



Half-year report

11 August 2021 6:00 AM BST

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Positive claims experience drives strong Admiral Group results for H1 2021 2021 Interim Results Highlights

	30 June 2021	30 June 2020	% change
Group profit before tax, continuing operations ¹	£482.2 million	£274.4 million	+76%
Earnings per share, continuing operations ¹	132.9 pence	79.7 pence	+67%
Group profit before tax, including discontinued operations and gain on disposal ²	£897.9 million	£286.1 million	+214%
Interim dividend per share ³	115.0 pence	70.5 pence	+63%
First special dividend per share from sale of Penguin Portals comparison businesses			
	46.0 pence	—	—
Return on equity ^{1 2}	68%	50%	+36%
Group turnover ^{1 2 4}	£1.75 billion	£1.60 billion	+9%
Net revenue ¹	£0.79 billion	£0.61 billion	+30%
Group customers ²	8.02 million	7.17 million	+12%
UK Insurance customers ²	6.22 million	5.58 million	+12%
International Insurance customers ²	1.71 million	1.49 million	+14%
Loans and advances to customers, net of provision	£425.7 million	£455.3 million	-7%
Solvency ratio (post dividend) ^{2 5}	209%	186%	+12%

Around 10,000 staff each receive an award worth up to £1,800 under the employee share scheme based on the interim 2021 results.

Comment from Milena Mondini de Focatiis, Group Chief Executive Officer

"A good strategy is a plus; good execution is a must, especially in times of disruption. It's been a half year of good execution for Admiral. By and large, we've done the right things more often and a bit earlier than most.

"This included adjusting pricing ahead of the market in the UK to reflect shifting pandemic-related claims trends and providing more self-service and digital options to our customers. These actions have rewarded us with double digit growth in policy numbers in the UK and in international insurance, whilst operating in very competitive markets.

"Another highlight of this half year is a notably higher level of profit¹ - driven by positive development of prior years in our UK Motor book resulting in increased reserve releases and higher than usual profit commission, as well as lower levels of claims frequency. We also made progress against our long-term strategy, increasing adoption of advanced analytics models and planting new seeds for product diversification.

"I am delighted that we can once again pay a record dividend (which includes a part of the proceeds from the sale our comparison businesses) to our shareholders, including our staff who continued to work hard to provide great service to our customers. I would also like to thank all of our customers for their continued trust in us."

¹ Group profit before tax, Earnings per share, Group turnover, Net revenue and Return on equity presented on a continuing operations basis

² Alternative Performance Measures - refer to the end of the report for definition and explanation

³ Prior period interim dividend excludes the 20.7 pence special dividend, deferred from 2019

⁴ Group Turnover in H1 2020 includes the impact of the 'Stay at Home' premium refund issued to UK motor insurance customers of £97 million. Refer to the Alternative Performance Measures section at the end of this report for further explanation

⁵ Solvency ratio excludes positive impact of capital held from Penguin Portals disposal to be returned to shareholders

Dividend

The Board has declared an interim dividend of 115.0 pence, made up of a normal dividend of 87.9 pence per share and a special dividend of 27.1 pence per share, 63% higher than the 2020 interim dividend of 70.5 pence per share (excluding the deferred special dividend of 20.7 pence from 2019

which was paid alongside the 2020 interim dividend). The payment represents 87% of first half earnings per share from continuing operations.

The Board has also declared a further special dividend of 46.0 pence per share reflecting the first payment of the phased return to shareholders of the proceeds from the sale of the Penguin Portals comparison businesses. This brings the total interim dividend to 161.0 pence, made up of a normal dividend of 87.9 pence per share and a total special dividend of 73.1 pence per share.

Payment will be on 1 October 2021. The ex-dividend date is 2 September 2021 and the record date is 3 September 2021.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 9.00 BST on Wednesday 11 August 2021 by registering at the following link on webcast at <https://pres.admiralgroup.co.uk/admiral040> or via conference call at https://pres.admiralgroup.co.uk/admiral040/vip_connect. A copy of the presentation slides will be available at www.admiralgroup.co.uk

H1 2021 Group overview

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Group turnover (£bn) ^{*1*2*4}	1.68	1.60	1.75	3.37
Underwriting profit including investment income ^{*2}	96.0	152.7	244.5	333.1
Profit commission	36.1	44.6	187.3	134.0
Net other revenue and expenses ^{*2}	84.6	83.3	56.3	153.4
Operating profit, continuing operations	216.7	280.6	488.1	620.5
Group profit before tax, continuing operations	210.5	274.4	482.2	608.2
Group profit before tax, including discontinued operations and gain on disposal	218.2	286.1	897.9	637.6
Analysis of profit:				
UK Insurance	255.0	314.0	543.5	698.3
International Insurance	(2.7)	6.5	(0.9)	8.8
Admiral Loans	(4.3)	(9.4)	(1.9)	(13.8)
Other	(37.5)	(36.7)	(58.5)	(85.1)
Group profit before tax, continuing operations	210.5	274.4	482.2	608.2
Key metrics				
Group loss ratio ^{*2*3}	69.1%	54.7%	49.1%	54.4%
Group expense ratio ^{*2*3}	23.2%	28.3%	26.1%	26.8%
Group combined ratio ^{*2}	92.3%	83.0%	75.2%	81.2%
Customer numbers (million) ^{*2}	6.74	7.17	8.02	7.66
Earnings per share ^{*4}	60.9p	79.7p	132.9p	170.7p
Dividend per share ^{*5}	63.0p	70.5p	115.0p	156.5p
Special dividend from sale of Penguin Portals	—	—	46.0p	—
Return on equity ^{*2*4}	47%	50%	68%	52%
Solvency ratio ^{*2}	190%	186%	209%	187%

^{*1} Group Turnover in H1 2020 includes the impact of the 'Stay at Home' premium refund issued to UK motor insurance customers of £97 million. Refer to note 14(d) to the financial statements for reconciliation to the net insurance premium impact of £21 million

^{*2} Alternative Performance Measures – refer to the end of the report for definition and explanation

^{*3} See notes 14b and 14c for a reconciliation of reported loss and expense ratios to the financial statements

^{*4} Group turnover, Earnings per share, Return on equity presented on a continuing operations basis

^{*5} The 2020 interim dividend of 70.5 pence per share excludes the deferred special dividend from 2019 of 20.7 pence per share, that was paid alongside the interim 2020 dividend.

Group Highlights

Key highlights for the Group in H1 2021 include:

- Group turnover from continuing operations increased by 9% to £1.75 billion (H1 2020: £1.60

billion); excluding the impact of the premium refund in H1 2020, turnover increased by 3%. Customer numbers were 12% higher at 8.02 million (30 June 2020: 7.17 million)

- Group profit before tax from continuing operations increased to £482.2 million (H1 2020: £274.4 million), as a result of continued improvement of UK motor insurance prior period claims, leading to strong prior period reserve releases and profit commission, as well as a reduced current period loss ratio due to lower claims frequency
- Group profit before tax, including discontinued operations and the gain on disposal of the Penguin Portals businesses increased to £897.9 million (H1 2020: £286.1 million), with the gain on disposal contributing £404.4 million (H1 2020: nil)
- UK Insurance recorded a 10% increase in turnover to £1.37 billion (H1 2020: £1.25 billion) with customer numbers growing by 12% to 6.22 million (30 June 2020: 5.58 million)
- Significant profit growth of £229.5 million in UK Insurance, primarily attributable to favourable development in prior year loss ratios and a reduced current year loss ratio for UK Motor
- UK Household profit improved in H1 2021 to £13.9 million (H1 2020: £5.5 million), with more benign weather in 2021 compared to the bad weather impact of approximately £5 million in H1 2020
- International Insurance businesses made a combined loss of £0.9 million (£6.5 million profit in H1 2020), with lower profit in the European operations and slightly increased losses in the US partly attributable to weather in Texas in the period
 - The combined International Insurance turnover grew by 5% to £347.2 million (H1 2020: £329.5 million) and customer numbers grew by 14% to 1.71 million (30 June 2020: 1.49 million), with prior period figures negatively impacted by the reduced new business demand in the early Covid lockdown period in H1 2020.

Earnings per share

Earnings per share from continuing operations is 67% higher than in H1 2020 at 132.9 pence (H1 2020: 79.7 pence). This is lower than the growth in pre-tax profit of 76%, primarily as a result of a higher effective tax rate, relating primarily to an adjustment to prior year tax as a result of changes in intra-group contractual arrangements.

Dividends and solvency

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

The Board has declared a total interim dividend of 115.0 pence per share (approximately £335 million).

The 115.0 pence per share interim 2021 dividend is split as follows:

- 87.9 pence per share normal dividend, based on the dividend policy of distributing 65% of the Group's share of post-tax profits; plus
- A special dividend of 27.1 pence per share

The 2021 interim dividend (excluding the further special dividend referred to below) is 63% ahead of the 2020 interim dividend (70.5 pence per share, which excludes the payment of the deferred special dividend from 2019), with a pay-out ratio of 87% of earnings per share from continuing operations.

The Group has confirmed plans for the use of the net proceeds from the disposal of the Penguin Portals Comparison businesses and will return £400 million to shareholders in the form of special dividends phased equally over the interim 2021, final 2022 and interim 2022 dividends. The Board has consequently declared a further special interim dividend of 46.0 pence per share to reflect the first payment. This brings the total interim 2021 dividend to 161.0 pence per share, split 87.9 pence per share normal element and 73.1 pence per share special element.

The payment date is 1 October 2021, ex-dividend date 2 September 2021 and record date 3 September 2021.

The Group reports a strong solvency ratio of 209% post-dividend, excluding the positive impact of capital held from the Penguin Portal disposal to be returned to shareholders as noted above. The solvency ratio has increased by 22 percentage points from the end of 2020 and surplus capital has increased by £55 million. This is primarily due to a reduction in the Solvency Capital Requirement (SCR), which includes a lower risk charge related to profit commission risk.

Covid-19 impact

The Covid-19 ('Covid') pandemic has continued to impact the interim results across the Group. In most markets, whilst road traffic levels have started to return towards more normal levels, this has been slower than expected as lockdown restrictions have persisted longer, resulting in continued lower claims frequency relative to pre-pandemic levels. The UK, in particular, saw a longer than expected lockdown in the first half of 2021, with claims frequency taking longer to recover. In contrast, the US has seen a more rapid return towards more normal levels.

Admiral Loans continued to cautiously grow its loans book in the first half of 2021. Provisions remain prudent, whilst reflecting the reduced likelihood of

a severe economic downturn. No significant increase in the level of defaults has been experienced to date.

Admiral remains committed to supporting its customers, staff and local communities throughout the pandemic. Measures in 2021 to date have included continued assistance for customers needing support, prioritising staff safety and wellbeing and numerous community initiatives to support charities in the areas in which the Group operates.

The Group's results are presented in the following sections:

- UK Insurance – including UK Motor (Car and Van), Household and Travel
- International Insurance – including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), and Elephant (US)
- Admiral Loans
- Other Group Items – including compare.com (US comparison) and Admiral Pioneer
- Discontinued operations – Penguin Portals Group and Preminen Price Comparison Holdings Limited Group (disposal of which completed in April 2021)

UK Insurance

£m	30 June 2019*2	30 June 2020*2	30 June 2021	31 Dec 2020*2
Turnover*1	1,338.8	1,248.4	1,372.0	2,672.0
Total premiums written*1	1,186.0	1,101.6	1,230.9	2,373.3
Net insurance premium revenue	264.7	251.7	295.6	539.7
Underwriting profit including investment income*1	106.7	158.1	259.6	346.5
Profit commission and other income	148.3	155.9	283.9	351.8
UK Insurance profit before tax	255.0	314.0	543.5	698.3

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

*2 Re-presented to statutory profit before tax from group share of profit before tax

Split of UK Insurance profit before tax

£m	30 June 2019*1	30 June 2020*1	30 June 2021	31 Dec 2020*1
Motor	252.0	310.6	530.4	683.6
Household	4.2	5.5	13.9	15.4
Travel	(1.2)	(2.1)	(0.8)	(0.7)
UK Insurance profit	255.0	314.0	543.5	698.3

*1 Re-presented to statutory profit before tax from group share of profit before tax

Key performance indicators

	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Vehicles insured at period end	4.33m	4.42m	4.93m	4.75m
Households insured at period end	0.92m	1.07m	1.23m	1.16m
Travel Insurance customers	0.07m	0.09m	0.06m	0.07m
Total UK Insurance customers	5.32m	5.58m	6.22m	5.98m

Highlights for the UK insurance business for H1 2021 include:

In UK Motor insurance:

- Good customer growth of 12% to 4.93 million customers (H1 2020: 4.42 million)
- A significant increase in profit to £530.4 million (H1 2020: £310.6 million) driven by positive development of prior period claims resulting in significantly higher reserve releases and profit commission, as well as a favourable current year loss ratio as a result of continued reduced

claims frequency

In UK Household insurance:

- Continued growth, with customers 15% higher than one year ago at 1.23 million (30 June 2020: 1.07 million)
- Profit of £13.9 million (H1 2020: £5.5 million), with lower claims incurred in H1 2021 as a result of benign weather compared to H1 2020 (which saw an approximate weather impact of £5 million, net of Flood Re recoveries) and positive development on prior year claims driving increased profit commission

UK Motor Insurance

£m	30 June 2019 ^{*4}	30 June 2020 ^{*4}	30 June 2021	31 Dec 2020 ^{*4}
Turnover ^{*1}	1,255.2	1,158.3	1,266.0	2,473.8
Total premiums written ^{*1}	1,110.1	1,019.8	1,135.0	2,193.0
Net insurance premium revenue	225.4	208.5	242.4	451.4
Investment income	15.9	30.6	20.7	50.8
Net insurance claims	(106.2)	(48.9)	16.6	(97.1)
Net insurance expenses	(36.1)	(38.6)	(39.9)	(77.2)
Underwriting profit including investment income^{*1*2}	99.0	151.6	239.8	327.9
Profit commission	35.0	41.1	177.7	124.7
Underwriting profit and profit commission	134.0	192.7	417.5	452.6
Net other revenue ^{*3}	118.0	117.9	112.9	231.0
UK Motor Insurance profit before tax	252.0	310.6	530.4	683.6

^{*1} Alternative Performance Measures – refer to the end of this report for definition and explanation

^{*2} Underwriting profit excludes contribution from underwritten ancillaries (included in net other revenue)

^{*3} Net other revenue includes instalment income and contribution from underwritten ancillaries and is analysed later in the report

^{*4} Re-presented to statutory profit before tax from group share of profit before tax

Key performance indicators

	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Reported Motor loss ratio ^{*1*2}	67.8%	49.4%	39.4%	49.2%
Reported Motor expense ratio ^{*1*3}	18.7%	21.3%	19.0%	19.8%
Reported Motor combined ratio	86.5%	70.7%	58.4%	69.0%
Written basis Motor expense ratio	17.5%	18.8%	18.7%	18.8%
Reported loss ratio before releases	90.0%	80.2%	72.9%	72.3%
Claims reserve releases – original net share ^{*1*4}	£50.0m	£64.2m	£81.1m	£104.3m
Claims reserve releases – commuted reinsurance ^{*1*5}	£52.8m	£60.0m	£118.3m	£137.3m
Total claims reserve releases	£102.8m	£124.2m	£199.4m	£241.6m
Vehicles insured at period end	4.33m	4.42m	4.93m	4.75m
Other Revenue per vehicle	£66	£64	£58	£61

^{*1} Alternative Performance Measures – refer to the end of this report for definition and explanation

^{*2} Motor loss ratio adjusted to exclude impact of reserve releases on commuted reinsurance contracts. Reconciliation in note 14b

^{*3} Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 14c

^{*4} Original net share shows reserve releases on the proportion of the account that Admiral wrote on a net basis at the start of the underwriting year in question

*5 Commuted reinsurance shows releases on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported through underwriting profit and not profit commission

UK Motor profit in the first six months of 2021 was £219.8 million ahead of the same period in 2020 (H1 2021: £530.4 million; H1 2020: £310.6 million). The increase was driven by positive development in the cost of UK motor bodily injury claims from a number of prior underwriting years which has led to higher reserve releases and profit commission revenue. In addition, lower than expected motor claims frequency in 2021 has led to a more favourable current period loss ratio. It is not currently expected that the level of reserve releases and profit commission for the first half of 2021 will be repeated in the second half.

Claims frequency increased in the first half of 2021, albeit slower than expected due to extended lockdown restrictions in the UK. In addition, underlying claims inflation continued, primarily driven by accidental damage claims, particularly an increase in the cost of parts as a result of advances in technology. To reflect increasing levels of claims frequency, Admiral increased prices ahead of the market in the first half of 2021. The number of vehicles insured increased by 12% to 4.93 million (30 June 2020: 4.42 million) which was driven by strong new business customer growth in H2 2020 which slowed down in the first half of 2021, where growth was mainly driven by renewing customers. Customer retention remained strong.

Further highlights for the period were as follows:

- Net insurance premium revenue was 16% higher than H1 2020 at £242.4 million (H1 2020: £208.5 million), with the 'Stay at Home' premium rebate to customers having an adverse impact of £21.1 million in H1 2020. Excluding this impact, net insurance premium revenue increased by 6%, reflecting the growth in both Car and Van books over the last twelve months, offset somewhat by lower average premiums in Car particularly.
- Investment income was £20.7 million, down from £30.6 million in H1 2020. The prior period benefitted by £12.9 million from additional investment income on cash held by Admiral relating to the portion of the book reinsured under quota share contracts. Excluding this benefit, investment income in the prior period was £17.7 million, with the £3.0 million improvement in the current period primarily resulting from a larger asset base.
- The reported combined ratio improved significantly to 58.4% (H1 2020: 70.7%). The loss ratio improved to 39.4% (H1 2020: 49.4%) as follows:

Reported Motor loss ratio			
	Reported Loss ratio before releases	Impact of claims reserve releases - net original share	Reported Loss Ratio
H1 2020	80.2%	-30.8%	49.4%
Change in current period loss ratio	-7.3%	—	-7.3%
Change in claims reserve release – original net share	—	-2.7%	-2.7%
H1 2021	72.9%	-33.5%	39.4%

- The current period loss ratio is 7.3 percentage points better than the first half of 2020, at 72.9% (H1 2020: 80.2%) as a result of continuing Covid-19 restrictions and associated reductions in claims frequency, in particular during the first quarter. Whilst the first half of 2020 also saw Covid-related claims frequency reductions, the H1 2020 current period loss ratio of 80.2% included the full impact of the Stay-at-Home premium rebate on premium revenue as noted above.
- Reserve releases on original net share of reserves of £81.1 million (H1 2020: £64.2 million) equated to 33.5% of premium, an improvement of 2.7 points (H1 2020: 30.8%). Excluding the impact of the Stay-at-Home premium rebate in the prior period, the increase would be larger at 5.5 percentage points. This reflects the strong positive development of claims reserves, in particular from the 2016 to 2019 underwriting years.
- The margin held in the financial statements above the projected best estimate reserves remains appropriately prudent and is consistent with that held at the end of 2020 in relative terms.

- The written basis expense ratio is 18.7% for H1 2021 (H1 2020: 18.8%), with the earned expense ratio lower at 19.0% (H1 2020: 21.3%). The earned expense ratio in H1 2020 was adversely impacted by the premium rebate and additional costs of setting up remote working.
- Both claims reserve releases from commuted reinsurance and profit commission were significantly higher in H1 2021 than H1 2020, as follows:

£m	Reserve releases – commuted reinsurance	Profit commission	Total
H1 2020	60.0	41.1	101.1
Change in reserve releases on commuted reinsurance	58.3	—	58.3
Change in profit commission	—	136.6	136.6
H1 2021	118.3	177.7	296.0

- Releases on reserves originally reinsured but since commuted were higher at £118.3 million (v £60.0 million in H1 2020), with underwriting years 2017 to 2019 making a more significant contribution than equivalent years at the same stage of development in the first half of 2020.
- Profit commission was significantly higher at £177.7 million (H1 2020: £41.1 million). This increase is positively impacted by profit commission recognised on the 2020 underwriting year. 2020 is more profitable than previous underwriting years at the same stage of development as a result of the Covid-related claims frequency trends.

Co- and reinsurance, commutations and profit commission

Admiral makes significant use of proportional risk sharing agreements, where insurers outside the Group underwrite a majority of the risk generated, either through co-insurance or quota share reinsurance contracts. The Group's net retained share of UK Car business is 22%. These arrangements include profit commission terms which allow Admiral to retain a significant portion of the profit generated.

The arrangements with Munich Re for 2021 are consistent with those previously reported, with Munich Re writing 30% of the business through co-insurance (via Great Lakes) and 10% through quota share reinsurance arrangements.

Admiral has agreed terms for the extension of its contractual arrangements with Munich Re and its subsidiary Great Lakes from 2022. The current 10% quota share contract remains in place until at least 2023. For the remaining 30% share, 20% of this total will be on a co-insurance basis (via Great Lakes), and will extend to 2029. The remaining 10% will be on a quota share reinsurance basis and these arrangements extend to 2026.

Admiral also has other quota share arrangements in place, confirmed to at least the end of 2023, covering 38% of the total UK Car insurance business.

Admiral tends to commute its UK Car Insurance quota share reinsurance contracts for an underwriting year 24 months from inception, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

As at 30 June 2021, all UK car quota share reinsurance contracts for underwriting years up to 2016 have been commuted, along with the majority of contracts for the 2017, 2018 and 2019 underwriting years, meaning Admiral assumes a higher net risk for these years than had the reinsurance been left in place.

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue – analysis of contribution:

£m	30 June 2019 ^{*4}	30 June 2020 ^{*4}	30 June 2021	31 Dec 2020 ^{*4}
Contribution from additional products & fees, including those underwritten by Admiral ^{*1}	111.1	105.1	97.2	203.3
Instalment income	42.0	47.6	50.8	100.9
Other revenue	153.1	152.7	148.0	304.2
Internal costs ^{*2}	(35.1)	(34.8)	(35.1)	(73.2)
Net other revenue	118.0	117.9	112.9	231.0
Other revenue per vehicle^{*3}	£66	£64	£58	£61
Other revenue per vehicle net of internal costs	£56	£54	£48	£50

^{*1} Additional products underwritten by Admiral Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs.

^{*2} Internal costs reflect an allocation of insurance expenses incurred in generating other revenue.

^{*3} Other revenue (before internal costs) divided by average active vehicles, rolling 12-month basis.

^{*4} Re-presented to statutory profit before tax from group share of profit before tax

Overall contribution (Other Revenue net of costs plus instalment income) was £112.9 million which was lower than H1 2020 (£117.9 million). There was a reduction in optional ancillary income, continuing to reflect a greater proportion of transactions completing digitally and also the impact of Covid resulting in lower sales.

Other revenue was equivalent to £58 per vehicle (gross of costs; H1 2020: £64) and Net Other revenue (after deducting costs) per vehicle was £48 (H1 2020: £54).

UK Household Insurance

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Turnover* ¹	80.0	87.0	104.6	193.8
Total premiums written* ¹	72.2	78.7	94.5	175.9
Net insurance premium revenue	18.1	20.9	23.3	43.2
Underwriting profit/(loss) *¹	0.6	(0.7)	1.7	2.5
Profit commission and other income	3.6	6.2	12.2	12.9
UK Household insurance profit	4.2	5.5	13.9	15.4

*¹ Alternative Performance Measures – refer to the end of this report for definition and explanation

Key performance indicators

	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Reported Household loss ratio* ¹	66.8%	69.0%	63.6%	64.8%
Reported Household expense ratio* ¹	30.1%	34.2%	32.5%	29.4%
Reported Household combined ratio* ¹	96.9%	103.2%	96.1%	94.2%
Impact of extreme weather and subsidence* ¹	—	11.1%	—	5.3%
Households insured at period end (m)	0.92	1.07	1.23	1.16

*¹ Alternative Performance Measures – refer to the end of this report for definition and explanation

Admiral's Household business continued to grow strongly, increasing the number of homes insured by 15% to 1.23 million (H1 2020: 1.07 million) across all channels, with good growth in Admiral's multiproduct offering. Turnover increased to £104.6 million (H1 2020: £87.0 million) and retention remained strong. Customers continue to use digital channels more for both shopping and reporting claims.

The Household business reported a profit before tax of £13.9 million (H1 2020: £5.5 million profit), reflecting relatively benign weather compared to H1 2020 where the result was impacted by weather events in the first half of approximately £5 million (net of recoveries from Flood Re; H1 2019: nil). The loss ratio also benefitted from favourable experience in theft, escape of water and fire perils with the positive development on prior periods claims, resulting in higher profit commission. The claims mix remained broadly similar to 2020 with fewer escape of water claims and more damage claims as more people worked from home.

Admiral's expense ratio decreased to 32.5% (H1 2020: 34.2%), as premium grew more rapidly than in H1 2020 which was impacted by lower sales in the lockdown period.

International Insurance

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Turnover* ¹	319.5	329.5	347.2	648.8
Total premiums written* ¹	288.0	297.6	314.3	584.0
Net insurance premium revenue	80.6	95.5	111.7	204.2
Investment income	0.9	(0.1)	0.6	—
Net insurance claims	(66.0)	(63.3)	(82.1)	(139.3)
Net insurance expenses	(26.7)	(37.7)	(44.7)	(78.8)
Underwriting result*¹	(11.2)	(5.6)	(14.5)	(13.9)
Net other income	8.5	12.1	13.6	22.7
International Car Insurance result	(2.7)	6.5	(0.9)	8.8

Key performance indicators

	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Loss ratio* ²	75.5%	63.2%	70.2%	64.3%
Expense ratio* ²	38.4%	44.8%	43.9%	43.9%
Combined ratio* ³	113.9%	108.0%	114.1%	108.2%

Combined ratio, net of Other revenue*4	103.3%	95.4%	102.2%	97.9%
Claims reserve releases (£m)	9.0	11.7	6.5	18.6
Vehicles insured at period end (m)	1.36m	1.49m	1.71m	1.60m

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

*2 Loss ratios and expense ratios adjusted to remove the impact of reinsurer caps

*3 Combined ratio is calculated on Admiral's net share of premiums and excludes Other Revenue. It excludes the impact of reinsurer caps. Including the impact of reinsurer caps the reported combined ratio would be H1 2021: 114%; H1 2020: 106%; FY 2020: 107%; H1 2019: 115%.

*4 Combined ratio, net of Other Revenue is calculated on Admiral's net share of premiums and includes Other Revenue. Including the impact of reinsurer caps the reported combined ratio, net of Other Revenue would be H1 2021: 102%; H1 2020: 93%; FY 2020: 96%; H1 2019: 104%.

Geographical analysis*1

30 June 2021	Spain	Italy	France	US	Total
Vehicles insured at period end	0.35m	0.82m	0.32m	0.22m	1.71m
Turnover (£m)	44.6	112.4	87.4	102.8	347.2m

30 June 2020	Spain	Italy	France	US	Total
Vehicles insured at period end	0.30m	0.71m	0.26m	0.22m	1.49m
Turnover (£m)	40.8	106.2	64.1	118.4	329.5

31 Dec 2020	Spain	Italy	France	US	Total
Vehicles insured at period end	0.33m	0.77m	0.29m	0.21m	1.60m
Turnover (£m)	83.9	213.0	139.3	212.6	648.8

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation

International Insurance financial performance

Admiral's International insurance businesses continued to grow in turnover and customer numbers despite lockdown restrictions continuing to impact demand as well as a competitive market environment. Customer numbers increased by 14% to 1.71 million (30 June 2020: 1.49 million) and turnover growth increased by 5% to £347.2 million (H1 2020: £329.5 million). The combined ratio, net of other revenue, increased to 102% (H1 2020: 95%). This was partly driven by higher claims frequency in the first half of 2021, compared to H1 2020 and less positive prior year development, together with some pressure on premium revenue particularly in Italy and Spain, where competition remained high.

The expense ratio improved to 44% (H1 2020: 45%). An increase in the expense ratio in 2020 was partly due to the cost of shifting to work from home, and a higher net retained share of business in the US.

The European insurance operations in Spain, Italy and France insured 1.49 million vehicles at 30 June 2021 – 17% higher than a year earlier (30 June 2020: 1.27 million). Turnover was up 16% to £244.4 million (H1 2020: £211.1 million). The combined European profit was £3.3 million (H1 2020: profit of £9.8 million), a £6.5 million decrease partly driven by a small loss in France, higher cost of claims, and lower average market premiums. The combined ratio net of other revenue (excluding the impact of reinsurer caps) increased to 96% from 82%, impacted by lower average market premiums and worsened claims experience primarily due to higher than expected bodily injury inflation.

Admiral Seguros (Spain) grew by 15% to 346,000 customers over the past year (30 June 2020: 302,000). The growth was supported by strong acquisition and retention, despite the competitive market environment. Investments in the business continue to focus on building sustainable growth through the broker channel and improvements in the online customer experience.

The Group's largest international operation, ConTe in Italy, continued to perform well and increased vehicles insured by 15% to 820,000 (30 June 2020: 712,000). The business continued to focus on improving loss ratio and risk selection capabilities, and grew strongly despite challenging market conditions.

L'olivier assurance (France) continued to grow strongly. The customer base increased by 24% to 324,000 at 30 June 2021 (30 June 2020: 261,000) with investments in direct channel acquisition including brand investment, marketing campaigns, and an enhanced user experience driving strong growth.

In the US, Admiral underwrites motor insurance in eight states through its Elephant Auto business. The number of vehicles insured remained broadly flat at 216,000 at 30 June 2021 (30 June 2020: 218,000) and turnover was down by 13% to £102.8 million (H1 2020: £118.4 million; in local currency turnover was down 4%). The business maintains a cautious approach to growth whilst the key focus remains to focus on improving technical fundamentals.

Elephant reported a loss of £4.2 million (from £3.3 million in H1 2020), in part due to severe weather in Texas in the first half of the year and a reduced Covid impact as road usage and claims frequency were higher than H1 2020. Continued efforts to strengthen digital capabilities and increase acquisition efficiency helped drive lower costs and improve customer outcomes. The business is also testing expanded distribution to the broker channel and through partnerships as opportunities to grow in future. Overall, the combined ratio net of other revenue improved to 110% (111% in H1 2020).

Admiral Loans

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
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Total interest income	13.3	19.8	15.7	36.8
Interest expense* ¹	(4.1)	(5.1)	(4.3)	(10.1)
Net interest income	9.2	14.7	11.4	26.7
Other fee income	0.9	0.9	0.5	2.1
Total income	10.1	15.6	11.9	28.8
Credit loss charge	(6.0)	(16.2)	(4.0)	(25.8)
Expenses	(8.4)	(8.8)	(9.8)	(16.8)
Admiral Loans loss before tax	(4.3)	(9.4)	(1.9)	(13.8)

*¹ Includes £1.4 million intra-group interest expense (FY 2020 £2.9 million; H1 2020: £1.5 million; H1 2019: £1.2 million)

Admiral Loans distributes and underwrites unsecured personal loans and car finance products through the comparison channel and direct to consumers via the Admiral website.

Gross loan balances totalled £469.4 million at the end of June 2021, with a £43.7 million provision, resulting in a net loans balance of £425.7 million (net loans balance at 30 June 2020: £455.3 million, 31 December 2020: £359.8 million).

In mid-March 2020, following a deterioration in the UK economic outlook due to the impact of Covid, the Group made the decision to pause the writing of new loans. Admiral Loans cautiously re-entered the market in the second half of 2020 with the loan book starting to grow more significantly in 2021. Net interest income and other fee income remained lower than in H1 2020 due to lower average loan balances, although this is offset by a significantly lower charge for expected credit losses of £4.0 million (H1 2020: £16.2 million). This improvement was driven by improved future UK economic outlook and unemployment assumptions at 30 June 2021 compared to 30 June 2020, although caution remains given the additional uncertainty arising from the withdrawal of pandemic support measures. Admiral Loans continues to manage lending within a defined risk appetite and has not seen a significant change in defaults over the period and arrears remain low.

For further information on the loan provision for expected credit losses, refer to note 7 in the financial statements.

Admiral Loans recorded a pre-tax loss of £1.9 million in the first half of 2021 (decreased from £9.4 million loss in H1 2020 and £13.8 million loss in FY 2020). The lower loss predominantly reflects the reduction in credit loss charge recognised in the period as noted above.

Other Group Items

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Share scheme charges	(24.2)	(21.3)	(30.6)	(50.9)
Compare.com loss before tax	(4.6)	(0.8)	(1.4)	(2.3)
Other interest and investment income	2.7	3.0	1.5	4.9
Business development costs	(0.4)	(0.5)	(3.8)	(1.8)
Other central costs	(5.5)	(11.2)	(18.5)	(22.9)
Finance charges	(5.5)	(5.9)	(5.7)	(12.1)
Total	(37.5)	(36.7)	(58.5)	(85.1)

Share scheme charges relate to the Group's two employee share schemes (refer to note 9 in the financial statements). The increase in the charge is driven by a combination of the expected increase of the proportion of shares that will eventually vest following strong Group results, as well as a higher share price and higher bonuses linked to the Group's dividend, compared to the first half of 2020.

Business development costs include costs associated with potential new ventures, in particular Admiral Pioneer which incurred a loss of just over £2 million in H1 2021. Compare.com reported a higher loss of £1.4 million, as a result of increased investment in marketing and acquisition in a challenging market environment in the US.

Other central costs consist of Group-related expenses and include the cost of a number of significant Group projects, such as preparation for the significant new insurance accounting standard, IFRS 17, the development of the internal model and group cross-charges. The increase in the period is primarily due to higher costs of regulatory projects and matters that are unlikely to be recurring.

Finance charges of £5.7 million (H1 2020: £5.9 million) primarily relate to interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the financial statements).

Discontinued Operations (Comparison)

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Profit before tax in period	7.7	11.7	11.3	29.4
Gain on disposal	—	—	404.4	—
Total profit before tax from discontinued operations	7.7	11.7	415.7	29.4

On the 30 April 2021, the Group announced that, following regulatory and competition authority approvals, RVU had completed the purchase of the Penguin Portals Group and Admiral's 50% share of Preminen. MAPFRE has also sold its 25% holding in Rastreator and 50% holding in Preminen to RVU. The total transaction value was settled in cash on completion.

The cash proceeds from the disposal amount to £471.8 million; with the gain on disposal being £404.4 million.

The Group has confirmed plans for the use of the net proceeds from the disposal and will return £400 million to shareholders in the form of special dividends phased equally over the interim 2021, final 2022 and interim 2022 dividends.

Group capital structure and financial position

Admiral's capital-efficient and profitable model led to a return on equity from continuing operations of 68% (H1 2020: 50%). The increase in the period relates to the higher profits generated by the UK motor business. Refer to the Glossary at the end of this report for the basis of the calculation. A continuing key feature of the business model is the extensive use of co- and reinsurance across the Group which reduces the level of capital the Group is required to maintain.

The Group continues to develop its partial internal model to form the basis of calculation of its capital requirement in the future. The Board is currently reconsidering model methodology, scope and platform and as a result, application to the Group's regulators for model approval is unlikely to take place in the near term. In the period before model approval, the Group will continue to use the current standard formula plus capital add-on basis to calculate its regulatory capital requirement.

The estimated Solvency II position for the Group at the date of this report was as follows:

Group capital position (estimated)

	30 June 2021	31 Dec 2020	30 June 2020
	£bn	£bn	£bn
Eligible Own Funds (pre dividend)	1.75	1.72	1.47
Dividend	(0.34)	(0.25)	(0.20)
Eligible Own Funds (post dividend)	1.41	1.47	1.27
Solvency II capital requirement	0.68	0.79	0.68
Surplus over regulatory capital requirement	0.73	0.68	0.59
Solvency ratio (post dividend)	209%	187%	186%

The Group reports a strong solvency ratio of 209% post-dividend, excluding the positive impact of capital held from the Penguin Portal disposal to be returned to shareholders. The solvency ratio has increased by 22 percentage points from the end of 2020 and surplus capital has increased by £55 million. This is primarily due to a reduction in the Solvency Capital Requirement (SCR), which includes a lower risk charge related to profit commission risk.

The solvency capital requirement includes an updated capital add-on which remains subject to regulatory approval. The solvency ratio based on the previously approved capital add-on that is calculated at the balance sheet date rather than the date of this report, and will be submitted to the regulator within the Q2 Quantitative Reporting Template (QRT) is as follows:

Regulatory solvency ratio (estimated)	30 June 2021	31 Dec 2020	30 June 2020
Solvency ratio as reported above	209%	187%	186%
Impact of Penguin Portals retained capital	40%	—	—
Change in valuation date	(6%)	(5%)	(7%)
Other (including impact of updated, unapproved capital add-on)	(16%)	27%	(10%)
Solvency ratio (QRT basis)	227%	209%	169%

Estimated sensitivities to the current Group solvency ratio are presented in the table below. These sensitivities cover the two most material risk types, insurance risk and market risk, and within these risks cover the most significant elements of the risk profile. Aside from the catastrophe events, estimated sensitivities have not been calibrated to individual return periods.

Solvency ratio sensitivities

	30 June 2021	31 Dec 2020	30 June 2020
UK Motor – incurred loss ratio +5%	-24%	-10%	-23%
UK Motor – 1 in 200 catastrophe event	-1%	-1%	-1%
UK Household – 1 in 200 catastrophe event	-3%	-2%	-2%
Interest rate – yield curve down 50 bps	-3%	-4%	-3%
Credit spreads widen 100 bps	-9%	-6%	-9%
Currency – 25% movement in euro and US dollar	-2%	-3%	-3%
ASHE – long term inflation assumption up 0.5%	-3%	-3%	-3%
Loans – 100% weighting to severe scenario	-1%	-1%	-1%

The impact of the incurred loss ratio +5% sensitivity has returned to more typical levels after the reduction at YE 2020, which saw higher levels of profit commission risk in the solvency capital requirement reducing the sensitivity.

For further detail on Loans sensitivities refer to note 7a to the financial statements.

Investments and cash

Admiral's investment strategy was unchanged in H1 2021. The main focus of the Group's strategy is capital preservation, with additional priorities including low volatility of returns, high levels of liquidity and matching of asset durations with PPO and non-PPO liability durations.

Cash and investments analysis

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Fixed income and debt securities	1,827.6	2,024.1	2,317.4	2,101.3
Money market funds and other fair value instruments	1,029.3	1,243.4	1,465.9	1,339.3
Cash deposits	88.7	85.0	96.0	65.4
Cash	461.4	396.3	395.9	351.7
Total	3,407.0	3,748.8	4,275.2	3,857.7

Investment return

£m	30 June 2019	30 June 2020	30 June 2021	31 Dec 2020
Investment return	23.3	21.3	23.1	47.8
Movement on accruals held for reinsurer funds withheld	(4.5)	12.9	—	12.9
Unrealised (losses)/gains on forward contracts	(0.4)	0.2	(0.6)	—
Movement in provision for expected credit losses	(0.1)	(2.4)	(1.1)	(7.8)
Total	18.3	32.0	21.4	52.9

Net investment income for the first half of 2021 was £21.4 million (H1 2020: £32.0 million).

The higher income in 2020 was a result of the investment income in the period being positively impacted by investment income adjustments related to UK motor quota share reinsurance arrangements. £12.9 million of investment income earned in 2019 was recognised in the H1 2020 income statement as the projection of the result of the 2019 underwriting year improved to a profitable level.

The investment return on the Group's investment portfolio excluding unrealised gains and losses, the release of the investment income accruals held in relation to reinsurance contracts and the movement in provision for expected credit losses, was £23.1 million in H1 2021 (compared to £21.3 million in H1 2020), with the annualised rate of return remaining flat at 1.2% (H1 2020: 1.2%).

The Group continues to generate significant amounts of cash and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends. Total cash and investments at 30 June 2021 was £4,275.2 million (31 December 2020: £3,857.7 million).

Taxation

The tax charge for the period, reported on a statutory basis for continuing operations is £88.2 million (H1 2020: £40.3 million), which equates to 18.3% (H1 2020: 15.1%) of profit before tax. The increase in the tax rate is primarily driven an adjustment to prior year tax relating to changes in intra-group contractual arrangements.

Principal Risks and Uncertainties

Admiral has performed a robust assessment of its principal risks and uncertainties (PR&Us), including those which would threaten its business model, future performance, liquidity and solvency. The result of this assessment has concluded that Admiral's PR&Us are consistent with those reported in the Group's 2020 Annual Report (pages 85 - 90). However, given the ongoing importance of the following topics, additional commentary has been provided on: Covid-19; Brexit; FCA Pricing Remedies; and Climate Change.

Covid-19

The impact of Covid-19 on Admiral's PR&Us, as well as the steps taken to appropriately manage these risks, continues to be overseen by the Group Risk Committee (GRC). Some of the current trends in risks most impacted by Covid-19 are highlighted below.

Operational Risk: The impact of Covid-19 on levels of operational risk continues to reduce across the Admiral Group, largely a result of remote-working solutions becoming more robust and the business continuously enhancing its approach to hybrid working. Throughout the pandemic Admiral prioritised staff mental and physical health, as well as excellent customer service, and continues to do so.

During the period there was a rise in Covid-19 cases in India, impacting Admiral support centres. The Group is monitoring the situation daily and taking appropriate steps to ensure that customer impacts are minimised and that operations and Admiral staff are fully supported.

Insurance Risk: Admiral continues to closely monitor the impact of Covid-19 on driving patterns, claims experience and the market, especially in light of national lockdowns. Admiral has taken part in the FCA industry-wide review of forbearance practices implemented during the pandemic.

Market Risk & Credit Risk: The impact of Covid-19 on Admiral's market and credit risks has also reduced in the first half of 2021, with the improved economic outlook. However, there remains significant uncertainty over the longer-term impacts of the pandemic on the economic environment and Admiral continues to monitor these uncertainties, in particular the risk of inflation, and the potential impacts on the Group's balance sheet.

UK exit from the European Union (“Brexit”)

The Group continues to closely monitor ongoing Brexit developments, with the agreement of the EU-UK Trade and Cooperation Agreement and the prudent approach adopted by Admiral prior to the end of the transition period leading to the risks previously identified by the Brexit Working Group to be largely mitigated. These risks include supply chain changes, communications to customers, and continuation of a high level of service. No new significant risks have been identified.

FCA Pricing Remedies

The FCA's Policy Statement on General Insurance Pricing Practices, which set out final rules to address harm in home and motor insurance markets, was published in May 2021. Admiral is supportive of the remedies, including the key proposal - the New Business Equivalent price remedy - which is good for both the market and for consumers. The Group is focused on ensuring that it appropriately and compliantly interprets the Policy Statement; achieving desired customer outcomes, whilst remaining competitive in the UK home and motor insurance markets.

Admiral has been preparing for the reform for a number of years in anticipation of the release of the Policy Statement and given the significance and complexity of the remedies, continues to consult with subject matter experts and an external assurance partner. A range of potential scenarios and outcomes have been modelled and whilst there is likely to be some volatility in market pricing as a result of the reform, Admiral believes it is in a strong position to mitigate the potential risks.

Climate Change

Admiral remains committed to recognising and understanding the threats posed by climate change to the Group, as well as to mitigating its impact on the environment. Climate-related risks can impact on all of Admiral's business lines, operations, investments, and reinsurance arrangements and the Group has a number of ongoing streams of work that are focused on this issue.

As part of this work there is an ongoing Group focus on:

- Ensuring full compliance with regulatory and disclosure requirements, such as those outlined in FCA Policy Statement PS20/17, which confirmed the introduction of a new listing rule LR 9.8;
- Researching climate-change trends and better understanding the risks arising from climate change;
- Incorporating climate-related risk drivers into business-as-usual risk management, such as enhancing Admiral's stress and scenario testing to incorporate climate-change related financial risks; and
- Continuing efforts to further reduce the Group's carbon footprint.

Disclaimer on forward-looking statements

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of known and unknown risks and uncertainties that may cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements.

Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Condensed consolidated income statement (unaudited)

	Note	Six months ended		
		30 June 2021 £m	Re-presented 30 June 2020 £m	Year ended 31 December 2020 £m
Insurance premium revenue		1,222.5	1,063.4	2,265.3
Insurance premium ceded to reinsurers		(806.3)	(712.6)	(1,513.7)
Net insurance premium revenue	5	416.2	350.8	751.6
Other revenue	8	152.5	166.2	329.4
Profit commission	5	187.3	44.6	134.0
Interest income	7	15.7	19.8	36.8
Interest expense	7	(2.9)	(3.8)	(7.2)
Net interest income from loans		12.8	16.0	29.6
Investment return – interest income at effective interest rate	6	19.8	17.7	33.9
Investment return – other	6	2.7	16.7	26.8
Net revenue		791.3	612.0	1,305.3
Insurance claims and claims handling expenses		(597.3)	(611.6)	(1,318.6)

Insurance claims and claims handling expenses recoverable from co- and reinsurers		501.5	470.3	1,025.4
Net insurance claims		(95.8)	(141.3)	(293.2)
Operating expenses and share scheme charges	9	(440.8)	(394.7)	(814.6)
Operating expenses and share scheme charges recoverable from co- and reinsurers	9	238.5	223.2	456.6
Expected credit losses	6, 9	(5.1)	(18.6)	(33.6)
Net operating expenses and share scheme charges		(207.4)	(190.1)	(391.6)
Total expenses		(303.2)	(331.4)	(684.8)
Operating profit		488.1	280.6	620.5
Finance costs	6	(6.7)	(7.3)	(14.3)
Finance costs recoverable from co- and reinsurers	6	0.8	1.1	2.0
Net finance costs		(5.9)	(6.2)	(12.3)
Profit before tax from continuing operations		482.2	274.4	608.2
Taxation expense	10	(88.2)	(40.3)	(106.2)
Profit after tax from continuing operations		394.0	234.1	502.0
Profit before tax from discontinued operations	13	415.7	11.7	29.4
Taxation expense	13	(2.3)	(2.8)	(3.6)
Profit after tax from discontinued operations		413.4	8.9	25.8
Profit after tax from continuing and discontinued operations		807.4	243.0	527.8
Profit after tax attributable to:				
Equity holders of the parent		807.6	243.7	528.8
Non-controlling interests (NCI)		(0.2)	(0.7)	(1.0)
		807.4	243.0	527.8
Earnings per share – From continuing operations				
Basic	12	132.9p	79.7p	170.7p
Diluted	12	132.7p	79.6p	170.4p
Earnings per share – From continuing and discontinued operations				
Basic	12	272.0p	82.9p	179.5p
Diluted	12	271.6p	82.8p	179.2p
Dividends declared and paid (total)	12	250.8	162.3	425.7
Dividends declared and paid (per share)	12	86.0p	56.3p	147.5p

Condensed consolidated statement of comprehensive income (unaudited)

	Six months ended		Year ended
	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Profit for the period	807.4	243.0	527.8
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Movements in fair value reserve	(32.2)	17.7	40.6
Deferred tax charge in relation to movement in fair value reserve	0.5	(1.5)	(1.8)
Exchange differences on translation of foreign operations	(7.0)	11.7	3.5
Movement in hedging reserve	1.9	(3.6)	(2.4)

Other comprehensive income for the period, net of income tax	(36.8)	24.3	39.9
Total comprehensive income for the period	770.6	267.3	567.7
Total comprehensive income for the period attributable to:			
Equity holders of the parent	771.2	267.5	568.6
Non-controlling interests	(0.6)	(0.2)	(0.9)
	770.6	267.3	567.7

Condensed consolidated statement of financial position (unaudited)

	Note	As at		
		30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
ASSETS				
Property and equipment	11	131.6	150.7	140.4
Intangible assets	11	177.4	162.2	166.7
Deferred income tax	10	7.3	2.1	—
Corporation tax asset	10	—	—	22.9
Reinsurance assets	5	1,911.9	1,891.6	2,083.2
Loans and advances to customers	7	425.7	455.3	359.8
Insurance and other receivables	6	1,223.9	1,227.7	1,182.0
Financial investments	6	3,879.3	3,352.5	3,506.0
Cash and cash equivalents	6	395.9	396.3	298.2
Assets associated with disposal group held for sale		—	—	83.0
Total assets		8,153.0	7,638.4	7,842.2
EQUITY				
Share capital	12	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1
Other reserves		59.8	78.9	94.9
Retained earnings		1,595.3	947.4	1,004.4
Total equity attributable to equity holders of the parent		1,668.5	1,039.7	1,112.7
Non-controlling interests		3.5	11.2	10.7
Total equity		1,672.0	1,050.9	1,123.4
LIABILITIES				
Insurance contracts liabilities	5	4,019.2	4,022.6	4,081.3
Subordinated and other financial liabilities	6	548.8	644.2	488.6
Trade and other payables	6, 11	1,783.8	1,777.8	1,991.2
Lease liabilities	6	114.9	132.6	122.8
Deferred income tax	10	—	—	0.9
Current tax liabilities	10	14.3	10.3	—
Liabilities associated with disposal group held for sale		—	—	34.0
Total liabilities		6,481.0	6,587.5	6,718.8
Total equity and total liabilities		8,153.0	7,638.4	7,842.2

Condensed consolidated cash flow statement (unaudited)

	Note	Six months ended	Year ended	
		30 June 2021 £m	Restated 30 June 2020 £m	Restated 31 December 2020 £m
Profit after tax		807.4	243.0	527.8
Adjustments for non-cash items				
• Depreciation of property, plant and equipment and right-of-use assets	11	12.0	12.8	23.6

• Impairment of property, plant and equipment and right-of-use assets	11	—	—	3.1
• Amortisation and impairment of intangible assets	11	8.4	8.9	19.2
• Gain on disposal of Comparison entities held for sale	13	(404.4)	—	—
• Movement in expected credit loss provision	6	2.8	16.2	25.8
• Share scheme charges	9,13	31.1	22.9	54.0
• Accrued interest income from loans and advances to customers		(0.2)	(0.2)	0.2
• Interest expense on funding for loans and advances to customers		2.9	1.3	7.2
• Investment return	6	(22.5)	(34.4)	(60.7)
• Finance costs, including unwinding of discounts on lease liabilities	6,13	6.0	6.2	12.4
• Taxation expense	10,13	90.5	43.1	109.8
Change in gross insurance contract liabilities	5	(62.1)	47.6	106.3
Change in reinsurance assets	5	171.3	180.1	(11.5)
Change in insurance and other receivables	6, 11	(23.2)	(1.7)	25.1
Change in gross loans and advances to customers	7	(67.6)	(16.4)	77.3
Change in trade and other payables, including tax and social security	11	(232.3)	(198.1)	40.2
Cash flows from operating activities, before movements in investments		320.1	331.3	959.8
Purchases of financial instruments		(1,898.5)	(1,170.7)	(2,389.2)
Proceeds on disposal/ maturity of financial instruments		1,480.8	1,088.1	2,160.6
Interest and investment income received	6	21.5	24.6	52.6
Cash flows from operating activities, net of movements in investments		(76.1)	273.3	783.8
Taxation payments		(57.8)	(87.0)	(175.0)
Net cash flow from operating activities		(133.9)	186.3	608.8
Cash flows from investing activities:				
Purchases of property, equipment and software		(27.3)	(15.3)	(43.1)
Proceeds from sale of Comparison entities	13	471.8	—	—
Net costs paid on sale of Comparison entities		(14.8)	—	—
Net cash used in investing activities		429.7	(15.3)	(43.1)
Cash flows from financing activities:				
Non-controlling interest capital contribution		—	2.2	2.4
Proceeds/ (Repayment of) on issue of loan backed securities		38.7	24.1	(46.3)
Proceeds from other financial liabilities		20.0	86.5	0.1

Finance costs paid, including interest expense paid on funding for loans	6	(9.6)	(6.7)	(19.2)
Repayment of lease liabilities		(4.7)	(4.3)	(9.4)
Equity dividends paid	12	(250.8)	(162.3)	(425.7)
Net cash used in financing activities		(206.4)	(60.5)	(498.1)
Net increase in cash and cash equivalents		89.4	110.5	67.6
Cash and cash equivalents at 1 January		351.7	281.7	281.7
Cash and cash equivalents included within disposal of Comparison entities		(41.3)	—	—
Effects of changes in foreign exchange rates		(3.9)	4.1	2.4
Cash and cash equivalents at end of period	6	395.9	396.3	351.7

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to the owners of the Company						Total £m	Non-controlling interests £m	Total equity £m
	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained and profit loss £m				
At 1 January 2020	0.3	13.1	46.6	(1.2)	9.7	840.9	909.4	9.2	918.6
Profit/(loss) for the period – from continuing and discontinued operations	—	—	—	—	—	243.7	243.7	(0.7)	243.0
Other comprehensive income									
Movements in fair value reserve	—	—	17.7	—	—	—	17.7	—	17.7
Deferred tax charge in relation to movement in fair value reserve	—	—	(1.5)	—	—	—	(1.5)	—	(1.5)
Movement in hedging reserve	—	—	—	(3.6)	—	—	(3.6)	—	(3.6)
Currency translation differences	—	—	—	—	11.2	—	11.2	0.5	11.7
Total comprehensive income for the period	—	—	16.2	(3.6)	11.2	243.7	267.5	(0.2)	267.3
Transactions with equity holders									
Dividends	—	—	—	—	—	(162.3)	(162.3)	—	(162.3)
Share scheme credit	—	—	—	—	—	24.9	24.9	—	24.9
Deferred tax credit on share scheme credit	—	—	—	—	—	0.2	0.2	—	0.2
Contributions by NCIs	—	—	—	—	—	—	—	2.2	2.2
Total transactions with equity holders	—	—	—	—	—	(137.2)	(137.2)	2.2	(135.0)

As at 30 June 2020	0.3	13.1	62.8	(4.8)	20.9	947.4	1,039.7	11.2	1,050.9
At 1 January 2020	0.3	13.1	46.6	(1.2)	9.7	840.9	909.4	9.2	918.6
Profit/(loss) for the period – from continuing and discontinued operations	—	—	—	—	—	528.8	528.8	(1.0)	527.8
Other comprehensive income									
Movements in fair value reserve	—	—	40.6	—	—	—	40.6	—	40.6
Deferred tax charge in relation to movement in fair value reserve	—	—	(1.8)	—	—	—	(1.8)	—	(1.8)
Movement in hedging reserve	—	—	—	(2.4)	—	—	(2.4)	—	(2.4)
Currency translation differences	—	—	—	—	3.4	—	3.4	0.1	3.5
Total comprehensive income for the period	—	—	38.8	(2.4)	3.4	528.8	568.6	(0.9)	567.7
Transactions with equity holders									
Dividends	—	—	—	—	—	(425.7)	(425.7)	—	(425.7)
Share scheme credit	—	—	—	—	—	53.8	53.8	—	53.8
Deferred tax credit on share scheme credit	—	—	—	—	—	6.6	6.6	—	6.6
Contributions by NCI's	—	—	—	—	—	—	—	2.2	2.2
Changes in ownership interests without a change in control	—	—	—	—	—	—	—	0.2	0.2
Total transaction with equity holders	—	—	—	—	—	(365.3)	(365.3)	2.4	(362.9)
As at 31 December 2020	0.3	13.1	85.4	(3.6)	13.1	1,004.4	1,112.7	10.7	1,123.4

Condensed consolidated statement of changes in equity (unaudited) (continued)

	Attributable to the owners of the Company						Total	Non-controlling interests	Total equity
	Share Capital	Share premium account	Fair value reserve	Hedging reserve	Foreign exchange reserve	Retained profit and loss			
	£m	£m	£m	£m	£m	£m	£m	£m	
At 1 January 2021	0.3	13.1	85.4	(3.6)	13.1	1,004.4	1,112.7	10.7	1,123.4

Profit/(loss) for the period – from continuing and discontinued operations	—	—	—	—	—	807.6	807.6	(0.2)	807.4
Other comprehensive income									
Movements in fair value reserve	—	—	(32.2)	—	—	—	(32.2)	—	(32.2)
Deferred tax charge in relation to movement in fair value reserve	—	—	0.5	—	—	—	0.5	—	0.5
Movement in hedging reserve	—	—	—	1.9	—	—	1.9	—	1.9
Currency translation differences	—	—	—	—	(6.6)	—	(6.6)	(0.4)	(7.0)
Total comprehensive income for the period	—	—	(31.7)	1.9	(6.6)	807.6	771.2	(0.6)	770.6
Transactions with equity holders									
Dividends	—	—	—	—	—	(250.8)	(250.8)	—	(250.8)
Share scheme credit	—	—	—	—	—	33.2	33.2	—	33.2
Deferred tax credit on share scheme credit	—	—	—	—	—	2.9	2.9	—	2.9
Transfer to gain on disposal of assets held for sale	—	—	—	—	1.3	(2.0)	(0.7)	0.1	(0.6)
NCIs on disposal of comparison entities held for sale	—	—	—	—	—	—	—	(6.7)	(6.7)
Total transactions with equity holders	—	—	—	—	1.3	(216.7)	(215.4)	(6.6)	(222.0)
As at 30 June 2021	0.3	13.1	53.7	(1.7)	7.8	1,595.3	1,668.5	3.5	1,672.0

Notes to the financial statements (unaudited)

1. General information

Admiral Group plc (the “Company”) is a company incorporated in the United Kingdom and registered and domiciled in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange.

The condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2021 and the comparative periods for the six-months ended 30 June 2020 and the year ended 31 December 2020. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UK, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2020 (“last annual financial statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

As required by the FCA’s Disclosure and Transparency Rules, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company’s published consolidated financial statements for the year ended 31 December 2020, except where new accounting standards apply as noted below.

The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

The comparative figures for the financial year ended 31 December 2020 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was:

- i. unqualified;
- ii. did not include a reference to any matters to which the auditors 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.

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next twelve months and beyond. Further information is given in note 2 below.

2. Basis of preparation

The condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2020.

A number of other IFRS and interpretations have been endorsed by the UK in the period to 30 June 2021 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.

The Group's assessment of the impact of standards that have yet to be adopted remains consistent with that reported on page 182 of the Group's 2020 Annual Report. In particular, the Group continues to assess the impact of IFRS 17 on its results and financial position, and work towards implementation by the effective date of 1 January 2023.

The consolidated financial statements have been prepared on a Going Concern basis. In making this going concern assessment, the Directors have considered in detail the impact of the Covid-19 pandemic on the Group's financial position and performance, including the projection of the Group's profits, regulatory capital surpluses and sources of liquidity for the next 12 months and beyond.

In particular, as part of this assessment the Board has considered updated projections of performance and profitability a number of times during the pandemic, with some key highlights including:

- The impact of the pandemic on the Group's profit projections, including:
 - The continuation of reduced motor insurance claims frequency when compared to pre-pandemic levels
 - Changes in premium rates and projected policy volumes across the Group's insurance businesses
 - Potential impacts on the cost of settling claims across all insurance businesses
 - Projected trends in other revenue generated by the Group's insurance business from fees and the sale of ancillary products
- The sale of the Group price comparison businesses, Penguin Portals and Preminen along with the intention to return a majority of net proceeds back to shareholders
- The Group's solvency position, which has been closely monitored through periods of market volatility, in particular, early in the pandemic. The Group continues to maintain a strong solvency position above target levels.
- The adequacy of the Group's liquidity position after considering all of the factors noted above
- The results of business plan scenarios and stress tests on the projected profitability, solvency and liquidity positions including the impact of severe downside scenarios that assume severe adverse economic, credit and trading stresses
- The regulatory environment, in particular focusing on regulatory guidance issued by the FCA and the PRA in the UK and ongoing communications between management and regulators
- A review of the Company's principal risks and uncertainties and the assessment of emerging risk

Following consideration of all of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern

basis in preparing the consolidated financial statements.

The accounting policies set out in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as fair value through profit or loss or fair value through other comprehensive income. The financial statements are presented in pounds sterling, rounded to the nearest £0.1 million. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reviewed if this revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

Restatement of prior year Consolidated cash flow statement

A prior period classification error within the Consolidated cash flow statement has been identified impacting both the six months ended 30 June 2020 and the year ended 31 December 2020. In both prior periods, amounts that should have been presented as "Interest and investment income received" were incorrectly presented as 'Proceeds on disposal/maturity of financial instruments'. The prior periods have been restated, resulting in an increase of £18.0 million (30 June 2020) and £42.5 million (31 December 2020) in Interest and investment income received, and a corresponding decrease in 'Proceeds on disposal/ maturity of financial instruments'. The error has had no impact on the Condensed consolidated statement of financial position, Condensed consolidated income statement or the Earnings per share calculations within.

3. Critical accounting judgements and estimates

The Group's 2020 Annual Report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no additional critical judgements or estimates applied in the period.

Note 5 provides further information as to the changes in the estimates with respect to the calculation of insurance reserves.

Note 7 provides further information as to changes in the estimates with respect to the calculation of the expected credit loss provision for the Admiral Loans business, following the impact of Covid on management's key judgements and the sources of estimation uncertainty.

Note 13 provides further information on the accounting and presentation of the discontinued operations and sale of the comparison businesses that took place in the period.

4. Operating segments

The Group has four reportable segments; UK Insurance, International Insurance, Admiral Loans, and Other. The result of the discontinued operations is also shown for completeness. These reportable segments are consistent with those set out on page 186 of the Group's 2020 Annual Report.

Note that as a result of the sale of the comparison businesses (other than compare.com), and the growth of the Admiral Loans business, the Group's reportable segments changed at the end of 2020, so that compare.com is now presented within 'Other' along with Admiral Pioneer, and Admiral Loans is presented as a separate segment. Accordingly, the Group has restated the previously reported segment information for the six months ended 30 June 2020.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2021, by reportable segment, is shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2020 Group financial statements.

	Six months ended 30 June 2021							Total £m	Total £m
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Discontinued operations* ⁶ £m	Eliminations* ² (continuing) £m	Total (continuing) £m		
Turnover* ¹	1,372.0	347.2	16.2	11.1	67.2	(7.7)	1,746.4	1,806.0	
Net insurance premium revenue	295.6	116.0	—	4.6	—	—	416.2	416.2	
Other revenue and profit commission	320.0	16.1	0.5	3.3	67.2	(7.7)	339.8	399.4	
Net interest income	—	—	11.4	—	—	1.4	12.8	12.8	

Investment return ^{*5}	20.7	0.6	—	—	—	(1.4)	19.9	
Net revenue	636.3	132.7	11.9	7.9	67.2	(7.7)	788.7	848.3
Net insurance claims	(8.1)	(84.6)	—	(3.1)	—	—	(95.8)	(95.8)
Expenses	(84.7)	(49.0)	(13.8)	(8.4)	(55.4)	7.7	(155.8)	(203.6)
Gain on disposal of Comparison entities	—	—	—	—	404.4	—	—	404.4
Segment profit/(loss) before tax	543.5	(0.9)	(1.9)	(3.6)	416.2	—	537.1	953.3
Other central revenue and expenses, including share scheme charges							(50.7)	(51.2)
Investment and interest income							1.5	1.5
Finance costs ^{*4}							(5.7)	(5.7)
Consolidated profit before tax^{*3}							482.2	897.9
Taxation expense							(88.2)	(90.5)
Consolidated profit after tax							394.0	807.4

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest. Of the £7.7 million elimination of other revenue and profit commission, £7.6 million relates to discontinued operations, with the remaining £0.1 million relating to compare.com.

*3 Profit before tax above of £897.9 million is presented cumulative of profit before tax from continuing operations (£482.2 million) and discontinued operations (£415.7 million, including £0.5 million of central expenses).

*4 £0.3 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

*5 Investment return is reported net of impairment on financial assets, in line with management reporting.

*6 See note 13 for further detail on discontinued operations.

Revenue and results for the corresponding reportable segments for the period ended 30 June 2020 are shown below.

	Six months ended 30 June 2020 (Re-presented)							
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Discontinued operations ^{*6} £m	Eliminations ^{*2} (continuing) £m	Total £m	Total £m
Turnover ^{*1}	1,248.4	329.5	20.7	3.4	87.6	(10.0)	1,601.9	1,679.6
Net insurance premium revenue	251.7	99.1	—	—	—	—	350.8	350.8
Other revenue and profit commission	191.8	14.8	0.9	3.4	87.6	(10.0)	210.8	288.5
Net interest income	—	—	14.7	—	—	1.3	16.0	16.0
Investment return ^{*5}	30.6	(0.1)	—	—	—	(1.5)	29.0	29.0
Net revenue	474.1	113.8	15.6	3.4	87.6	(10.2)	606.6	684.3
Net insurance claims	(76.2)	(65.1)	—	—	—	—	(141.3)	(141.3)
Expenses	(83.9)	(42.2)	(25.0)	(4.2)	(74.3)	10.0	(155.2)	(219.6)
Segment profit/(loss) before tax	314.0	6.5	(9.4)	(0.8)	13.3	(0.2)	310.1	323.4

Other central revenue and expenses, including share scheme charges	(32.9)	(34.5)
Investment and interest income	3.0	3.0
Finance costs ^{*4}	(5.8)	(5.8)
Consolidated profit before tax^{*3}	274.4	286.1
Taxation expense	(40.3)	(43.1)
Consolidated profit after tax	234.1	243.0

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest. Of the £10.0 million elimination of other revenue and profit commission, £9.9 million relates to discontinued operations, with the remaining £0.1 million relating to compare.com.

*3 Profit before tax above of £286.1 million is presented cumulative of profit before tax from continuing operations (£274.4 million) and discontinued operations (£11.7 million, including £1.6 million of central expenses).

*4 £0.4 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

*5 Investment return is reported net of impairment on financial assets, in line with management reporting.

*6 See note 13 for further detail on discontinued operations

Revenue and results for the corresponding reportable segments for the year ended 31 December 2020 are shown below.

	Year ended 31 December 2020							Total (continuing)	Total
	UK Insurance	International Insurance	Admiral Loans	Other (Comparison)	Discontinued (Comparison)	Eliminations ^{*2}	Total		
	£m	£m	£m	£m	£m	£m	£m	£m	
Turnover ^{*1}	2,672.0	648.8	38.4	6.8	183.9	(22.2)	3,365.8	3,527.7	
Net insurance premium revenue	539.8	211.8	—	—	—	—	751.6	751.6	
Other revenue and profit commission	427.9	27.4	1.6	6.7	183.9	(22.2)	463.4	625.3	
Net interest income	—	—	26.7	—	—	2.9	29.6	29.6	
Investment return ^{*5}	50.8	—	0.5	—	—	(3.3)	48.0	48.0	
Net revenue	1,018.5	239.2	28.8	6.7	183.9	(22.6)	1,292.6	1,454.5	
Net insurance claims	(150.2)	(143.0)	—	—	—	—	(293.2)	(293.2)	
Expenses	(170.0)	(87.4)	(42.6)	(9.8)	(151.4)	22.2	(309.6)	(439.0)	
Segment profit/(loss) before tax	698.3	8.8	(13.8)	(3.1)	32.5	(0.4)	689.8	722.3	
Other central revenue and expenses, including share scheme charges							(74.8)	(77.9)	
Investment and interest income							4.9	4.9	
Finance costs ^{*4}							(11.7)	(11.7)	
Consolidated profit before tax^{*3}							608.2	637.6	
Taxation expense							(106.2)	(109.8)	
Consolidated profit after tax							502.0	527.8	

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 14 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest. Of the £22.2 million elimination of other revenue and profit commission, £22.0 million relates to discontinued operations, with the remaining £0.2 million relating to compare.com.

*3 Profit before tax above of £637.6 million is presented cumulative of profit before tax from continuing operations (£608.2 million) and discontinued operations (£29.4 million, including £3.1 million of central expenses).

*4 £0.7 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within the Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

*5 Investment return is reported net of impairment on financial assets, in line with management reporting.

*6 See note 13 for further detail on discontinued operations

Segment revenues

The UK Insurance, International Insurance and Other reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of discontinued revenues from transactions with other reportable segments is £7.6 million (H1 2020: £9.9 million, FY 2020: £22.0 million) which has been eliminated on consolidation, along with £0.1 million (H1 2020: £0.1 million, FY 2020: £0.2 million) of revenues from compare.com that are also eliminated on consolidation.

£1.4 million of intra-group interest charges (H1 2020: £1.5 million, FY 2020: £2.8 million) related to the UK Insurance and Admiral Loans segment have also been eliminated on consolidation. There are no other transactions between reportable segments.

Revenues from external customers for products and services is consistent with the split of reportable segment revenues as shown above.

5. Premium, Claims and Profit Commissions

5a. Net insurance premium revenue

	30 June 2021 £m	30 June 2020*1 £m	31 December 2020*1 £m
Total insurance premiums written before co-insurance*2	1,553.1	1,399.3	2,957.2
Group gross premiums written after co-insurance	1,253.9	1,119.8	2,344.0
Outwards reinsurance premiums	(821.3)	(741.3)	(1,555.9)
Net insurance premiums written	432.6	378.5	788.1
Change in gross unearned premium provision	(31.4)	(56.4)	(78.7)
Change in reinsurers' share of unearned premium provision	15.0	28.7	42.2
Net insurance premium revenue	416.2	350.8	751.6

*1 See note 14d for the impact of the Stay At Home premium refund issued to UK motor insurance customers on premiums written and net insurance premium revenue

*2 Alternative Performance Measures – refer to the end of the report for definition and explanation, and to note 14a for reconciliation to Group gross premiums written

The Group's share of its insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, Admiral Europe Compania Seguros, and Elephant Insurance Company LLC. The vast majority of contracts are short term in duration, lasting for 12 months.

5b. Profit commission

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Underwriting year			
2016 & prior	37.3	34.1	63.3
2017	15.8	6.2	23.3
2018	13.3	0.8	5.5
2019	22.8	—	20.9
2020	88.5	—	11.7
Total UK motor profit commission*1	177.7	41.1	124.7
Total UK household and International profit commission*1	9.6	3.5	9.3
Total profit commission	187.3	44.6	134.0

*1 Of the total UK motor profit commission recognised of £177.7 million (H1 2020: £41.1 million, FY 2020 £124.7 million), £100.5 million (H1 2020: £39.6 million, FY 2020 £102.3 million) relates to co-insurance arrangements and £77.2 million (H1 2020: £1.5 million, FY 2020 £22.4 million) to reinsurance arrangements. The UK Household and International profit commission relates solely to reinsurance arrangements.

No profit commission has yet been recognised on the 2021 underwriting year as the combined ratios calculated from the financial statement loss ratios on these years sit above the threshold for profit commission recognition.

Sensitivities of the recognition of profit commission to movements in the booked loss ratio are shown in note 5c(v).

5c. Reinsurance assets and insurance contract liabilities

(i) Analysis of recognised amounts:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Gross			
Claims outstanding*1	2,837.4	2,872.7	2,919.9
Unearned premium provision	1,181.8	1,149.9	1,161.4
Total gross insurance liabilities	4,019.2	4,022.6	4,081.3
Recoverable from reinsurers			
Claims outstanding	1,140.4	1,137.0	1,319.3
Unearned premium provision	771.5	754.6	763.9
Total reinsurers share of insurance liabilities	1,911.9	1,891.6	2,083.2
Net			
Claims outstanding*2	1,697.0	1,735.7	1,600.6
Unearned premium provision	410.3	395.3	397.5
Total insurance liabilities - net	2,107.3	2,131.0	1,998.1

*1 Gross claims outstanding at 30 June 2021 is presented before the deduction of salvage and subrogation recoveries totaling £70.1 million (30 June 2020: £68.6 million, 31 December 2020: £70.5 million).

*2 The Group typically commutes quota share reinsurance contracts in its UK Motor Insurance business 24-36 months following the start of the underwriting year. After commutation, claims outstanding from these contracts are included in the Group's net claims outstanding balance. Refer to note (ii) below.

(ii) Analysis of gross and net claims reserve releases:

The following table analyses the impact of movements in prior year claims provisions on a gross and net basis. This data is presented on an underwriting year basis.

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Gross			
Underwriting year (UK Motor Insurance):			
2016 & prior	62.8	63.2	116.2
2017	41.0	22.4	69.8
2018	46.9	22.2	57.3
2019	56.7	71.3	54.8
2020	32.1	—	—
Total gross release (UK Motor Insurance)	239.5	179.1	298.1
Total gross release (UK Household Insurance)	4.0	9.4	9.2
Total gross release (International Insurance)	19.6	34.1	53.2
Total gross release	263.1	222.6	360.5

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Net			
Underwriting year (UK Motor Insurance):			
2016 & prior	62.7	63.2	116.2
2017	39.6	21.8	67.7
2018	45.3	17.0	40.7
2019	42.2	22.2	17.0
2020	9.6	—	—
Total net release (UK Motor Insurance)	199.4	124.2	241.6
Total net release (UK Household Insurance)	2.0	2.8	2.8
Total net release (International Insurance)	6.5	11.7	18.6
Total net release	207.9	138.7	263.0

Analysis of net releases on UK Motor Insurance

• Net releases on Group net share (UK Motor)	81.1	64.2	104.3
• Releases on commuted quota share reinsurance contracts (UK Motor)	118.3	60.0	137.3
Total net releases as above	199.4	124.2	241.6

Releases on the share of reserves originally reinsured but since commuted are analysed by underwriting year as follows:

Net	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Underwriting year:			
2016 & prior	36.5	36.9	67.9
2017	26.7	13.0	46.0
2018	30.5	10.1	23.4
2019	24.6	—	—
Total releases on commuted quota share reinsurance contracts	118.3	60.0	137.3

The table below shows the development of UK Car Insurance loss ratios for the past six financial periods, presented on an underwriting year basis.

UK Car Insurance loss ratio development	31 December				2020	30 June
	2016	2017	2018	2019	2020	2021
Underwriting year (UK Car only)						
2016	88%	84%	77%	73%	68%	66%
2017	—	87%	83%	75%	70%	67%
2018	—	—	92%	81%	78%	74%
2019	—	—	—	92%	76%	73%
2020	—	—	—	—	72%	69%
2021	—	—	—	—	—	77%

(iii) Reconciliation of movement in claims provision

	30 June 2021		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,919.9	(1,319.3)	1,600.6
Claims incurred (excluding claims handling costs and releases)	827.6	(535.3)	292.3
Reserve releases	(263.1)	55.2	(207.9)
Movement in claims provision due to commutation	—	318.4	318.4
Claims paid and other movements	(647.0)	340.6	(306.4)
Claims provision at end of period	2,837.4	(1,140.4)	1,697.0

	30 June 2020		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,899.4	(1,354.2)	1,545.2
Claims incurred (excluding claims handling costs and releases)	801.8	(533.1)	268.7
Reserve releases	(222.6)	83.9	(138.7)
Movement in claims provision due to commutation	—	352.7	352.7
Claims paid and other movements	(605.9)	313.7	(292.2)
Claims provision at end of period	2,872.7	(1,137.0)	1,735.7

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,899.4	(1,354.2)	1,545.2
Claims incurred (excluding claims handling costs and releases)	1,612.4	(1,079.6)	532.8
Reserve releases	(360.5)	97.5	(263.0)
Movement in claims provision due to commutation	—	352.7	352.7
Claims paid and other movements	(1,231.4)	664.3	(567.1)
Claims provision at end of period	2,919.9	(1,319.3)	1,600.6

(iv) Reconciliation of movement in net unearned premium provision

	30 June 2021		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	1,161.4	(763.9)	397.5
Written in the period	1,253.9	(821.3)	432.6
Earned in the period	(1,222.5)	806.3	(416.2)
Foreign exchange differences	(11.0)	7.4	(3.6)
Unearned premium provision at end of period	1,181.8	(771.5)	410.3

	30 June 2020		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	1,075.6	(717.5)	358.1
Written in the period	1,119.8	(741.3)	378.5
Earned in the period	(1,063.4)	712.6	(350.8)
Foreign exchange differences	17.9	(8.4)	9.5
Unearned premium provision at end of period	1,149.9	(754.6)	395.3

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	1,075.6	(717.5)	358.1
Written in the period	2,344.0	(1,555.9)	788.1
Earned in the period	(2,265.3)	1,513.7	(751.6)
Foreign exchange differences	7.1	(4.2)	2.9
Unearned premium provision at end of period	1,161.4	(763.9)	397.5

(v) Sensitivity of recognised amounts to changes in assumptions:

The following table sets out the impact on equity and post-tax profit or loss at 30 June 2021 that would result from a 1%, 3% and 5% deterioration and improvement in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding.

Impact on income statement (including profit commission)	Underwriting year			
	2017	2018	2019	2020
Booked loss ratio - 30 June 2021	67%	74%	73%	69%
Impact of 1% deterioration in booked loss ratio (£m)	(15.7)	(15.9)	(15.4)	(14.8)
Impact of 3% deterioration in booked loss ratio (£m)	(47.1)	(46.5)	(43.7)	(43.4)
Impact of 5% deterioration in booked loss ratio (£m)	(78.4)	(73.4)	(68.7)	(70.9)
Impact of 1% improvement in booked loss ratio (£m)	15.7	15.9	15.4	14.8
Impact of 3% improvement in booked loss ratio (£m)	47.1	47.6	46.3	44.3
Impact of 5% improvement in booked loss ratio (£m)	78.4	80.3	78.0	73.8

The following table sets out the impact on equity and post-tax profit or loss at 30 June 2021 that would result from a 1%, 3% and 5% deterioration and improvement in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding, on profit commission only.

	Underwriting year
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Impact on profit commission only	2017	2018	2019	2020
Booked loss ratio - 30 June 2021	67%	74%	73%	69%
Impact of 1% deterioration in booked loss ratio (£m)	(4.3)	(4.0)	(5.9)	(11.4)
Impact of 3% deterioration in booked loss ratio (£m)	(13.0)	(11.0)	(15.1)	(33.2)
Impact of 5% deterioration in booked loss ratio (£m)	(21.6)	(14.1)	(21.0)	(53.9)
Impact of 1% improvement in booked loss ratio (£m)	4.3	4.0	5.9	11.4
Impact of 3% improvement in booked loss ratio (£m)	13.0	12.1	17.7	34.1
Impact of 5% improvement in booked loss ratio (£m)	21.6	21.1	30.4	56.8

6. Investment income and finance costs

6a. Investment return

	30 June 2021			Re-presented 30 June 2020		
	At EIR	Other	Total	At EIR	Other	Total
	£m			£m		
Investment return						
On assets classified as FVTPL	—	3.3	3.3	—	3.3	3.3
On debt securities classified as FVOCI ^{*1,*3}	19.5	—	19.5	17.0	—	17.0
On assets classified as amortised cost ^{*1}	0.3	—	0.3	0.7	—	0.7
Net unrealised losses						
Unrealised (losses)/gains on forward contracts	—	(0.6)	(0.6)	—	0.2	0.2
Movement in reinsurers' share of investment return ^{*4}	—	—	—	—	12.9	12.9
Interest receivable on cash and cash equivalents ^{*1}	—	—	—	—	0.3	0.3
Total investment and interest income^{*2}	19.8	2.7	22.5	17.7	16.7	34.4

	31 December 2020		
	At EIR	Other	Total
	£m		
Investment return			
On assets classified as FVTPL	—	8.5	8.5
On debt securities classified as FVOCI ^{*1,*3}	32.5	5.0	37.5
On assets classified as amortised cost ^{*1}	1.4	—	1.4
Net unrealised losses			
Movement in reinsurers' share of investment return ^{*4}	—	12.9	12.9
Interest receivable on cash and cash equivalents ^{*1}	—	0.4	0.4
Total investment and interest income^{*2}	33.9	26.8	60.7

*1 Interest received during the period was £21.5 million (30 June 2020: £6.6 million, 31 December 2020: £10.1 million)

*2 Total investment return excludes £1.4 million of intra-group interest (30 June 2020: £1.5million, 31 December 2020: £2.9 million)

*3 Realised gains/losses on sales of debt securities classified as FVOCI are immaterial

*4 Refer to "Cash and investments analysis" for further detail

6b. Finance costs

	30 June 2021	30 June 2020	31 December 2020
	£m		
Continuing operations			

Interest payable on subordinated loan notes and other credit facilities *1*2	5.7	5.8	11.7
Interest payable on Lease Liabilities	1.0	1.5	2.6
Interest recoverable from co- and reinsurers	(0.8)	(1.1)	(2.0)
Total finance costs	5.9	6.2	12.3

*1 Interest paid during the year to date was £7.0 million (30 June 2020: £6.7 million, 31 December 2020: £14.0 million)

*2 See note 7c for details of credit facilities

Finance costs include interest payable on the £200.0 million (30 June 2020: £200.0 million, 31 December 2020: £200.0 million) subordinated notes and other financial liabilities.

Interest payable on lease liabilities represents the unwinding of the discount on lease liabilities under IFRS 16 and does not result in a cash payment.

6c. Changes in Expected Credit Loss ('ECL) provision

	Note	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Expected credit losses on financial investments	6	1.1	2.4	7.8
Expected credit losses on loans and advances to customers *1	7	4.0	16.2	25.8
Total expense for expected credit losses		5.1	18.6	33.6

*1 Includes £2.3m of write-offs (30 June 2020: £0.6 million, 31 December 2020: £7.8 million)

6d. Financial assets and liabilities

The Group's financial instruments can be analysed as follows:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Financial investments measured at FVTPL			
Money market and other funds	1,465.9	1,243.4	1,339.3
Financial investments classified as FVOCI			
Debt securities	2,134.0	1,833.6	1,912.7
Fixed interest gilts	169.9	180.0	177.3
	2,303.9	2,013.6	2,090.0
Equity investments (designated FVOCI)	13.5	10.5	11.3
	2,317.4	2,024.1	2,101.3
Financial assets measured at amortised cost			
Deposits with credit institutions	96.0	85.0	65.4
Total financial investments	3,879.3	3,352.5	3,506.0
Other financial assets			
Insurance receivables	979.9	971.6	977.9
Trade and other receivables (measured at amortised cost)	244.0	256.1	204.1
Insurance and other receivables	1,223.9	1,227.7	1,182.0
Loans and advances to customers (note 7)	425.7	455.3	359.8
Cash and cash equivalents	395.9	396.3	298.2
Total financial assets	5,924.8	5,431.8	5,346.0
Financial liabilities			
Subordinated notes	204.3	204.2	204.3
Loan backed securities	299.6	328.6	260.7
Other borrowings	40.0	106.5	20.0
Derivative financial instruments	4.9	4.9	3.6

Subordinated and other financial liabilities	548.8	644.2	488.6
Trade and other payables* ¹	1,783.8	1,777.8	1,991.2
Lease liabilities	114.9	132.6	122.8
Total financial liabilities	2,447.5	2,554.6	2,602.6

*1 Trade and other payables total balance of £1,783.8 million (30 June 2020: £1,777.8 million, 31 December 2020: £1,991.2 million) above includes £1,384.5 million (30 June 2020: £1,302.2 million, 31 December 2020: £1,502.6 million) in relation to tax and social security, deferred income and reinsurer balances that are outside the scope of IFRS 9.

All investments held at fair value at the end of the period are invested in funds; mainly money market funds.

The measurement of investments at the end of the period, for the majority investments held at fair value, is based on active quoted market values (level one). Equity investments held at fair value are measured at level three of the fair value hierarchy. No further information is provided due to the immateriality of the balance at 30 June 2021.

Deposits are held with well rated institutions; as such the approximate fair value is the book value of the investment as impairment of the capital is not expected.

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

During the period, an impairment charge of £1.1 million has been recognized in H1 2021 in relation to the Group's assets held at FVOCI (H1 2020: £2.4 million, FY 2020: £7.8 million). The credit rating of the Group's financial assets with an external rating is shown below.

30 June 2021

	FVTPL £m	FVOCI £m	Amortised Cost £m	Total £m
AAA- AA	492.3	914.2	16.1	1,422.6
A	711.9	834.8	436.8	1,983.5
BBB	51.3	422.6	39.0	512.9
Sub BBB	34.6	62.4	—	97.0
Not rated* ¹	175.8	83.4	—	259.2
Total financial investments	1,465.9	2,317.4	491.9	4,275.2

*1 The majority (£163.6 million) of the unrated exposure stems from money market funds, which are rated AAA, but where the underlying securities are unrated. The remaining unrated exposure is a mixture of private debt (£82.1 million) and other holdings (£13.5 million).

The fair value of subordinated notes (level one valuation) at 30 June 2021 is £225.5 million (H1 2020: £224.4 million, FY 2020: £222.9 million).

6e. Cash and cash equivalents

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Cash at bank and in hand	395.9	396.3	298.2
Total cash and cash equivalents*¹	395.9	396.3	298.2

*1 Total cash and cash equivalents, including discontinued operations, is £395.9 million (30 June 2020: 396.3 million, 31 December 2020: 351.7 million)

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term deposits with original maturities of three months or less.

6f. Insurance and other receivables

	30 June 2021 £m	Restated 30 June 2020* ¹ £m	31 December 2020 £m
Insurance receivables	979.9	971.6	977.9
Trade and other receivables	209.2	221.0	179.0
Prepayments and accrued income	34.8	35.1	25.1
Total insurance and other receivables*²	1,223.9	1,227.7	1,182.0

*1 – Trade and other receivables and prepayments and accrued income in H1 2020 have been restated to better reflect the nature of the underlying balances

*2 – Total insurance and other receivables at 30 June 2021 include £70.1 million in respect of salvage and subrogation recoveries (30 June 2020: £68.6 million, 31 December 2020: £70.5 million).

7. Loans and Advances to Customers

7a. Loans and advances to customers

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Loans and advances to customers – gross carrying amount	469.4	495.5	401.8
Loans and advances to customers – provision	(43.7)	(40.2)	(42.0)
Total loans and advances to customers	425.7	455.3	359.8

Loans and advances to customers are comprised of the following:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Unsecured personal loans	430.6	463.7	371.3
Finance leases	38.8	31.8	30.5
Total loans and advances to customers, gross	469.4	495.5	401.8

The table below shows the gross carrying value of loans in stages 1 – 3.

	Gross carrying amount £m	Expected credit loss allowance £m	Other loss allowance*1 £m	30 June 2021 Carrying amount £m	30 June 2020 Carrying amount £m	31 December 2020 Carrying amount £m
Stage 1	367.1	(8.6)	(0.5)	358.0	437.3	331.8
Stage 2	78.5	(14.2)	—	64.3	15.3	24.8
Stage 3	23.8	(20.4)	—	3.4	2.7	3.2
Total	469.4	(43.2)	(0.5)	425.7	455.3	359.8

*1 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles.

Enhancements to ECL methodology

There have been several enhancements to the provisioning methodology since the 31 December 2020 year end position. The key changes include:

- The definition of default to now includes loans 3 cycles in arrears (previously 4 cycles or more)
- The Significant Increase in Credit Risk (SICR) criteria and forward looking probability of default modelling have been updated utilising updated analysis.

Forward-looking information

Under IFRS9 the provision must reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The means by which the Group has determined this is to run scenario analyses.

Management judgment has been used to define the weighting and severity of the different scenarios based on available data without undue cost or effort.

The key economic driver of the losses from the scenarios is the likelihood of a customer entering hardship through unemployment. Unemployment forecasts include a risk grade split of probability of default (PD) based on the correlation between grade-level default rates observed relative to the change in unemployment rates in the previous downturn, adjusted for the unemployment forecast expected in the current economic environment.

The scenario weighting assumptions used are detailed below, along with the unemployment rate assumed in each scenario at 30 June 2021.

	Scenario Probability Weighting 31 December 2020 Movement	Scenario Probability Weighting 30 June 2021	Peak Unemployment rate % 30 June 2021	Peak Unemployment rate % 31 December 2020
Base	40%	—	40%	7.2
Upturn	5%	—	5%	8.2
Downturn	25%	—	25%	6.4
Severe	30%	—	30%	7.0
Probability weighted	100%	100%	7.9	9.3
				10.7
				9.2

Economic scenarios have been developed using the latest Bank of England Monetary Policy Committee report as per the year end approach. Four scenarios are used representing a base case, a downturn, an upturn and a severe downturn. The view of management is that given the inherent uncertainty of the current economic environment and the impact of the new delta variant, and delays to relaxation of measures and recent high growth in UK COVID-19 case numbers, it is likely there will be a high level of variance in actual unemployment vs the forecast.

This is further supported by the high level of change of forecasts in each update, from the Bank of England and other market commentators. Therefore, an economic response uncertainty uplift has been applied to each scenario, which represents the average forecast uncertainty as published in the MPC data pack. This results in a level of forecast unemployment that represents management's best estimate under each scenario at the half year.

In addition to unemployment, characteristics including whether customers have communicated to Admiral an impact due to COVID-19 are considered. For each customer, the sensitivities from each characteristic are combined to determine an overall sensitivity.

The PD by stage has moved since the year end as shown below. The gross balance of loans in stage 2 is now 119% higher than it was at year-end, with 98% relating to up to date customers, resulting in a reduction in overall probability of default in the stage. This was as a result of the changes discussed above. Stage 1 and 3 are largely consistent with year-end.

PD	30 June 2021	31 December 2020
Stage 1	3.1%	1.8%
Stage 2	28.9%	58.7%
Stage 3	100%	100%

Sensitivities to key areas of estimation uncertainty

	30 June 2021	Sensitivity (£m)	31 December 2020	Sensitivity (£m)
Base	40%	(1.8)	40%	(2.0)
Upturn	5%	(3.9)	5%	(4.9)
Downturn	25%	0.2	25%	0.3
Severe	30%	3.0	30%	3.2

The sensitivities in the above tables show the variance to ECL that would be expected if the given scenario unfolded rather than the weighted position the provision is based on. At 30 June 2021, the implied weighted unemployment rate is 7.9%. A downturn only scenario with an 8.0% unemployment rate would increase the provision by £0.2m, whilst the upturn scenario would create a reduction of £3.9m, base case a reduction of £1.8m and the severe downturn an increase in the ECL allowance of £3.0m.

The sensitivity to each of the scenarios has reduced since year end, driven by improvements in forecast economic conditions across each scenario during the period. However, uncertainty remains around the timing and strength of economic recovery during the second half of 2021 and into 2022, which is reflected in the impact that a fully severe scenario weighting would have.

Credit grade information

Credit grade is the internal credit banding given to a customer at origination and is based on external credit rating information. The credit grading as at 30 June 2021 is as follows:

	Stage 1	Stage 2	Stage 3	30 June 2021	31 December 2020
	12- month ECL	Lifetime ECL	Lifetime ECL	Total	Total
	£m	£m	£m	£m	£m
Credit Grade*1					
Higher	244.5	62.0	—	306.5	269.6
Medium	99.5	14.3	—	113.8	94.1
Lower	23.1	2.2	—	25.3	17.0
Credit Impaired	—	—	23.8	23.8	21.1
Gross carrying amount	367.1	78.5	23.8	469.4	401.8

*1 Credit grade is the internal credit banding given to a customer at origination. This is based on external credit rating information

7b. Interest income

	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Loans and advances to customers	15.7	19.8	36.8

Interest receivable on loans and advances to customers is recognised in the Income Statement using the effective interest method, which calculates the amortised cost of the financial asset and allocates the interest income over the expected product life.

7c. Interest expense

	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Interest payable on Loan backed securities	2.7	3.2	6.2

Interest payable on other credit facilities	0.2	0.6	1.0
Total interest expense ^{*1}	2.9	3.8	7.2

*1 Interest paid in total during the year to date was £2.6 million (30 June 2020: £2.5 million, 31 December 2020: £5.2 million)

Interest expense represents the interest payable on loan backed securities through:

(i) a Special Purpose Entity (SPE) of £400.0 million (H1 2020: £400.0 million, FY 2020 £400.0 million), of which £299.6 million (H1 2020: £328.6; FY 2020: £260.7 million) was drawn down at 30 June 2021; and

(ii) funding specifically allocated to the Admiral Loans business, in the form of credit facilities of £120.0 million (H1 2020 £120.0 million, FY 2020 £120.0 million), of which £40.0 million (H1 2020: £66.5 million; FY 2020: £20.0 million) was drawn down at 30 June 2021.

Admiral Group also has a further credit facility of £100.0 million (H1 2020 £100.0 million, FY 2020 £100.0 million) of which £nil was drawn down at 30 June 2021 (H1 2020: £40.0 million; FY 2020: £nil).

8. Other Revenue

8a. Disaggregation of revenue

In the following tables, other revenue is disaggregated by major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £399.4 million (H1 2020: £288.5 million, FY 2020: £625.3 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

Major products/ service line	Six months ended 30 June 2021					Comparison (discontinued) ^{*2}	Total £m
	UK Insurance	International Insurance	Admiral Loans	Other (continuing)	Total (continuing)		
	£m	£m	£m	£m	£m		
Comparison ^{*1}	—	—	—	2.9	2.9	59.6	62.5
Instalment income	51.5	1.8	—	—	53.3	—	53.3
Fee and commission revenue	62.5	14.1	0.5	—	77.1	—	77.1
Revenue from law firm	13.4	—	—	—	13.4	—	13.4
Other	5.5	—	—	0.3	5.8	—	5.8
Total other revenue	132.9	15.9	0.5	3.2	152.5	59.6	212.1
Profit commission	187.1	0.2	—	—	187.3	—	187.3
Total other revenue and profit commission	320.0	16.1	0.5	3.2	339.8	59.6	399.4
Timing of revenue recognition							
Point in time	167.7	14.1	0.5	3.2	185.5	59.6	245.1
Over time	14.2	—	—	—	14.2	—	14.2
Revenue outside the scope of IFRS 15	138.1	2.0	—	—	140.1	—	140.1
	320.0	16.1	0.5	3.2	339.8	59.6	399.4

Major products/ service line	Re-presented Six months ended 30 June 2020					Comparison (discontinued) ^{*2}	Total £m
	UK Insurance	International Insurance	Admiral Loans	Other (continuing)	Total (continuing)		
	£m	£m	£m	£m	£m		
Comparison ^{*1}	—	—	—	3.0	3.0	77.7	80.7
Instalment income	48.4	2.0	—	—	50.4	—	50.4
Fee and commission revenue	78.6	12.8	0.9	—	92.3	—	92.3
Revenue from law firm	17.2	—	—	—	17.2	—	17.2
Other	3.0	—	—	0.3	3.3	—	3.3
Total other revenue	147.2	14.8	0.9	3.3	166.2	77.7	243.9

Profit commission	44.6	—	—	—	44.6	—	44.6
Total other revenue and profit commission	191.8	14.8	0.9	3.3	210.8	77.7	288.5
Timing of revenue recognition							
Point in time	120.7	12.8	0.9	3.3	137.7	77.7	215.4
Over time	17.7	—	—	—	17.7	—	17.7
Revenue outside the scope of IFRS 15	53.4	2.0	—	—	55.4	—	55.4
	191.8	14.8	0.9	3.3	210.8	77.7	288.5

Year ended 31 December 2020

	UK International Insurance £m	Admiral Insurance £m	Loans £m	Other £m	Total (continuing) £m	Comparison (discontinued)* ² £m	Total £m
Major products/ service line							
Comparison* ¹	—	—	—	5.9	5.9	161.9	167.8
Instalment income	102.4	4.0	—	—	106.4	—	106.4
Fee and commission revenue	155.3	21.8	1.6	—	178.7	—	178.7
Revenue from law firm	26.7	—	—	—	26.7	—	26.7
Other	11.1	—	—	0.6	11.7	—	11.7
Total other revenue	295.5	25.8	1.6	6.5	329.4	161.9	491.3
Profit commission	132.4	1.6	—	—	134.0	—	134.0
Total other revenue and profit commission	427.9	27.4	1.6	6.5	463.4	161.9	625.3
Timing of revenue recognition							
Point in time	267.1	21.8	1.6	6.5	297.0	161.9	458.9
Over time	28.4	—	—	—	28.4	—	28.4
Revenue outside the scope of IFRS 15	132.4	5.6	—	—	138.0	—	138.0
	427.9	27.4	1.6	6.5	463.4	161.9	625.3

*1 – Comparison revenue excludes £7.7 million (30 June 2020: £10.0 million, 31 December 2020: £22.2 million) of income from other Group companies, including £7.6 million (30 June 2020: £9.9 million, 31 December 2020: £22.0 million) from discontinued operations

*2 – See note 13 for further detail on discontinued operations

Instalment income is recognised applying the effective interest rate over the term of the policy, and is outside the scope of IFRS 15. Profit commission from reinsurers is recognised under IFRS 4, and is discussed further in note 5 to the financial statements.

9. Expenses

9a. Operating expenses and share scheme charges

30 June 2021

	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Continuing operations			
Acquisition of insurance contracts	89.5	(56.3)	33.2
Administration and other marketing costs (insurance contracts)	229.6	(165.6)	64.0
Insurance contract expenses	319.1	(221.9)	97.2
Administration and other marketing costs (other)	74.5	—	74.5
Share scheme charges	47.2	(16.6)	30.6
Movement in the expected credit loss provision	5.1	—	5.1
Total expenses and share scheme charges – continuing operations	445.9	(238.5)	207.4

Re-presented
30 June 2020

	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Continuing operations			
Acquisition of insurance contracts	80.1	(52.6)	27.5
Administration and other marketing costs (insurance contracts)	217.9	(158.2)	59.7
Insurance contract expenses	298.0	(210.8)	87.2
Administration and other marketing costs (other)	63.0	—	63.0
Share scheme charges	33.7	(12.4)	21.3
Movement in expected credit loss provision	18.6	—	18.6
Total expenses and share scheme charges – continuing operations	413.3	(223.2)	190.1

31 December 2020

	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Continuing operations			
Acquisition of insurance contracts	166.2	(106.8)	59.4
Administration and other marketing costs (insurance contracts)	437.4	(321.0)	116.4
Insurance contract expenses	603.6	(427.8)	175.8
Administration and other marketing costs (other)	131.3	—	131.3
Share scheme charges	79.7	(28.8)	50.9
Movement in expected credit loss provision	33.6	—	33.6
Total expenses and share scheme charges – continuing operations	848.2	(456.6)	391.6

The £64.0 million (H1 2020: £59.7 million, FY 2020: £116.4 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Continuing operations			
Expenses relating to additional products and fees	43.0	42.2	80.6
Loans expenses (excluding movement on ECL provision)	9.8	8.8	16.8
Other expenses	21.7	12.0	33.9
Total	74.5	63.0	131.3

Refer to note 14 for a reconciliation between insurance contract expenses and the reported expense ratio.

9b. Staff share schemes

Total share scheme costs for the continuing operations of the Group are analysed below:

	SIP ^{*1} charge		DFSS ^{*2} charge		30 June 2021 Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
	IFRS 2 charge for equity settled share schemes	8.7	5.8	22.0	14.3	30.7
IFRS 2 charge for cash settled share schemes	—	—	2.5	1.4	2.5	1.4
Total IFRS 2 charge	8.7	5.8	24.5	15.7	33.2	21.5
Social security costs on IFRS 2 charge	0.6	0.4	5.7	3.9	6.3	4.3
Discretionary bonus on shares allocated but unvested	—	—	7.7	4.8	7.7	4.8
Total share scheme charges	9.3	6.2	37.9	24.4	47.2	30.6

	Re-presented 30 June 2020					
	SIP ^{*1} charge		DFSS ^{*2} charge		Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
IFRS 2 charge for equity settled share schemes	8.5	5.7	15.2	9.5	23.7	15.2
IFRS 2 charge for cash settled share schemes	—	—	1.2	0.7	1.2	0.7
Total IFRS 2 charge	8.5	5.7	16.4	10.2	24.9	15.9
Social security costs	0.9	0.5	2.7	1.8	3.6	2.3
Discretionary bonus on shares allocated but unvested	—	—	5.2	3.1	5.2	3.1
Total share scheme charges	9.4	6.2	24.3	15.1	33.7	21.3

	Re-presented 31 December 2020					
	SIP ^{*1} charge		DFSS ^{*2} charge		Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
IFRS 2 charge for equity settled share schemes	17.3	11.6	34.3	21.8	51.6	33.4
IFRS 2 charge for cash settled share schemes	—	—	3.9	2.2	3.9	2.2
Total IFRS 2 charge	17.3	11.6	38.2	24.0	55.5	35.6
Social security costs on IFRS 2 charge	1.7	1.1	8.4	5.7	10.1	6.8
Discretionary bonus on shares allocated but unvested	—	—	14.1	8.5	14.1	8.5
Total share scheme charges	19.0	12.7	60.7	38.2	79.7	50.9

*1 – Share Incentive Plan

*2 – Discretionary Free Share Scheme

For equity settled schemes, the charge, which reflects the fair value of the employee services received in exchange for the grant of the free shares, is recognised as an expense, with a corresponding increase in equity, as shown in the Consolidated Statement of Changes in Equity of £33.2 million (H1 2020: £24.9 million, FY 2020: £53.8 million).

For the cash settled schemes, the expense recognised for the fair value of services received results in a corresponding increase in liabilities.

Net share scheme charges are presented after allocations to co-insurers (in the UK and Italy) and reinsurers (in the International Insurance businesses). The proportion of net to gross share scheme charges would be expected to be consistent in each period, at approximately 65%.

1. Taxation

10a. Taxation

	Re-presented		
	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Continuing operations			
Current tax			
Corporation tax on profits for the year	81.7	44.1	101.6
Under provision relating to prior periods	7.1	—	0.6
Current tax charge	88.8	44.1	102.2
Deferred tax			
Current period deferred taxation movement	(0.6)	(3.8)	4.0
Under provision relating to prior periods	—	—	—
Total tax charge per Consolidated Income Statement	88.2	40.3	106.2

Factors affecting the total tax charge are:

	Re-presented		
	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Continuing operations			
Profit before tax	482.2	274.4	608.2

Corporation tax thereon at effective UK corporation tax rate of 19.0% (2020: 19.0%)	91.6	52.1	115.5
Expenses and provisions not deductible for tax purposes	(0.1)	—	0.7
Non-taxable income	(3.7)	(5.8)	(10.5)
Impact of change in UK tax rate on deferred tax balances	2.6	(0.7)	0.4
Adjustments relating to prior periods	7.1	—	0.6
Impact of different overseas tax rates	(10.4)	(5.8)	(1.6)
Unrecognised deferred tax	1.1	0.5	1.1
Total tax charge for the period as above	88.2	40.3	106.2

The outstanding corporation tax payable for continuing operations as at 30 June 2021 was £14.3 million (30 June 2020: £10.3 million; 31 December 2020: corporate tax receivable of £22.9 million). See note 13 for details of the corporation tax charge on discontinued operations, and the related corporation tax balance as at 30 April 2021.

10b. Deferred income tax asset/ (liability)

The average effective rate of tax for 2021 is 19.0% (2020: 19.0%).

The deferred tax asset at 30 June 2021 has been calculated based on the rate at which each timing difference is most likely to reverse.

At 30 June 2021, the Group had unused tax losses amounting to £241.7 million (H1 2020: £233.6 million, FY 2020: £236.8 million), relating to the Group's US businesses Elephant Auto and compare.com, for which no deferred tax asset has been recognized.

11. Other Assets and Other Liabilities

11a. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	ROU Asset – Leasehold buildings £m	Total £m
Cost						
At 1 January 2020	33.4	71.4	22.4	10.6	134.4	272.2
Additions	1.5	5.4	0.2	0.7	0.3	8.1
Disposals	—	—	(0.4)	(0.1)	(0.8)	(1.3)
Foreign exchange and other movements	0.3	0.5	0.4	0.2	1.5	2.9
At 30 June 2020	35.2	77.3	22.6	11.4	135.4	281.9
Depreciation						
At 1 January 2020	19.8	58.7	18.4	9.1	11.8	117.8
Charge for the year	1.7	3.4	1.1	0.6	6.0	12.8
Disposals	—	—	(0.2)	(0.1)	(0.1)	(0.4)
Foreign exchange and other movements	0.2	0.3	0.1	0.1	0.3	1.0
At 30 June 2020	21.7	62.4	19.4	9.7	18.0	131.2
Net book amount						
At 1 January 2020	13.6	12.7	4.0	1.5	122.6	154.4
At 30 June 2020	13.5	14.9	3.2	1.7	117.4	150.7
Cost						
At 1 January 2020	33.4	71.4	22.4	10.6	134.4	272.2
Transfer of assets associated with disposal group held for sale	(1.2)	(6.2)	(0.9)	(0.2)	(5.5)	(14.0)
Additions	3.1	14.1	0.8	0.2	0.1	18.3
Impairment	—	—	—	—	(3.1)	(3.1)
Disposals	—	(0.6)	—	(0.3)	(1.8)	(2.7)
Foreign exchange and other movements	0.7	(0.1)	0.3	(0.1)	0.1	0.9
At 31 December 2020	36.0	78.6	22.6	10.2	124.2	271.6
Depreciation						
At 1 January 2020	19.8	58.7	18.4	9.1	11.8	117.8
Transfer of depreciation associated with disposal group held for sale	(0.6)	(5.2)	(0.5)	(0.2)	(1.6)	(8.1)

Charge for the year	3.7	6.8	1.8	0.5	10.8	23.6
Disposals	—	(0.7)	—	(0.2)	(1.5)	(2.4)
Foreign exchange and other movements	0.1	—	0.3	(0.1)	—	0.3
At 31 December 2020	23.0	59.6	20.0	9.1	19.5	131.2
Net book amount						
At 31 December 2020	13.0	19.0	2.6	1.1	104.7	140.4
Cost						
At 1 January 2021	36.0	78.6	22.6	10.2	124.2	271.6
Additions	1.0	5.1	0.2	0.3	1.3	7.9
Disposals	—	—	—	(0.1)	(5.0)	(5.1)
Foreign exchange and other movements	(0.3)	(0.2)	(0.2)	(0.1)	0.3	(0.5)
At 30 June 2021	36.7	83.5	22.6	10.3	120.8	273.9
Depreciation						
At 1 January 2021	23.0	59.6	20.0	9.1	19.5	131.2
Charge for the year	2.3	4.1	0.6	0.2	4.8	12.0
Disposals	—	—	—	(0.1)	—	(0.1)
Foreign exchange and other movements	(0.1)	(0.2)	(0.2)	—	(0.3)	(0.8)
At 30 June 2021	25.2	63.5	20.4	9.2	24.0	142.3
Net book amount						
At 30 June 2021	11.5	20.0	2.2	1.1	96.8	131.6

11b. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software* ¹ £m	Total £m
At 1 January 2020	62.3	24.8	73.2	160.3
Additions	—	28.5	7.5	36.0
Amortisation charge	—	(27.7)	(8.9)	(36.6)
Disposals	—	—	—	—
Transfers	—	—	—	—
Foreign exchange movement	—	0.9	1.6	2.5
At 30 June 2020	62.3	26.5	73.4	162.2
At 1 January 2020	62.3	24.8	73.2	160.3
Additions	—	61.3	24.8	86.1
Amortisation charge	—	(59.0)	(19.2)	(78.2)
Disposals	—	—	(1.2)	(1.2)
Transfer of assets associated with disposal group held for sale	—	—	(1.2)	(1.2)
Foreign exchange movement	—	0.2	0.7	0.9
At 31 December 2020	62.3	27.3	77.1	166.7
Additions	—	31.3	20.7	52.0
Amortisation charge	—	(31.3)	(8.4)	(39.7)
Disposals	—	—	—	—
Transfers	—	—	—	—
Foreign exchange movement	—	(0.6)	(1.0)	(1.6)
At 30 June 2021	62.3	26.7	88.4	177.4

*1 Software additions relating to internal development are immaterial in both 2021 and 2020. Gross carrying amount and accumulated amortisation of software as at 30 June 2021 are £203.3 million (30 June 2020: £178.8 million; 31 December 2020: £184.8 million) and £114.9 million respectively (30 June 2020: £105.3 million; 31 December 2020: £107.7 million).

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. The amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. Refer to the accounting policy for goodwill in the 2020 financial statements for further information.

An analysis of deferred acquisition costs is given in the table below:

	Gross £m	Reinsurance £m	Total £m
At 1 January 2020	74.6	(49.8)	24.8
Additions	77.9	(49.4)	28.5
Amortisation	(81.8)	54.1	(27.7)
Foreign exchange movement	2.4	(1.5)	0.9
At 30 June 2020	73.1	(46.6)	26.5
At 1 January 2020	74.6	(49.8)	24.8
Additions	168.4	(107.1)	61.3
Amortisation	(166.4)	107.4	(59.0)
Foreign exchange movement	1.0	(0.8)	0.2
At 31 December 2020	77.6	(50.3)	27.3
Additions	85.3	(54.0)	31.3
Amortisation	(85.1)	53.8	(31.3)
Foreign exchange movement	(1.4)	0.8	(0.6)
At 30 June 2021	76.4	(49.7)	26.7

11c. Trade and other payables

	30 June 2021 £m	Restated 30 June 2020*1 £m	31 December 2020 £m
Trade payables	40.5	30.9	34.9
Amounts owed to co-insurers	128.3	198.3	240.9
Amounts owed to reinsurers	1,131.0	1,067.6	1,262.8
Other taxation and social security liabilities	80.7	79.6	72.9
Other payables	151.5	168.2	135.6
Accruals and deferred income	251.8	233.2	244.1
Total trade and other payables	1,783.8	1,777.8	1,991.2

*1 Other payables and accruals and deferred income balances in H1 2020 have been restated to better reflect the nature of the underlying balances. Of amounts owed to reinsurers, £1,029.9 million (H1 2020: £949.2 million, FY 2020: £1,175.1 million) is held under funds withheld arrangements.

11d. Contingent liabilities

The Group's legal entities operate in numerous tax jurisdictions and on a regular basis are subject to review and enquiry by the relevant tax authority.

One of the Groups' previously owned subsidiaries was subject to a Spanish Tax Audit which concluded with the Tax Authority denying the application of the VAT exemption relating to insurance intermediary services. The company has appealed this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe. Whilst the company is no longer part of the Admiral Group, the contingent liability which the company is exposed to has been indemnified by the Admiral Group up to a cap of £22 million.

The Group is also in discussions with tax authorities in Italy and Spain on various corporate tax matters. To date these discussions have focused primarily on the transfer pricing and cross-border arrangements in place between the Group's intermediaries and insurers.

No provision has been made in these Financial Statements in relation to the matters noted above.

The Group is, from time to time, subject to threatened or actual litigation and/or legal and/or regulatory disputes, investigations or similar actions both in the UK and overseas. All potentially material matters are assessed, with the assistance of external advisers if appropriate, and in cases where it is concluded that it is more likely than not that a payment will be made, a provision is established to reflect the best estimate of the liability. In some cases it will not be possible to form a view, for example if the facts are unclear or because further time is needed to properly assess the merits of the case. In these circumstances, specific disclosure of a contingent liability will be made where material.

The Directors do not consider that the final outcome of any such current case will have a material adverse effect on the Group's financial position, operations or cash flows, and no material provisions are currently held in relation to such matters.

12. Dividends, Earnings and Share Capital

12a. Dividends

Dividends were proposed, approved and paid as follows.

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Proposed, March 2020 (56.3p approved April 2020 and paid June 2020)*1	—	162.3	162.3

Declared August 2020 (91.2 pence per share, including 20.7 pence per share deferred, paid October 2020)	—	—	263.4
Proposed, March 2021 (86.0 pence per share, approved April 2021 and paid June 2021)	250.8	—	—
Total	250.8	162.3	425.7

*1 56.3 pence of proposed 2019 final dividend of 77.0 pence was approved in April 2020 and paid in June 2020, with the remaining special dividend of 20.7 pence per share being deferred and later paid in October 2020

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2019 and 2020 financial years. The dividend declared in August reflects the 2020 interim dividend.

A 2021 interim dividend of 161.0 pence per share (approximately £469 million) has been declared, reflecting 115.0 pence per share relating to continuing operations, and 46.0 pence per share as the first special dividend relating to the disposal of the Penguin Portal comparison businesses.

12b. Earnings per share

	30 June 2021 £m	Re-presented	
		30 June 2020 £m	31 December 2020 £m
Profit for the financial year after taxation attributable to equity shareholders – continuing operations	394.7	234.4	502.9
Profit for the financial year after taxation attributable to equity shareholders – discontinued operations	412.9	9.3	25.9
Profit for the financial year after taxation attributable to equity shareholders – continuing and discontinued operations	807.6	243.7	528.8

Weighted average number of shares – basic	296,881,162	293,877,486	294,563,978
Unadjusted earnings per share – basic – continuing operations	132.9p	79.7p	170.7p
Unadjusted earnings per share – basic – discontinued operations	139.1p	3.2p	8.8p
Unadjusted earnings per share – basic – continuing and discontinued operations	272.0p	82.9p	179.5p
Weighted average number of shares – diluted	297,315,818	294,464,776	295,034,233
Unadjusted earnings per share – diluted – continuing operations	132.7p	79.6p	170.4p
Unadjusted earnings per share – diluted – discontinued operations	138.9p	3.2p	8.8p
Unadjusted earnings per share – diluted – continuing and discontinued operations	271.6p	82.8p	179.2p

The difference between the basic and diluted number of shares at the end the period (being 434,656; 30 June 2020: 587,290 31 December 2020: 470,255) relates to awards committed, but not yet issued under the Group's share schemes.

12c. Share capital

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Authorised			
500,000,000 ordinary shares of 0.1 pence	0.5	0.5	0.5
Issued, called up and fully paid			
296,692,063 ordinary shares of 0.1p	—	—	0.3
294,037,749 ordinary shares of 0.1p	—	0.3	—
297,021,168 ordinary shares of 0.1p	0.3	—	—

During the first half of 2021, 329,105 (HY 2020: 351,420; FY 2020: 3,005,734) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

329,105 (HY 2020: 351,420; FY 2020: 775,734) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme.

No shares (HY 2020: nil; FY 2020: 2,250,000) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme.

12d. Objectives, policies and procedures for managing capital

The Group manages its capital to ensure that all entities within the Group can continue as going concerns and to ensure that regulated entities comfortably meet regulatory requirements. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

Refer to the financial review for further information about the Group's capital structure and financial position.

12e. Related party transactions

Details relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration Report within the Group's 2020 Annual Report. Key management personnel can obtain discounted motor insurance at the same rates as all other Group staff.

The Board considers that Executive and Non-Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive and Non-Executive Directors is disclosed in the Directors' Remuneration Report in the 2020 Annual Report.

13. Discontinued Operations

13a. Background

On 29 December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ("RVU") that RVU would purchase the Penguin Portals Group ("Penguin Portals", comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ("Preminen"). MAPFRE would also sell its 25% holding in Rastreator and 50% holding in Preminen as part of the transaction.

As such, management considered these entities to meet the definition of a disposal group as set out under IFRS 5 above. The disposal group is included within the "Discontinued (comparison)" operating segment as stated in note 4.

On 30 April 2021, the Group announced that, following regulatory and competition authority approvals, RVU had completed the purchase of the Penguin Portals Group and Admiral's 50% share of Preminen. MAPFRE also sold its 25% holding in Rastreator and 50% holding in Preminen to RVU. The total transaction value was settled in cash on completion.

13b. Financial performance

Financial information relating to the discontinued operations for the period ending 30 June 2021 and 2020 are presented below. The results for the period ending 30 June 2021 relates to the period prior to completion on 30 April 2021, and the gain recognised on disposal.

	30 June 2021			30 June 2020		
	Gross £m	Eliminations £m	Net £m	Gross £m	Eliminations £m	Net £m
Revenue	67.2	(7.6)	59.6	87.6	(9.9)	77.7
Net Revenue	67.2	(7.6)	59.6	87.6	(9.9)	77.7
Operating expenses and share scheme charges	(55.8)	7.6	(48.2)	(75.9)	9.9	(66.0)
Operating profit	11.4	—	11.4	11.7	—	11.7
Finance costs	(0.1)	—	(0.1)	—	—	—
Gain on disposal sale of Comparison entities held for sale	404.4	—	404.4	—	—	—
Profit before tax from discontinued operations	415.7	—	415.7	11.7	—	11.7
Taxation expense	(2.3)	—	(2.3)	(2.8)	—	(2.8)
Profit after tax from discontinued operations	413.4	—	413.4	8.9	—	8.9

	31 December 2020		
	Gross	Eliminations	Net
	£m	£m	£m
Revenue	183.9	(22.0)	161.9
Net Revenue	183.9	(22.0)	161.9
Operating expenses and share scheme charges	(154.4)	22.0	(132.4)
Operating profit	29.5	—	29.5
Finance costs	(0.1)	—	(0.1)
Profit before tax from discontinued operations	29.4	—	29.4
Taxation expense	(3.6)	—	(3.6)
Profit after tax from discontinued operations	25.8	—	25.8

Operating expenses and share scheme charges include £0.5 million (HY 2020: £1.6 million, FY 2020: £3.1 million) of share scheme expenses that are not included in the segmental result in note 4.

13c. Assets disposed of

Consideration received consisted of cash only and was received at the point of completion. The total consideration received by the Group in cash was £471.8 million. This excludes any costs incurred by the Group in relation to the sale. The total gain on disposal is £404.4 million.

The carrying amount of assets and liabilities as at the date of sale (30 April 2021) were:

	30 April 2021
	£m
Assets	
Property, plant and equipment	5.4
Intangible assets	1.1
Deferred tax asset	4.2
Trade and other receivables	41.9
Corporation tax asset	0.2
Cash and cash equivalents	41.3
Total Assets	94.1
Liabilities	
Trade payables and other liabilities	33.3
Lease Liabilities	3.6
Total liabilities	36.9
Net Assets	57.2

13d. Gain on disposal

	30 June 2021
	£m
Gross sales proceeds	508.1
Accrued sale proceeds less dividends received prior to disposal and costs to sell recharged from purchaser	(7.4)
Non-controlling interest share of sales proceeds	(28.9)
Total Admiral Group cash received (note 13c)	471.8
Costs to sell incurred by seller, out of proceeds	(17.6)
Proceeds to Admiral, net of minority interests and transaction costs	454.2
Assets held for sale (Note 13c)	(57.2)
Non-controlling interest share of assets held for sale	6.6
Other adjustments	0.8
Gain on disposal of comparison entities held for sale	404.4

14. Reconciliations

The following tables reconcile significant Key Performance Indicators (KPIs) and Alternative Performance Measures (APMs) included in the financial review above to items included in the financial statements.

14a. Reconciliation of turnover to reported total premiums written and other revenue as per the financial statements

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Gross premiums written after co-insurance per note 5a of financial statements	1,253.9	1,119.8	2,344.0
Premiums underwritten through co-insurance arrangements	299.2	279.5	613.2
Total premiums written	1,553.1	1,399.3	2,957.2
Other Revenue* ¹	152.5	166.2	329.4
Admiral Loans interest income and other fee income	15.7	19.8	36.8
	1,721.3	1,585.3	3,323.4
Other* ²	25.1	16.6	42.4
Turnover as per note 4 of financial statements * ³	1,746.4	1,601.9	3,365.8
Intra-group income elimination* ⁴	0.1	0.1	0.2
Total turnover * ¹ * ³	1,746.5	1,602.0	3,366.0

*1 Continuing operations

*2 Other reconciling items represent co-insurer and reinsurer shares of Other Revenue in the Group's Insurance businesses outside of UK Car Insurance

*3 See note 14d for the impact of the "Stay at home" premium refund issued to UK motor insurance customers on Turnover in H1 2020.

*4 Intra-group income elimination related to comparison income earned by compare.com from other Group entities.

14b. Reconciliation of claims incurred to reported loss ratio, excluding releases on commuted reinsurance

	UK Motor £m	UK Home £m	UK other* ¹ £m	UK Total £m	Int. Car £m	Int. Other £m	Int. Total £m	Other £m	Group £m
June 2021									
Net insurance claims	(16.6)	14.7	10.0	8.1	82.1	2.5	84.6	3.1	95.8
Deduct claims handling costs	(6.1)	(0.7)	—	(6.8)	(4.4)	—	(4.4)	(0.1)	(11.3)
Prior year release/strengthening – net original share	81.1	1.2	—	82.3	6.5	—	6.5	—	88.8
Prior year release/strengthening – commuted share	118.3	0.8	—	119.1	—	—	—	—	119.1
Impact of reinsurer caps	—	—	—	—	0.7	—	0.7	—	0.7
Attritional current period claims	176.7	16.0	10.0	202.7	84.9	2.5	87.4	3.0	293.1
Net insurance premium revenue	242.4	23.3	29.9	295.6	111.7	4.3	116.0	4.6	416.2
Loss ratio – current period attritional	72.9%	68.8%	—	—	76.0%	—	—	—	70.4%
Loss ratio – prior year release/strengthening (net original share)	(33.5%)	(5.2%)	—	—	(5.8%)	—	—	—	(21.3%)
Loss ratio – reported	39.4%	63.6%	—	—	70.2%	—	—	—	49.1%

	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Car £m	Int. Other £m	Int. Total £m	Other £m	Group £m
June 2020									
Net insurance claims	48.9	15.0	12.3	76.2	63.3	1.8	65.1	—	141.3
Deduct claims handling costs	(5.9)	(0.6)	—	(6.5)	(4.8)	—	(4.8)	—	(11.3)
Prior year release/strengthening – net original share	64.2	2.8	—	67.0	11.7	—	11.7	—	78.7

Prior year release/strengthening – commuted share	60.0	—	—	60.0	—	—	—	60.0
Impact of reinsurer caps	—	—	—	—	1.8	—	1.8	1.8
Impact of weather events	—	(2.3)	—	(2.3)	—	—	—	(2.3)
Attritional current period claims	167.2	14.9	12.3	194.4	72.0	1.8	73.8	268.2
Net insurance premium revenue	208.5	20.9	22.3	251.7	95.5	3.6	99.1	350.8
Loss ratio – current period attritional	80.2%	71.3%	—	—	75.4%	—	—	76.4%
Loss ratio – current period weather events	—	11.1%	—	—	—	—	—	0.7%
Loss ratio – prior year release/strengthening (net original share)	(30.8%)	(13.4%)	—	—	(12.2%)	—	—	(22.4%)
Loss ratio – reported	49.4%	69.0%	—	—	63.2%	—	—	54.7%

	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Car £m	Int. Other £m	Int. Total £m	Group £m
December 2020								
Net insurance claims	97.1	29.3	23.8	150.2	139.3	3.7	143.0	293.2
Deduct claims handling costs	(12.3)	(1.3)	—	(13.6)	(9.8)	—	(9.8)	(23.4)
Prior year release/strengthening – net original share	104.3	2.8	—	107.1	18.6	—	18.6	125.7
Prior year release/strengthening – commuted share	137.3	—	—	137.3	—	—	—	137.3
Impact of reinsurer caps	—	—	—	—	1.9	—	1.9	1.9
Impact of weather events	—	(2.3)	—	(2.3)	—	—	—	(2.3)
Attritional current period claims	326.4	28.5	23.8	378.7	150.0	3.7	153.7	532.4
Net insurance premium revenue	451.4	43.2	45.2	539.8	204.2	7.6	211.8	751.6
Loss ratio – current period attritional	72.3%	65.9%	—	70.2%	73.4%	—	—	70.8%
Loss ratio – current period weather events	—	5.3%	—	0.4%	—	—	—	0.3%
Loss ratio – prior year release/strengthening (net original share)	(23.1%)	(6.4%)	—	(19.8%)	(9.1%)	—	—	(16.7%)
Loss ratio – reported	49.2%	64.8%	—	50.8%	64.3%	—	—	54.4%

*1 'UK other' includes travel insurance and underwritten ancillaries; 'Int. other' includes underwritten ancillaries

14c. Reconciliation of expenses related to insurance contracts to reported expense ratio

	UK Motor £m	UK Home £m	UK Other £m*2	UK Total £m	Int. Car £m	Int. Other £m*2	Int. Total £m	Other	Group £m	
June 2021										
Net insurance expenses		39.8	6.9	1.8	48.5	44.5	1.8	46.3	2.4	97.2
Claims handling costs		6.1	0.7	—	6.8	4.4	—	4.4	0.1	11.3

Intra-group expenses elimination ^{*1}	—	—	—	—	0.1	—	0.1	—	0.1
Impact of reinsurer caps	—	—	—	—	—	—	—	—	—
Net IFRS 16 finance costs	0.1	—	—	0.1	0.1	—	0.1	—	0.2
Adjusted net insurance expenses	46.0	7.6	1.8	55.4	49.1	1.8	50.9	2.5	108.8

Net insurance premium revenue	242.4	23.3	29.9	295.6	111.7	4.3	116.0	4.6	416.2
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Expense ratio – reported	19.0%	32.5%	—	—43.9%	—	—	—	—	26.1%
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June 2020	UK Motor £m	UK Home £m	UK Other £m ^{*2}	UK Total £m	Int. Car £m	Int. Other £m ^{*2}	Int. Total £m	Group £m
Net insurance expenses	38.4	6.6	2.8	47.8	37.6	1.8	39.4	87.2
Claims handling costs	5.9	0.6	—	6.5	4.8	—	4.8	11.3
Intra-group expenses elimination ^{*1}	—	—	—	—	0.1	—	0.1	0.1
Impact of reinsurer caps	—	—	—	—	0.3	—	0.3	0.3
Net IFRS 16 finance costs	0.2	—	—	0.2	—	—	—	0.2
Adjusted net insurance expenses	44.5	7.2	2.8	54.5	42.8	1.8	44.6	99.1

Net insurance premium revenue	208.5	20.9	22.3	251.7	95.5	3.6	99.1	350.8
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Expense ratio – reported	21.3%	34.2%	—	—	44.8%	—	—	28.3%
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December 2020	UK Motor £m	UK Home £m	UK Other £m ^{*2}	UK Total £m	Int. Car £m	Int. Other £m ^{*2}	Int. Total £m	Group £m
Net insurance expenses	76.7	11.4	5.2	93.3	78.5	4.0	82.5	175.8
Claims handling costs	12.3	1.3	—	13.6	9.8	—	9.8	23.4
Intra-group expenses elimination ^{*1}	—	—	—	—	0.2	—	0.2	0.2
Impact of reinsurer caps	—	—	—	—	1.1	—	1.1	1.1
Net IFRS 16 finance costs	0.5	—	—	0.5	0.1	—	0.1	0.6
Adjusted net insurance expenses	89.5	12.7	5.2	107.4	89.7	4.0	93.7	201.1

Net insurance premium revenue	451.4	43.2	45.2	539.8	204.2	7.6	211.8	751.6
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Expense ratio – reported	19.8%	29.4%	—	19.9%	43.9%	—	—	26.8%
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*1 The intra-group expenses elimination amount relates to aggregator fees charges by the Group's comparison entities to other Group companies: given the re-presentation of other comparison businesses to discontinued operations, those expenses are now included in net insurance expenses in note 9, as acquisition costs

*2 'UK other' includes travel insurance and underwritten ancillaries; 'Int. other' includes underwritten ancillaries

14d. Reconciliation of Impact of "Stay at Home" premium refund issued to UK motor insurance customers on Turnover, Total written premiums, Gross written premiums and net insurance premium revenue

**30 June and
31 December 20
£m**

Total “stay at home” premium refund issued to UK motor insurance customers	110.0
Insurance premium tax	(12.7)
Impact of premium refund on turnover and total written premium	97.3
Co-insurer share of premium refund	(27.3)
Impact of premium refund on gross written premium and gross earned premium	70.0
Reinsurer share of premium refund on reinsurers’ written and earned premium	(48.9)
Impact of premium refund on net insurance premium revenue (written and earned)	21.1

There is no impact of the premium refund on Turnover, Total written premiums, Gross written premiums or net insurance premium revenue in the period ended 30 June 2021.

15. Statutory Information

The financial information above does not constitute the Company's statutory accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditors have reported on the statutory accounts for 2020, and their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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.

Glossary

Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Annual Report and financial statements to better understand the Group’s performance in the period in comparison to previous periods and the Group’s competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. Non-financial KPIs incorporate information that cannot be derived from the financial statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group’s competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover

Turnover is defined as total premiums written (as below), other revenue and income from Admiral Loans. It is reconciled to financial statement line items in note 14a to the financial statements. It has been redefined in the current period to exclude revenue from discontinued operations.

This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group.

The measure was developed as a result of the Group’s business model. The UK Car insurance business has historically shared a significant proportion of the risks with Munich Re, a third party reinsurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group’s international insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group’s income statement and therefore presentation of this metric enables users of the Annual Report to see the scale of the Group’s insurance operations in a way not possible from taking the income statement in isolation.

In 2020 a “Stay at Home” premium rebate of £25 per vehicle was issued to UK motor insurance customers. The total refunded was £110 million. Of this total, £97 million was reflected within the 2020 total premiums written, and therefore, turnover metric, with the remaining amount reflecting insurance premium tax.

Total Premiums Written

Total premiums written are the total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co-insurance. It is reconciled to financial statement line items in note 14a to the financial statements.

This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time.

The reasons for presenting this measure are consistent with that for the Turnover APM noted above.

As noted in the Turnover metric above, in 2020 a reduction of £97 million has been reflected within 2020 total premiums written, to reflect the "Stay at Home" premium rebate.

Group profit before tax	Group's profit before tax represents profit before tax from continuing and discontinued operations.
Underwriting result (profit or loss)	For each insurance business an underwriting result is presented showing the segment result prior to the inclusion of profit commission, other income contribution and instalment income. It demonstrates the insurance result, i.e. premium revenue and investment income on insurance assets less claims incurred and insurance expenses.
Loss Ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.

There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 14b to the accounts and explanation is as follows.

UK reported motor loss ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the impact of reserve releases on commuted reinsurance contracts and ii) exclude claims handling costs that are reported within claims costs in the income statement.

International insurance loss ratio: As for the UK Motor loss ratio, the international insurance loss ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to exclude the claims element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer claims costs would distort the underlying performance of the business.

Group loss ratios: Group loss ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) exclude the impact of reserve releases on commuted reinsurance contracts, ii) exclude claims handling costs that are reported within claims costs in the income statement and iii) exclude the claims element of the impact of international reinsurer caps.

Expense Ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.
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There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 14c to the accounts and explanation is as follows.

UK reported motor expense ratio: Within the UK insurance segment the Group separately presents

motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) include claims handling costs that are reported within claims costs in the income statement and ii) include intra-group aggregator fees charged by the UK comparison business to the UK insurance business.

International insurance expense ratio: As for the UK Motor loss ratio, the international insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business and ii) include intra-group aggregator fees charged by the overseas comparison businesses to the international insurance businesses.

Group expense ratios: Group expense ratios are reported on a consistent basis as the UK and international ratios noted above. Adjustments are made to i) include claims handling costs that are reported within claims costs in the income statement, ii) include intra-group aggregator fees charged by the Group's comparison businesses to the Group's insurance businesses and iii) exclude the expense element of the impact of international reinsurer caps.

Combined Ratio	Reported combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 14b and 14c.
Return on Equity	Return on equity is calculated as profit after tax from continuing operations for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year excluding any net assets related to discontinued operations, including the exclusion of the net proceeds from sale still to be distributed. This average is determined by dividing the opening and closing positions for the year by two. It has been redefined in the current period to exclude the impact of discontinued operations.
Group Customers	Group customer numbers reflect the total number of cars, households and vans on cover at the end of the year, across the Group, and the total number of travel insurance and loans customers. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing significance to the Group of the different lines of business and geographic regions.
Effective Tax Rate	Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the income statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for its proportional share of the risks underwritten.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract.

The Group typically commutes UK motor insurance quota share contracts after 24-36 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable, the margin held in the financial statement claims reserves may mean that an accounting loss on commutation must be recognised at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.

Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the “underwriting cycle”).
Net claims	The cost of claims incurred in the period, less any claims costs recovered via salvage and subrogation arrangements or under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements in the UK.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A clause found in some reinsurance and coinsurance agreements that provides for profit sharing.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).
Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limited around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which an insurance policy was inceptioned.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies inceptioning in the relevant underwriting year.
Written/Earned basis	An insurance policy can be written in one calendar year but earned over a subsequent calendar year.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 *Interim Financial Reporting*;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the 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 year; and

b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Geraint Jones
Chief Financial Officer
10 August 2021

INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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

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 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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 formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
10 August 2021