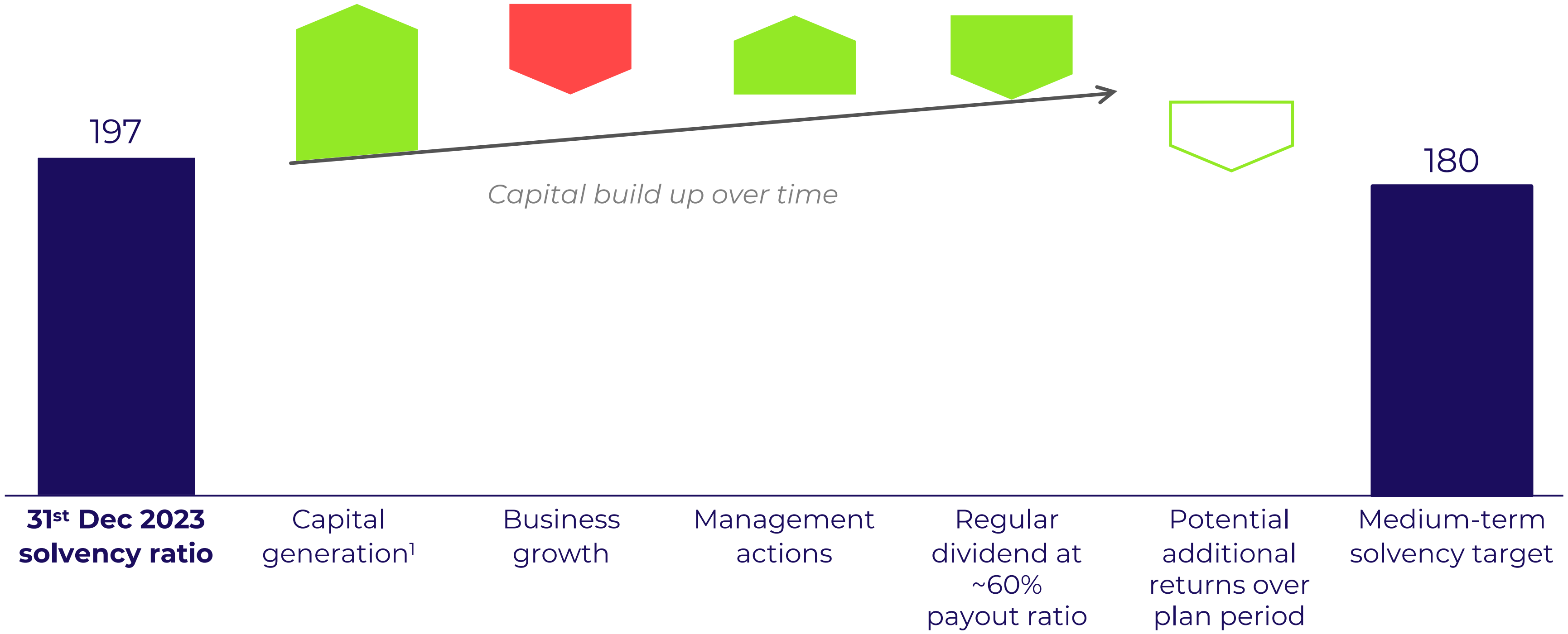
1. Aim to distribute the dividends in two parts; ~1/3 as an interim payment and ~2/3 as a final payment
2. Operating profit from ongoing operations after other finance costs, coupon payments in respect of Tier 1 notes and tax at the standard rate

Capital generation should support additional shareholder returns over the plan period

Illustrative solvency ratio, %

Not to scale



Solvency ratio expected to build over time

13% target NIM is equivalent to ~10-15pts of capital generation, post dividend annually

Potential additional capital returns over the plan period

These figures are illustrative only and should not be relied upon for decision making

1. Includes restructuring

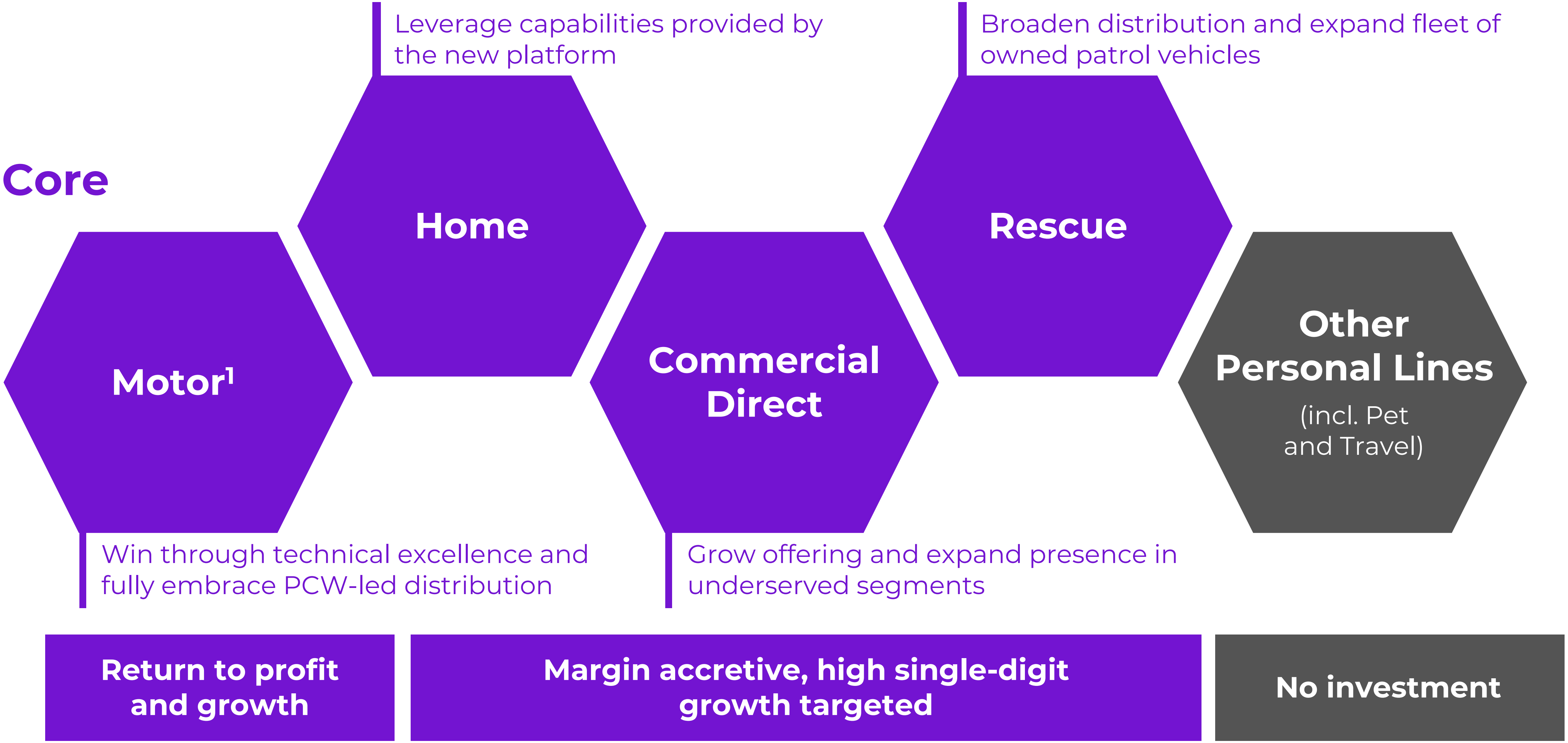
Key messages

- Capital allocation framework **balances returns with investments**
- **Diversified capital stack** has significantly reduced cost of capital
- **Targeting a solvency ratio of ~180%** in the medium term and believe a minimum risk appetite of 140% is appropriate
- **Moving to a payout ratio of ~60%** for regular dividends
- Solvency ratio expected to build over time to **support additional shareholder returns**

Closing

Adam Winslow

Focus on where DLG can win and grow profitably



Core

Leverage capabilities provided by the new platform

Broaden distribution and expand fleet of owned patrol vehicles

Home

Rescue

Motor[1]

Commercial Direct

Other Personal Lines

(incl. Pet and Travel)

Win through technical excellence and fully embrace PCW-led distribution

Grow offering and expand presence in underserved segments

Return to profit and growth

Margin accretive, high single-digit growth targeted

No investment

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1. Including Motability

Key takeaways

1. Strong foundations with iconic brands and leading market positions
2. Rejoin the front-runners in motor through technical excellence and launching Direct Line on PCWs
3. Target leading positions in Home, Commercial Direct and Rescue
4. Target at least £100m gross run-rate cost savings by exit 2025 and a 13% NIM in 2026
5. Capital generative business with a healthy balance sheet, announcing new dividend policy at ~60% payout ratio. Opportunity for additional capital returns

Q&A

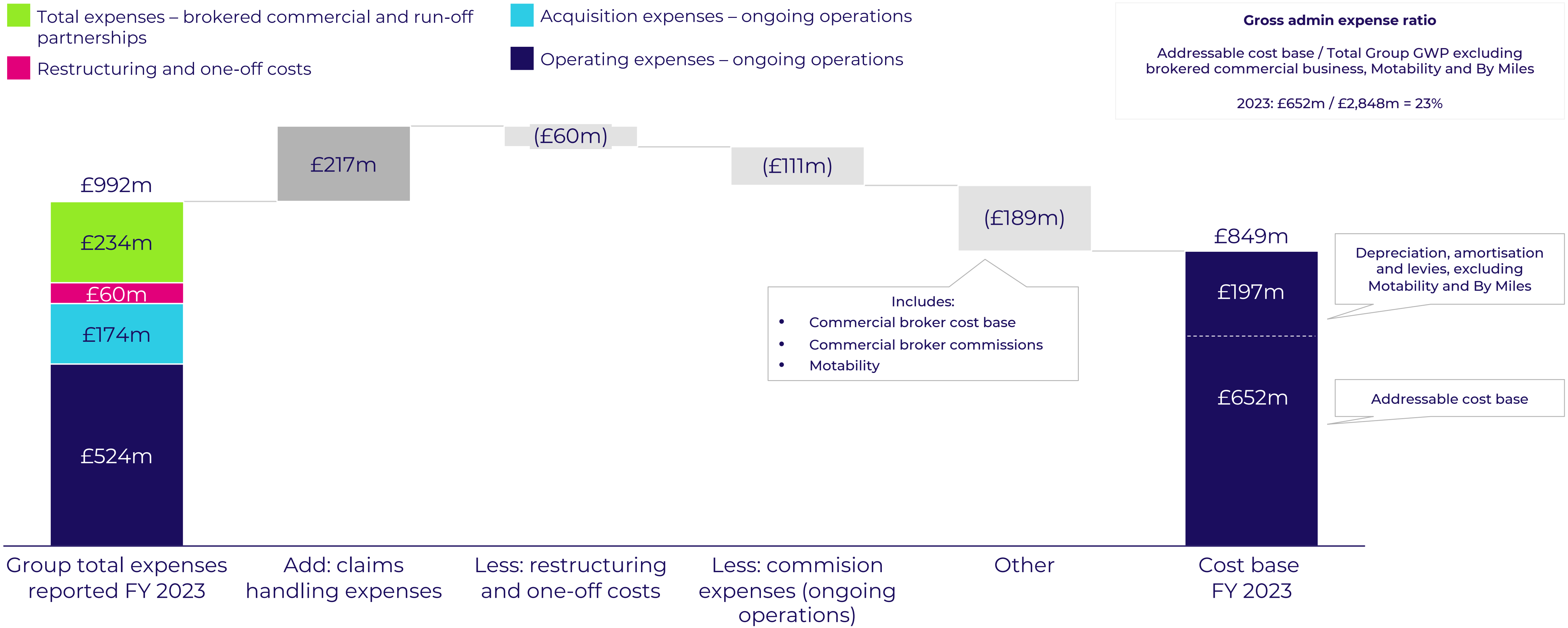
Appendix

Glossary of key terms

Target	Definition
13% net insurance margin (“NIM”) in 2026	NIM for ongoing operations, normalised for weather, in 2026
£100m cost savings by exit 2025	Run-rate annualised gross cost savings of at least £100 million by the end of 2025
~60% payout ratio	Operating profit from ongoing operations after other finance costs, coupon payments in respect of Tier 1 notes and tax at the standard rate

Term	Definition
Total admin cost base	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 – *see next page*
Gross admin expense ratio	Total addressable cost base as a proportion of Group gross written premium excluding Brokered Commercial business, Motability and By Miles – *see next page*
Addressable cost base	The proportion of the total admin cost base that excludes depreciation, amortisation and levies
Gross written premium and associated fees (“GWP”)	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 previously included in gross written premium is now included in service fee income
Net expense ratio	Operating expenses from ongoing operations divided by net insurance revenue for ongoing operations
Net insurance margin ("NIM")	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 / or the impact of remediation
Operating profit from ongoing operations	The pre-tax profit that the Group’s ongoing activities generate, including insurance and investment activity, but excluding FV gains/(losses), change in yield curve, other finance costs, restructuring and one-off costs
PCW	Price comparison website

Reconciliation of 2023 Group total expenses to total admin cost base



Gross admin expense ratio

Addressable cost base / Total Group GWP excluding brokered commercial business, Motability and By Miles

2023: £652m / £2,848m = 23%

Includes:
- Commercial broker cost base
- Commercial broker commissions
- Motability

Depreciation, amortisation and levies, excluding Motability and By Miles

Addressable cost base

Profiles of incoming leadership team (1/4)

Lucy Johnson

Managing Director of Motor

Lucy spent seven years at Hastings Direct, as a member of the Executive Committee as Chief Commercial and Marketing Officer, and previously Underwriting Services MD.

Her career started at Barclays bank where she worked across Retail Banking, with her final role being MD of Small Business Cards at Barclaycard.

Most recently Lucy has been as a partner at consulting firm Positive Momentum, where she worked closely with a number of major insurance companies including DLG.

Hugh Hessing

Chief Operating Officer

Hugh has over 30 years' experience in Financial Services.

Hugh spent 10 years at KPMG and led the Insurance and FSA practices, followed by 14 years at Aviva in a variety of roles including UK COO, CEO of Aviva Ireland, plus Director roles in UK Claims and Global Transformation.

Hugh has an exceptional track record of leading businesses through critical strategic change, with a major emphasis on creating growth and significant efficiency improvement whilst retaining focus on customers and employees.

Profiles of incoming leadership team (2/4)

Jane Poole

Chief Financial Officer

Jane has extensive general insurance knowledge gained from building high performance insurance finance teams.

Jane is a highly experienced CFO and joins DLG from Aviva where she has been CFO of the General Insurance business since 2021, driving business performance and improving profitability.

Prior to this, Jane was CFO for RSA's UK & International business having held senior Finance roles at the insurer since 2006. Jane started her career at PricewaterhouseCoopers where she qualified as a Chartered Accountant.

Craig Thornton

Managing Director of Home, Commercial Direct and Rescue

Craig is a highly strategic leader who has operated at Executive Committee level at Aviva and Lloyds Banking Group.

Craig has held senior functional as well as P&L leadership roles. Most notably, he has been leading Lloyds Banking Group's General Insurance business for the past ten years, during which time he has led a complete overhaul of the leadership, product set, distribution mix and technology. In addition, he has been responsible for Protection, and latterly Investments, and during this period has delivered profitable growth.

Craig comes with a deeply technical background. He is a qualified actuary, moving into general management early in his career, initially with Swiss Re, before he moved to Aviva, where he worked in both commercial and functional roles in their UK business.

Profiles of incoming leadership team (3/4)

Martin Milliner

Managing Director of Claims

Martin brings with him over 30 years of insurance experience and expertise. He joins DLG from Allianz LV where he has been Claims Director since 2013 and prior to that Claimant and Technical Services Director.

One of Martin’s first roles in his career was as a Churchill Motor PI claims handler before then becoming a Claims Fraud manager.

He has a wealth of knowledge in claims and has sat on boards such as Thatcham and the Insurance Fraud Bureau.

Maz Bown

Chief Risk Officer

Maz joins DLG from Aviva where she has been Chief Risk Officer, UK General Insurance & Health since 2022 and has over 21 years' experience as a risk leader. She's a qualified actuary and has a proven track record of leading risk functions in both UK and Canadian markets.

Maz's depth of knowledge and strong relationships with both the FCA and PRA on financial and non-financial risk topics will contribute to the leadership of DLG.

Profiles of incoming leadership team (4/4)

Dhruv Gahlaut

Chief Strategy and Investor Relations Officer

Dhruv is currently Chief Strategy Officer and Head of IR at SiriusPoint and previously headed up Insurance Research at HSBC – before moving to RSA.

Dhruv has strong domain expertise, gained while working for various Corporates (life and non-life) and in equity research.

He has led multiple corporate functions (Investor Relations, Strategy, Planning) and supported turnaround and performance management, simplification and M&A.

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.

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