



*'People who like what they do, do it better'*

# Admiral Group plc 2022 Half Year Results

10<sup>th</sup> August 2022

Overview & Strategic Outlook

Milena Mondini de Focatiis, Group CEO

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Group Financials

Geraint Jones, Group CFO

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UK Insurance

Cristina Nestares, UK Insurance CEO

Adam Gavin, Deputy UK Claims Director

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International Insurance

Costantino Moretti, Head of International Insurance

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Admiral Money

Scott Cargill, Admiral Money CEO

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Wrap Up

Milena Mondini de Focatiis, Group CEO

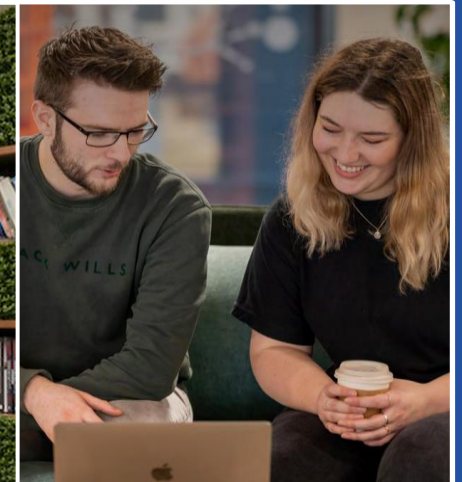
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Q&A

All

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# Operational Excellence



*We maintain our operational excellence with a culture of continuous improvement, decades of experience in claims handling, a cost-conscious culture and great customer service*

## Overview & Strategic Outlook

Milena Mondini de Focatiis, Group CEO

# Growth across the business with performance above pre-Covid level in a volatile and challenging environment

- Volatile markets over the past 6 months
  - Elevated inflation and partial unwind of frequency benefits
  - FCA reform and supply chain issues
- Performance underpinned by discipline and growth
  - Growth across all businesses, supported by high retention
  - Solid UK results, whilst maintaining our cautious reserving approach
  - Larger loss in US with substantial rate increases in response to inflation
- Strong progress on unchanged group strategy
  - Strengthened European positioning and channel expansion
  - Growth across all products
  - Admiral Money, break even achieved
- Admiral well positioned for the future
  - Strong motor price increases in Q2 ahead of the market
  - Early signs of market rate increases in H2 to cover inflation



Estimated H1 2022 motor claims inflation<sup>1</sup>



-17%

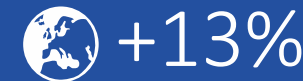
UK motor market new business sales vs H1 2021<sup>2</sup>



Admiral Group pre-tax profit vs H1 2019



Admiral UK motor retention vs H1 2021<sup>3</sup>



Admiral International motor customers vs H1 2021

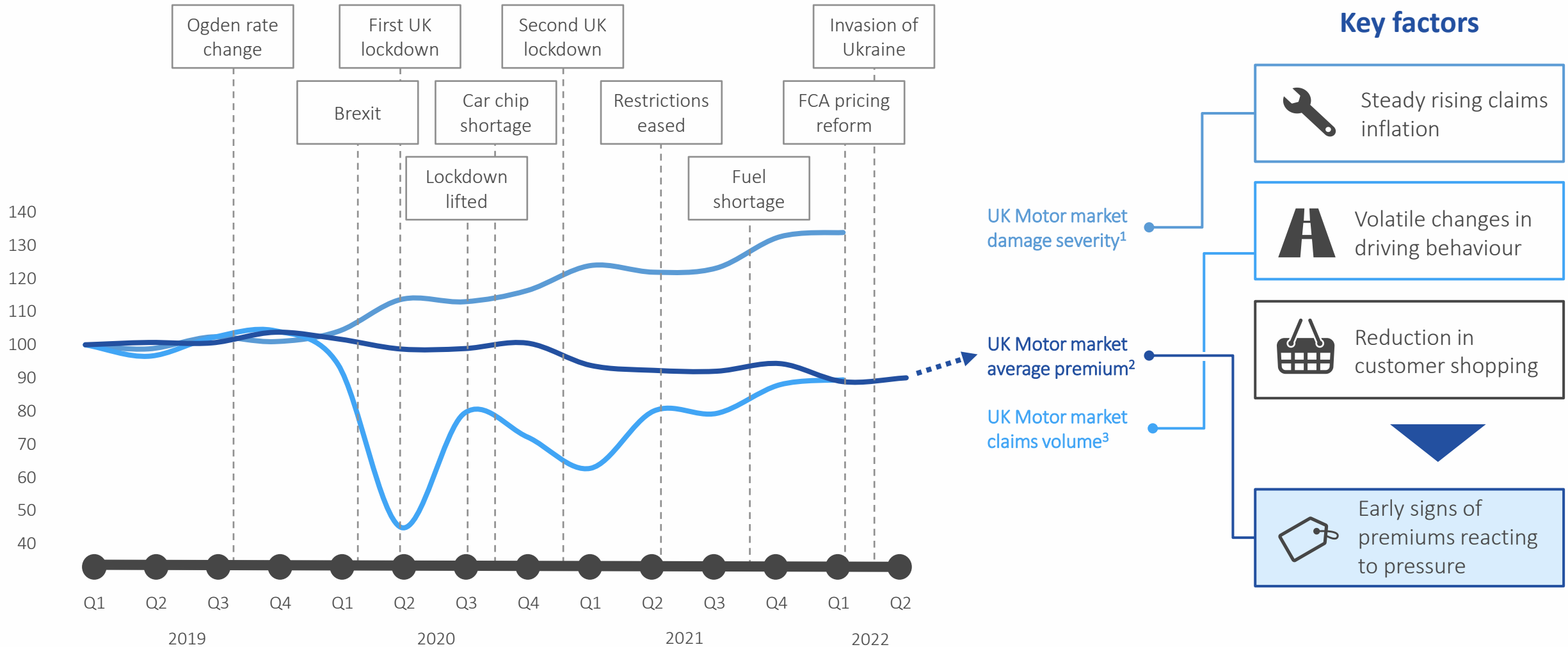


Customers beyond car insurance vs H1 2021<sup>4</sup>



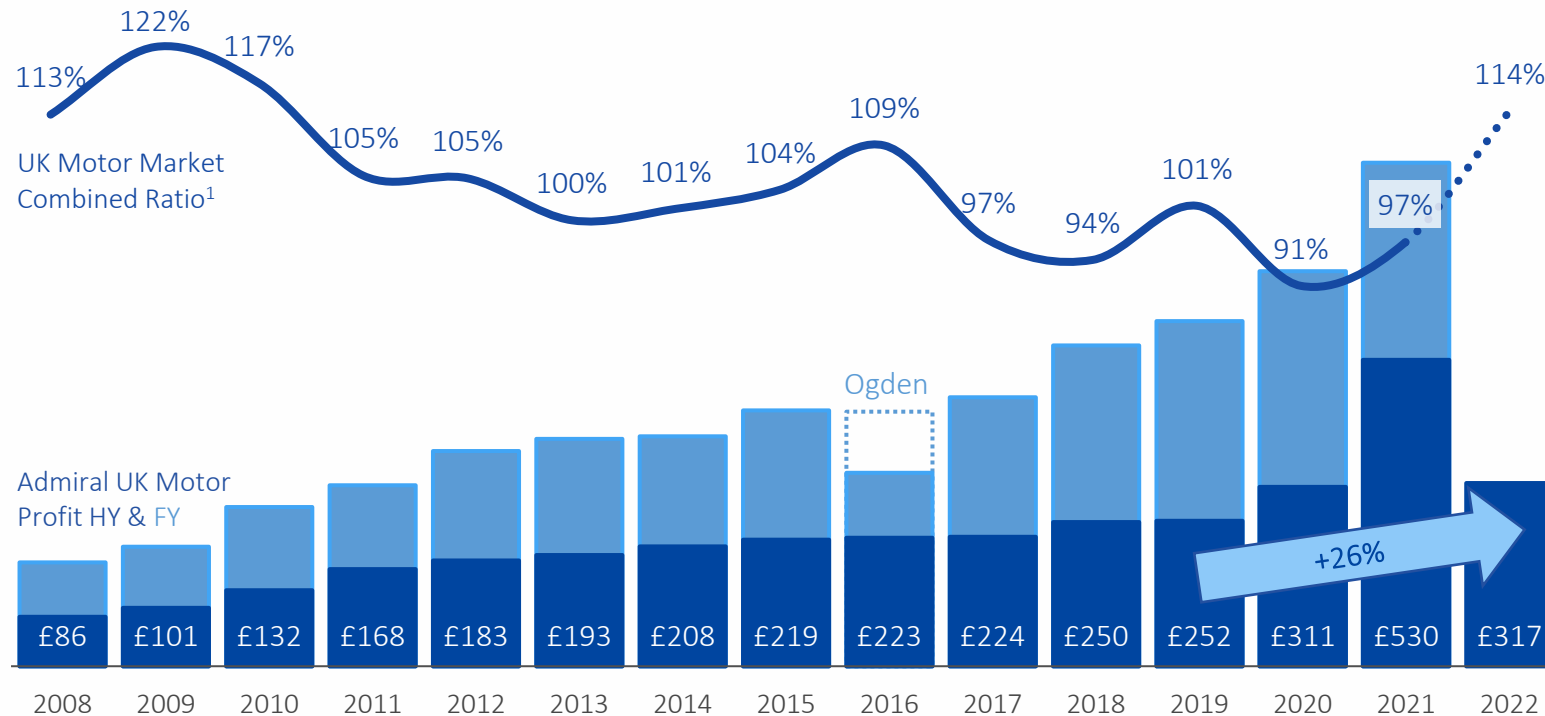
Admiral Group solvency ratio

# UK motor market has experienced an unusually turbulent 3 year period, with market premiums beginning to adjust to trends



# Admiral remains focused on underwriting discipline and leveraging core competencies to manage the cycle...

Admiral UK motor profit and market cycle



## Historical Core Competencies

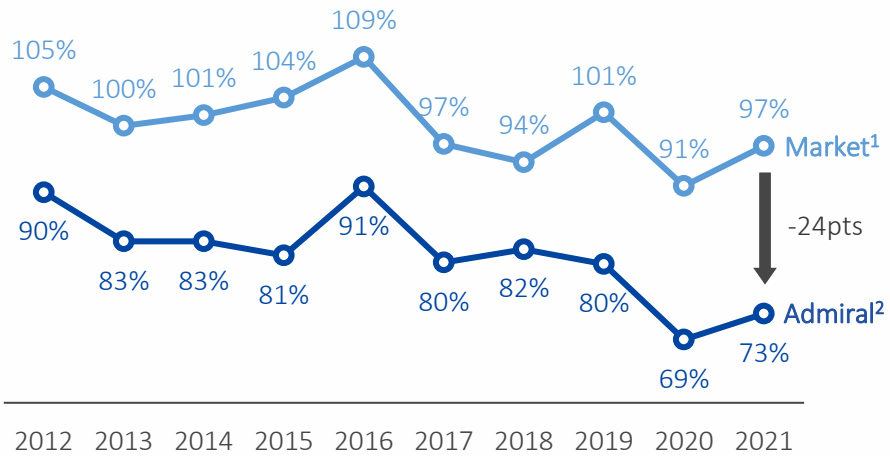
- Customer centric culture
- Highly engaged team
- Sophisticated & agile pricing
- Efficient claims management

## What we have done:

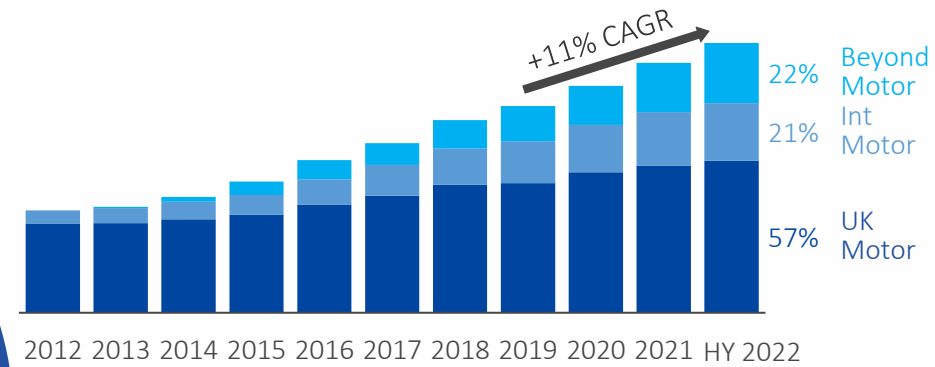
- Strong rate increases ahead of the market: Double digits in UK and US
- Effectively navigated FCA reform
- Maintained prudent reserving approach
- Sustained a healthy solvency ratio
- Conservatism in loans footprint
- Growth supported by retention and new distribution channels
- Continued progress on strategy and diversifying the business
- Focused on long term value above short term pressures

# ....while continuing to build a sustainable business for the long term

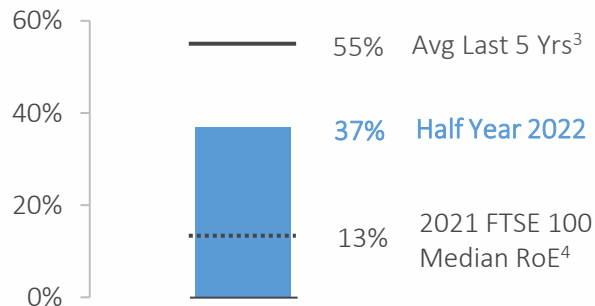
## UK motor combined ratio



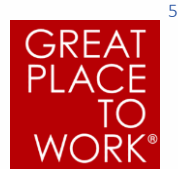
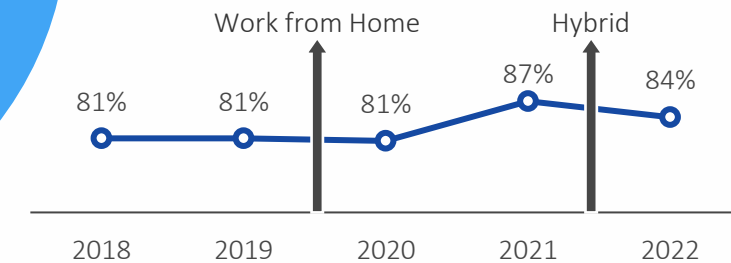
## Admiral group customers



## Return on equity



## Culture and purpose

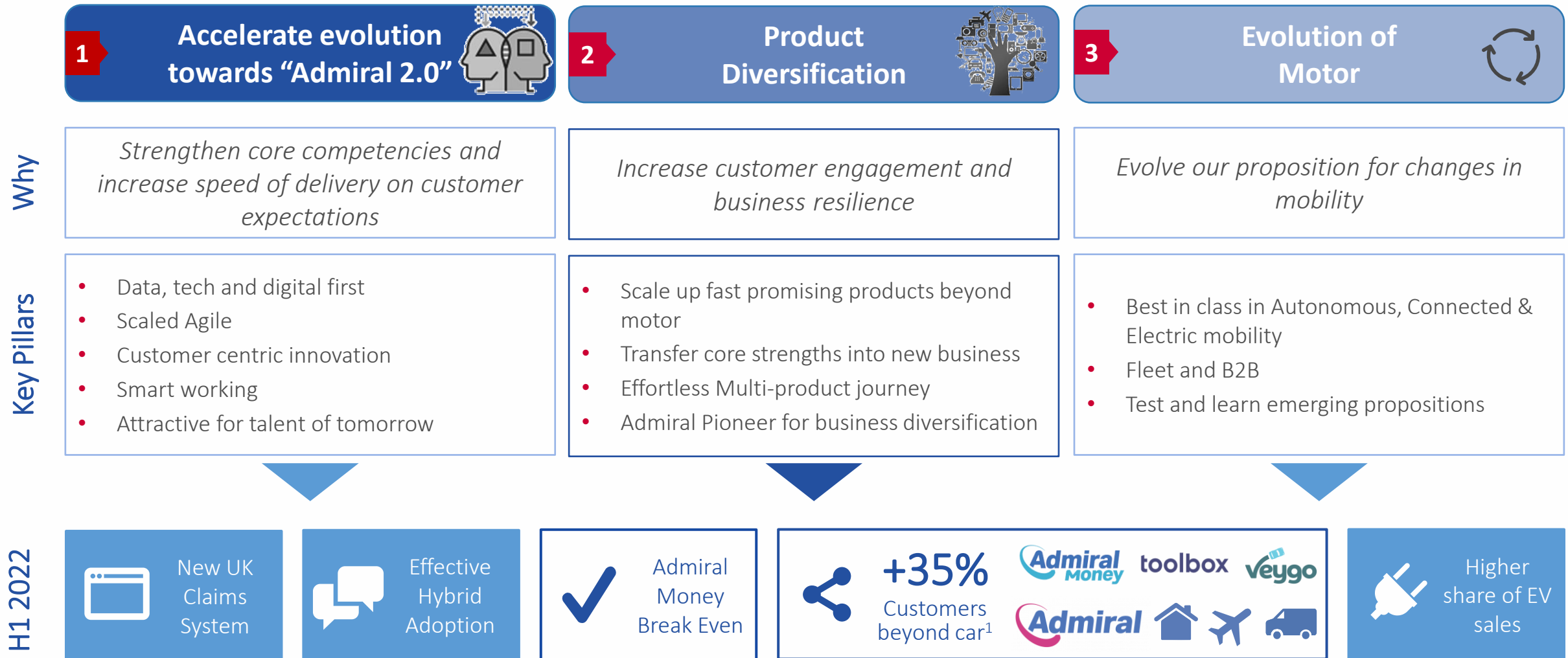


**Community focus on employability**  
Supporting our communities by enabling access to education, and promoting social mobility





# Continued progress on unchanged group strategy



# Efficient Capital Employment



Smart People –  
Smart Technologies –  
Smart Spaces – Smart  
Business Practices.

*We maintain a prudent approach in the way we run our businesses, which informs our investment and reserving philosophy and approach to risk. The focus of our underlying investment strategy is capital preservation and low volatility of returns.*

## Group Financials

Geraint Jones, Group CFO



# Solid first half Group results, with comparisons to 2021 inevitably challenging

£251m

Profit before tax<sup>1</sup>

H1 2021: £ 482m

- 48%



67.0p

Earnings per share<sup>1</sup>

H1 2021: 132.9p

- 50%



9.11m

Customers

H1 2021: 8.02m

+ 14%



£1.85bn

Turnover<sup>1,2</sup>

H1 2021: £ 1.75bn

+ 6%



185%

Solvency ratio

H1 2021: 209%

- 11%



37%

Return on equity<sup>1</sup>

H1 2021: 68%

- 46%



60.0p

Dividend per share

H1 2021: 115.0p

- 48%



45.0p

Penguin Portals div. per share<sup>3</sup>

H1 2021: 46.0p

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# Good progress on top line, despite challenging markets

## UK Motor Insurance

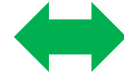


£1,272m

Turnover

H1 2021: £1,266m

-



5.14m

Customers

H1 2021: 4.93m

+ 4%



## UK Household Insurance



£121m

Turnover

H1 2021: £105m

+ 15%



1.46m

Customers

H1 2021: 1.23m

+ 18%



## International Insurance



£394m

Turnover

H1 2021: £347m

+ 13%



1.94m

Customers

H1 2021: 1.71m

+ 13%



£787m

Balances

H1 2021: £469m

+ 68%



0.13m

Customers

H1 2021: 0.09m

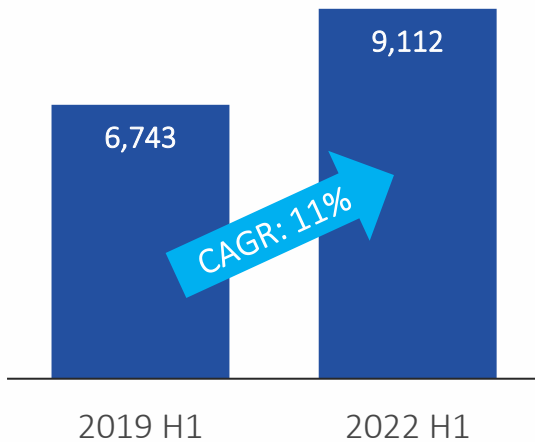
+ 42%



# Improved results and larger business compared to pre-Covid

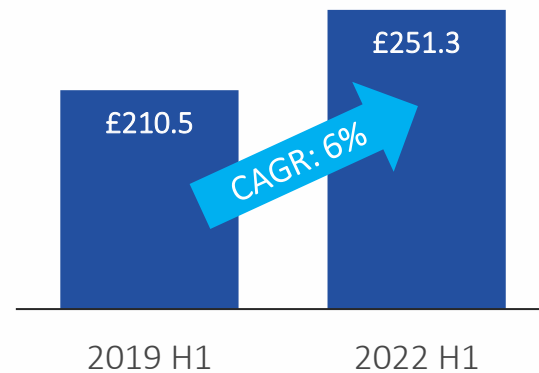
Group customers (000s)

+35%



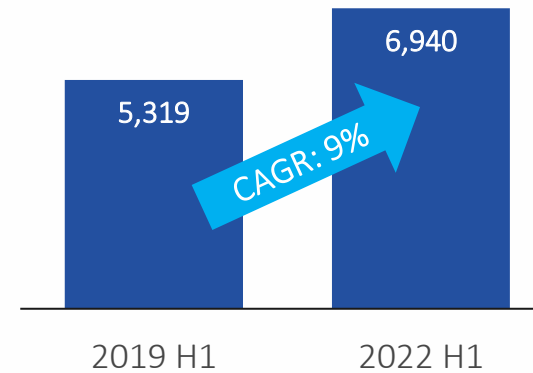
Group profit before tax<sup>1</sup> (£m)

+19%



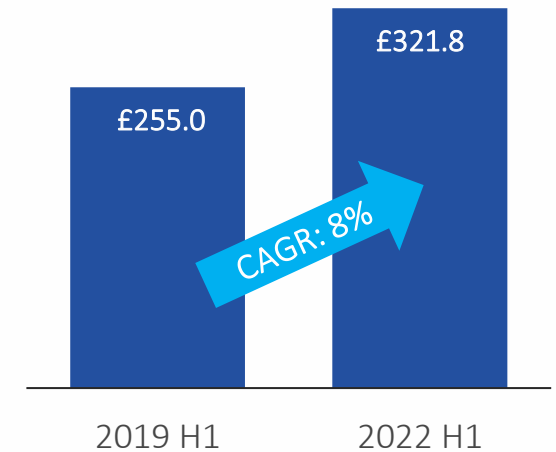
UK Insurance customers (000s)

+30%



UK Insurance profit before tax (£m)

+26%



# Solid H1; higher current period loss ratios and lower profit commission driving reduction v 2021

Group Profit Before Tax <sup>1</sup>	H1 2022	H1 2021	Change
UK Insurance <sup>2</sup>	£321.8m	£543.5m	(£221.7m)
International Insurance	(£21.6m)	(£0.9m)	(£20.7m)
Admiral Money	£0.2m	(£1.9m)	+£2.1m
Share Scheme Cost	(£26.1m)	(£30.6m)	+£4.5m
Other Group Items	(£23.0m)	(£27.9m)	+£4.9m
<b>Total</b>	<b>£251.3m</b>	<b>£482.2m</b>	<b>-£230.9m</b>
Group loss ratio	67.6%	49.1%	+18.5pts
Group expense ratio	29.1%	26.1%	+3.0pts
Group combined ratio	96.7%	75.2%	+21.5pts
Group current year loss ratio	84.7%	70.4%	+14.3pts

- UK Insurance profit £222m lower:
  - UK motor profit £317m (v £530m) – higher current period loss ratio, much lower profit commission compared to exceptional H1 '21
  - Household profit £7m (v £14m) – positive underlying result impacted by £10m exceptional weather cost in Q1
- International result £21m worse than H1 '21; small loss in Europe (v £3m profit) and a bigger US loss (£20m v £4m) heavily impacted by higher claims inflation
- Small but pleasing positive result for Admiral Money; conservative credit loss provision maintained
- Lower share price and lower expected vesting outcomes lead to lower share scheme charge

# Higher current period loss ratio plus lower reserve releases and profit commission lead to lower UK motor profit

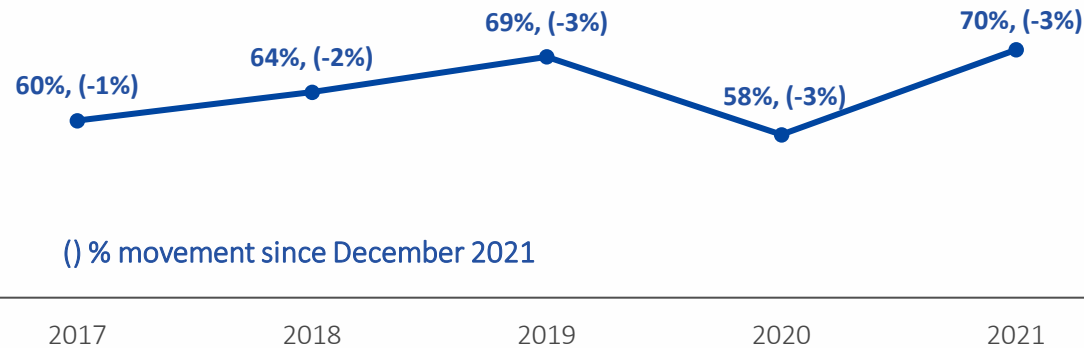
UK Motor Income Statement	H1 2022	H1 2021	Change
Total written premium	£1,135.9m	£1,135.0m	+£0.9m
Net premium revenue	£234.8m	£242.4m	(£7.6m)
Investment return	£19.8m	£20.7m	(£0.9m)
Current year claims	(£220.5m)	(£182.8m)	(£37.7m)
Releases – original net share	£66.2m	£81.1m	(£14.9m)
Releases – on commuted RI share	£93.4m	£118.3m	(£24.9m)
Insurance expenses	(£57.5m)	(£39.9m)	(£17.6m)
<b>Underwriting result</b>	<b>£136.2m</b>	<b>£239.8m</b>	<b>(£103.6m)</b>
Profit commission	£71.0m	£177.7m	(£106.7m)
Other revenue	£110.1m	£112.9m	(£2.8m)
<b>UK Motor profit</b>	<b>£317.3m</b>	<b>£530.4m</b>	<b>(£213.1m)</b>
Current year loss ratio	91%	73%	+18pts
Expense ratio	21%	19%	+2pts
Current year combined ratio	112%	92%	+20pts

Notes on changes	
1	Flat written premium and slightly lower net earned premium
2	Higher frequency and claims inflation lead to higher current year claims cost and loss ratio. Significant reserve release in current period, though down on exceptional H1 '21
3	Slightly higher underlying expense ratio (lower average premium & continuing investment); earned expenses impacted by reinsurance contract caps
4	Lower profitability of previous underwriting year main driver of reduced profit commission

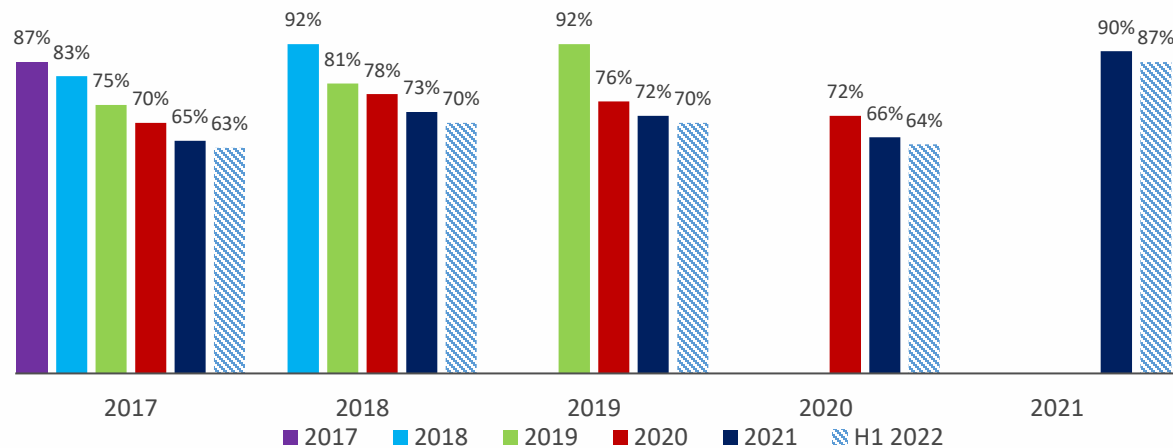


# Admiral maintains a conservative approach to reserving

UK Car projected ultimate loss ratio  
(Accident year)



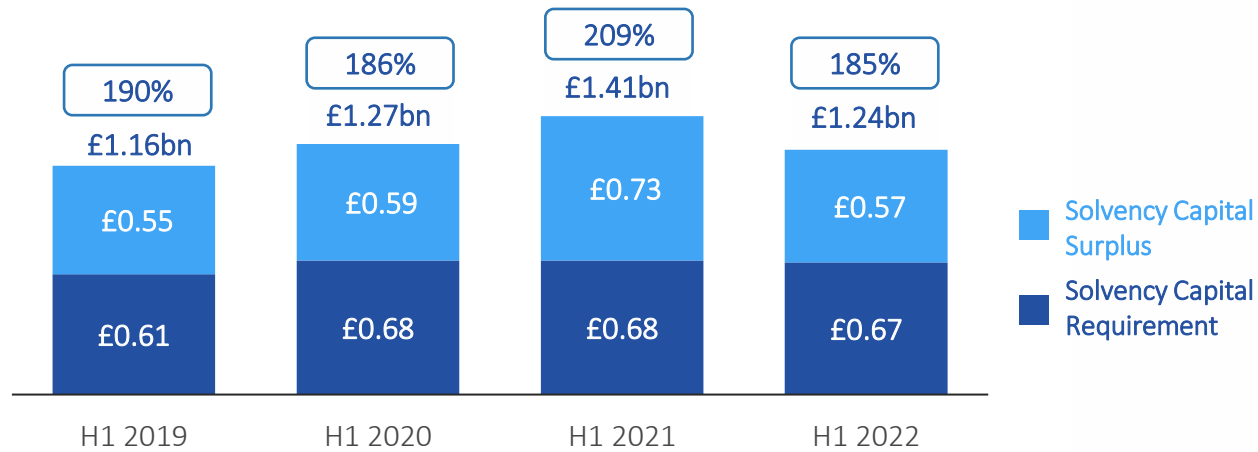
UK Car booked loss ratios  
(underwriting year)



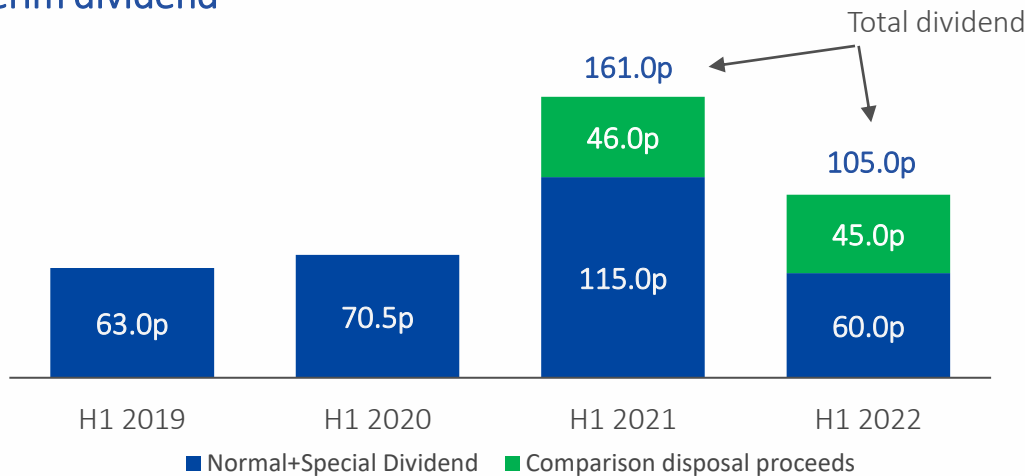
- Projected loss ratios allow for higher claims inflation (estimated ~11% increase in average claim cost v 2021)
- Conservative reserving approach:
  - Continued improvements in back years despite higher inflation: Initial estimates assume higher ultimate inflation than initially observed
  - Continued large reserve releases as booked loss ratios steadily improve towards ultimate over time, as certainty grows
- Limited change in reserve margin which remains very conservative:
  - UK motor booked reserve sits above the 90th percentile relative to best estimate reserve; very little change v 2021 year-end
  - Expect to see continued strong reserve releases if claims develop normally

# Strong capital position maintained; 90% dividend pay-out ratio

Capital position<sup>1</sup> (£bn)



Interim dividend



- Strong capital position maintained, well above long term target and broadly in line with prior periods (excl. 2021)
- 6 point impact from credit spreads on current ratio
- 2022 interim dividend in two parts – 60p re H1 result and 45p re final tranche of Penguin Portals disposal proceeds
- 60p equal to 90% of H1 earnings
- Total return of Penguin Proceeds = £400 million

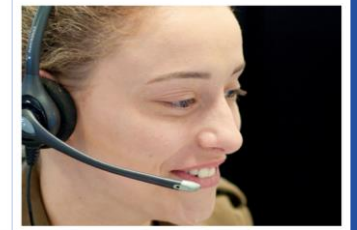
# Summary: Group Financials

- Despite challenging markets, our businesses continue to progress and grow
- Solid first half Group result higher than pre-pandemic though down on 2020 and 2021 - benefitting from conservative reserving
- Strong capital position preserved after a 90% pay-out of H1 earnings combined with the final tranche of Penguin Portals proceeds

# Excellent Customer Service



Placing the customer at the heart and start of every decision



*We care about people. We want to be there to help our customers: to provide reassurance, support, and encouragement when it's most needed*

## UK Insurance

Cristina Nestares, UK Insurance CEO

Adam Gavin, Deputy UK Claims Director

# Highlights : High inflation driving price increases

- FCA reform has resulted in a strong retention increase – Admiral remains well positioned
- Motor customer growth +4%, primarily driven by strong retention
- Claims inflation estimate for H1 2022 of ~11%
- Admiral increased new business & renewal prices by ~16% since March to account for inflation – more than the market average
- Admiral will prioritise margin over growth into H2, if inflation persists
- Continued strong growth in Household, result impacted by Q1 weather

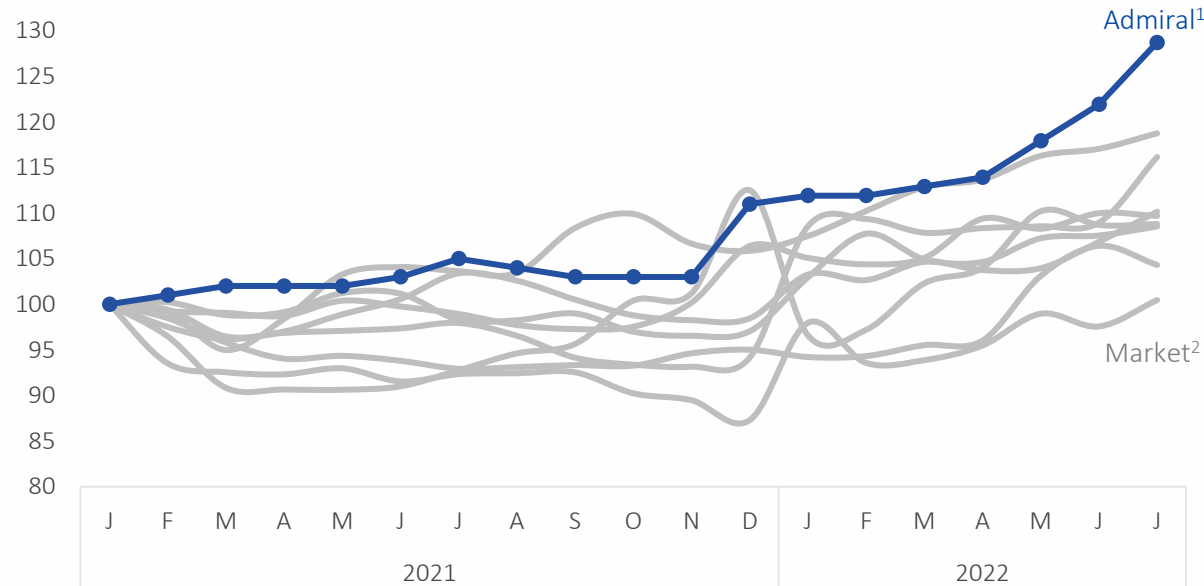


# Admiral raised prices by more than the market average since March to account for higher inflation



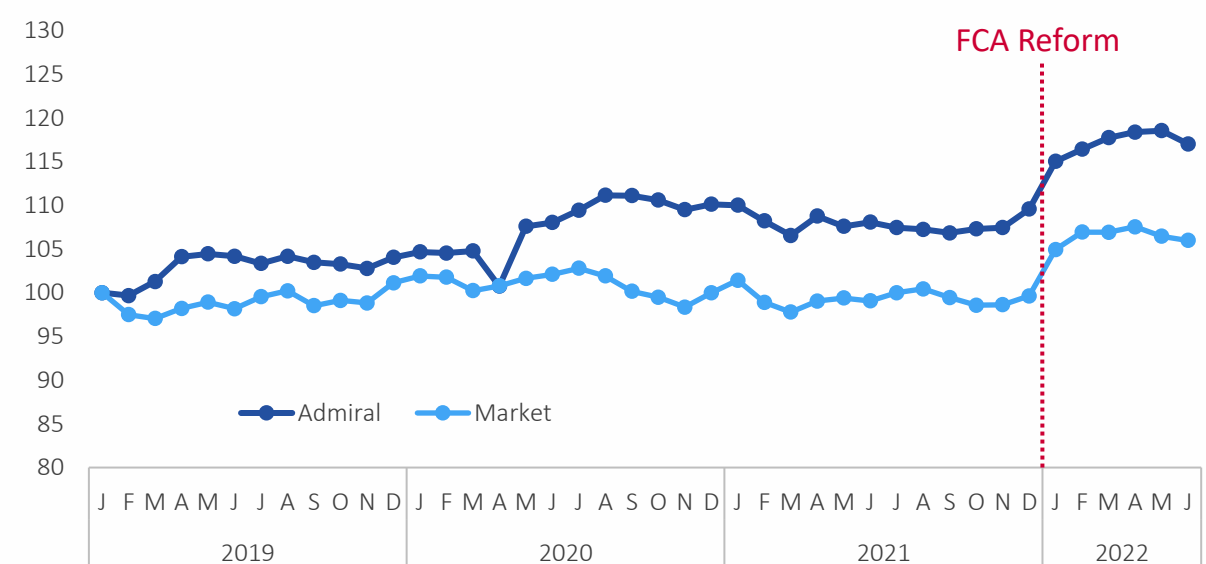
## Admiral new business price increases v market

Indexed 100, January 2021



## Admiral retention v market<sup>3</sup>

Indexed 100, January 2019



- Admiral moved prices in line with the market from Dec 2021 to Feb 2022 – we increased NB prices by double digits & decreased RN prices by mid-single digits
- Since March, Admiral has increased NB & RN prices by ~16% to account for inflation – early signs market prices are increasing in Q2
- Pearson Ham index shows a 7% increase in new business premiums from March to July

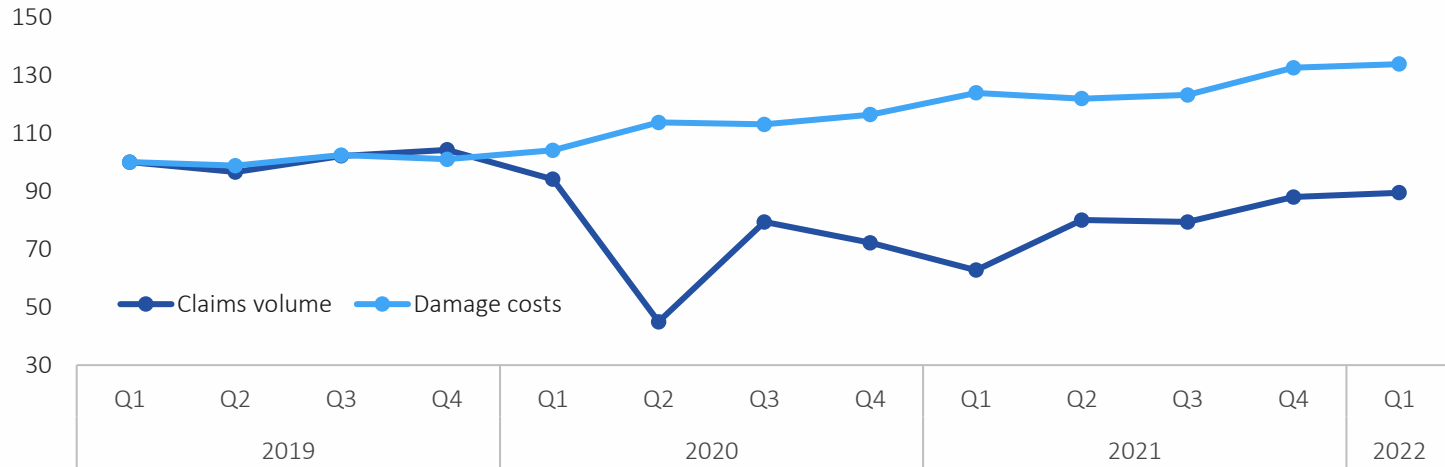
- FCA reform implementation has resulted in a strong retention increase
- Admiral H1 growth mainly from renewal book; supported by MultiCover, Telematics and tiered products
- Admiral, with one of the largest books, is well positioned to benefit from increased retention post reform

# Damage inflation persists, some signs of pressure easing on second hand car values

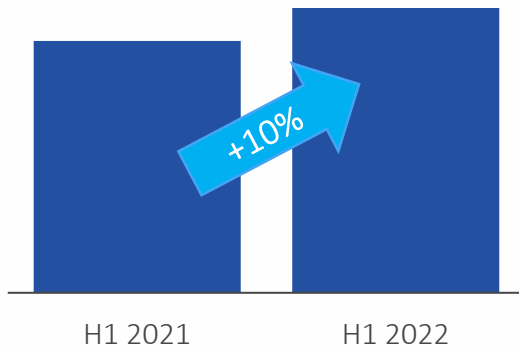


## Market accidental damage (AD) frequency<sup>1</sup> & severity<sup>2</sup>

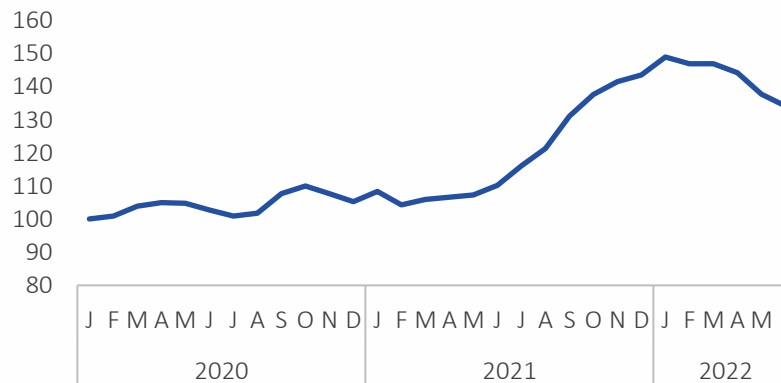
Indexed 100 in Q1 2019



## Market repair cost inflation<sup>3</sup>



## Used vehicle prices – UK<sup>4</sup>



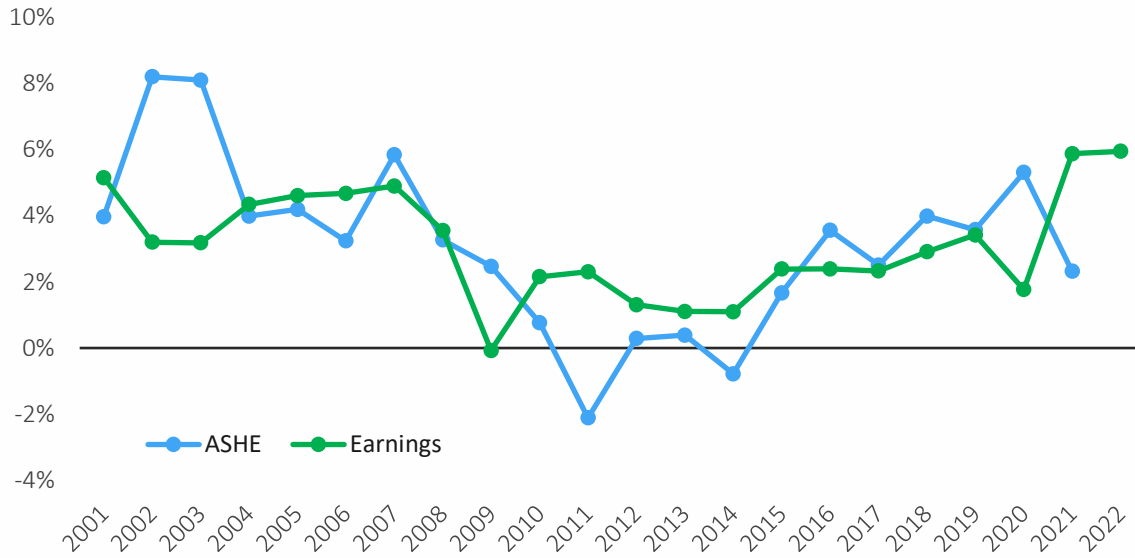
- Accident volumes remain materially lower than pre-pandemic, helping to offset inflationary pressure
- Damage inflation remains elevated
  - Combination of continued high repair inflation, including labour shortages, and high used vehicle prices
- Early signs of second hand vehicle values rationalising although still uncertain & materially higher YoY
- Inflation picture is complex, given different inflationary and severity drivers
- Admiral estimate of claims inflation for H1 2022 at ~11%

# Admiral maintains cost advantage in bodily injury; monitoring inflation trends closely



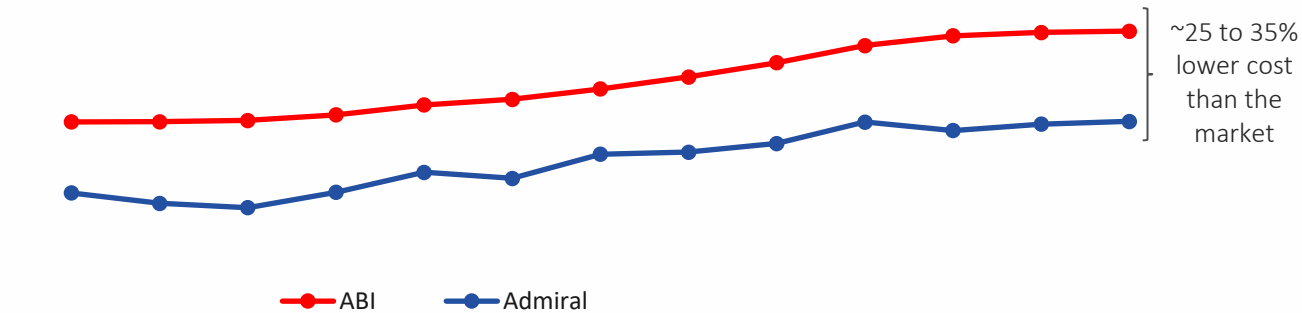
## Annual care cost<sup>1</sup> & wage earnings inflation<sup>2</sup>

2000-2022



## Average cost per bodily injury claim<sup>3</sup> (£)

(Rolling 12-month average)



- Currently no major surprises in large BI settlements
- Increase in wage inflation likely to impact the cost of care
- Main impact of potential care inflation will be restricted to a small cohort of claims
- Management closely watching for signs of excess inflation in large BI

- Uncertainties remain on whiplash reforms due to continuing settlement delays
- Admiral has strong expertise in both large and small BI, allowing us to consistently outperform the market
- Large BI remains volatile and difficult to predict
- Potential for excess care inflation adds an extra layer of complexity to large BI

# We maintain a disciplined approach amid market uncertainty



## Claims – 2022

### Market

- Claims uncertainty in the market remains:
  - ‘New-normal’ frequency – likely to remain below pre pandemic levels
  - Whiplash full impact
  - Wage inflation impact on Large BI

### Admiral experience

- Claims inflation estimate for H1 2022 of ~11%
- Inflation in large BI – currently limited sign of material increase, but monitoring closely

## Pricing – 2022

### Market

- Market prices expected to significantly increase in H2 to reflect inflationary pressures
- There are clear signs of prices increasing since H2 with some players increasing more than others
- FCA reform priced in. However, its full impact might take some time to mature

### Admiral experience

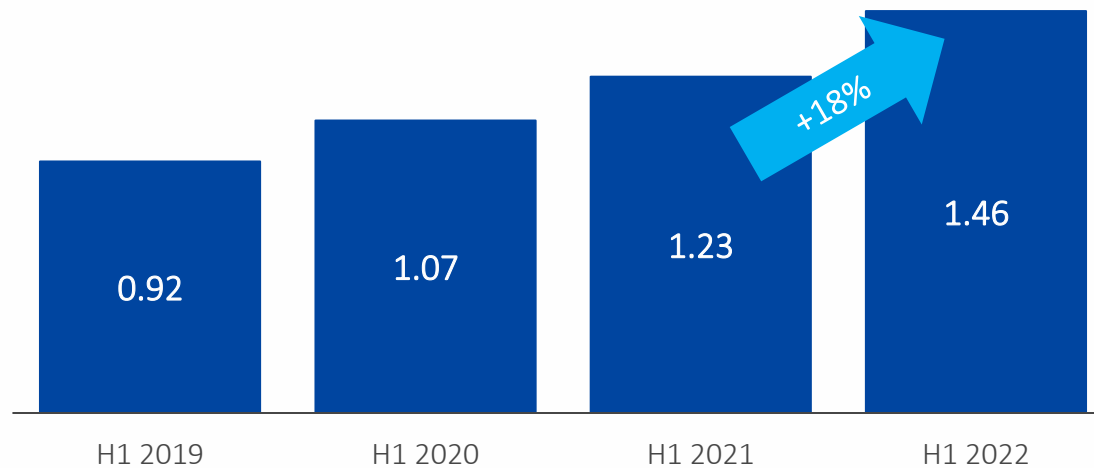
- Disciplined pricing approach
- Respond quickly to trends in the market and claims outcomes

Admiral will continue with its disciplined pricing approach; prioritising margin over growth in H2

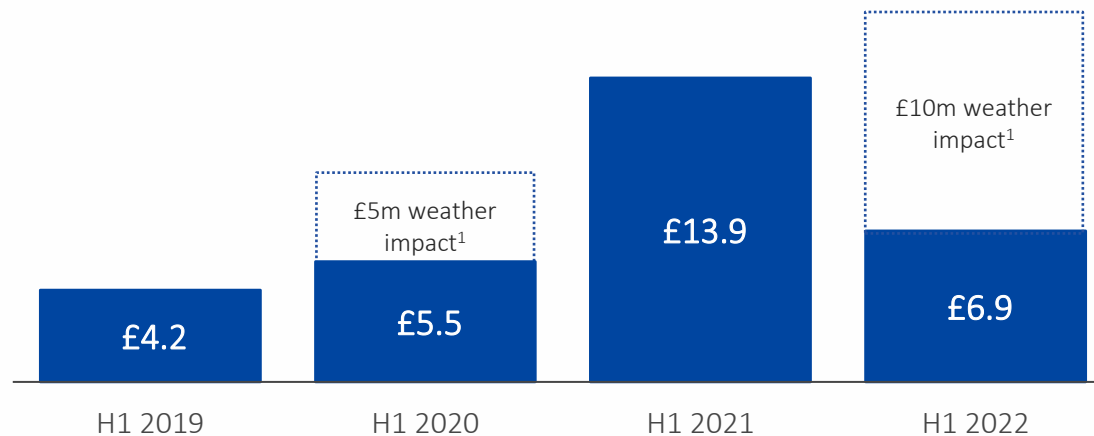
# Continued strong growth in Household; result impacted by Q1 weather events



Household customers (m)



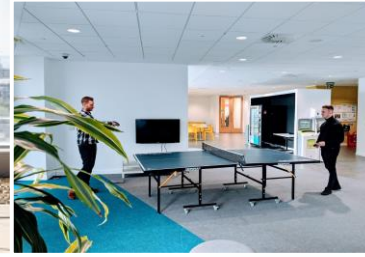
Household profit (£m)



- FCA reform impact in line with expectation
- Positive top-line growth with continued improvement in MultiCover proposition
- Continued high retention
- Profit impacted by weather events in Q1 2022
- Continued strengthening of fundamentals
  - Pricing structure enhancements
  - Improved claims efficiencies
  - Investment in technical and digital capabilities



# Unique Company Culture



*Our company culture is based on four pillars: Fun, Communication, Equality, and Recognition and Reward.*

## International Insurance

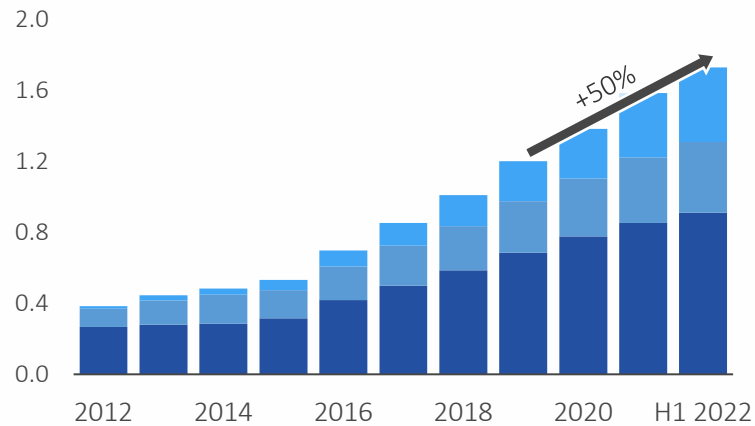
Costantino Moretti, Head of International Insurance

# Growth across geographies through improved distribution and retention, while market wide trends impact profitability

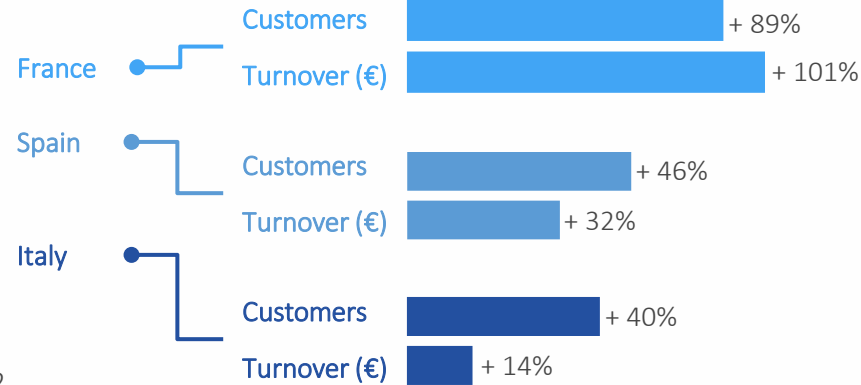
- Continue to prioritise long term value creation above short term profit
- Strengthening European position through expanding channels and developing partnerships to deliver double-digit YoY growth
- Europe less exposed to inflationary pressures in H1, with market beginning to price ahead of anticipated rise
- Disappointing US result driven by elevated claims inflation
- Elephant taking strong action through rate increases, reduced direct marketing and condensed footprint

# EU Insurance: Increased market share while maintaining a disciplined approach against sustained competitive pressure

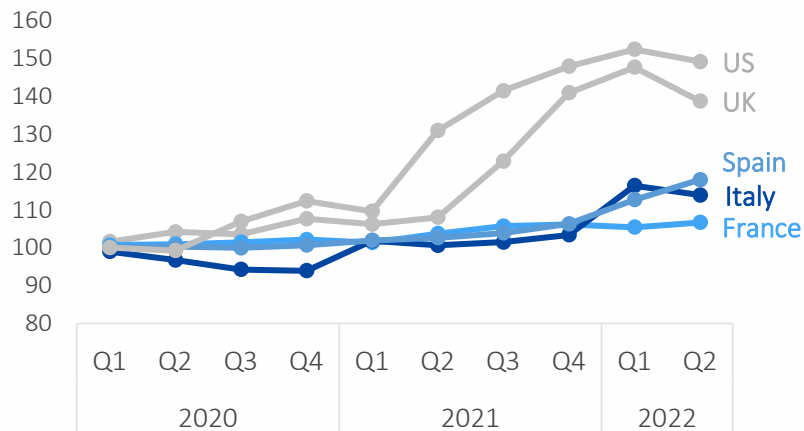
EU motor customers (m)



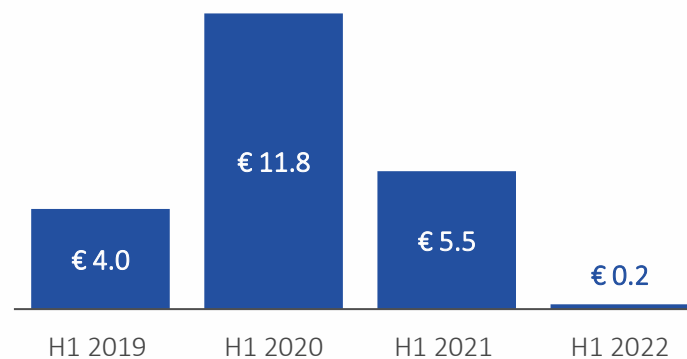
H1 2019 to H1 2022 comparison



Used vehicle prices<sup>1</sup>



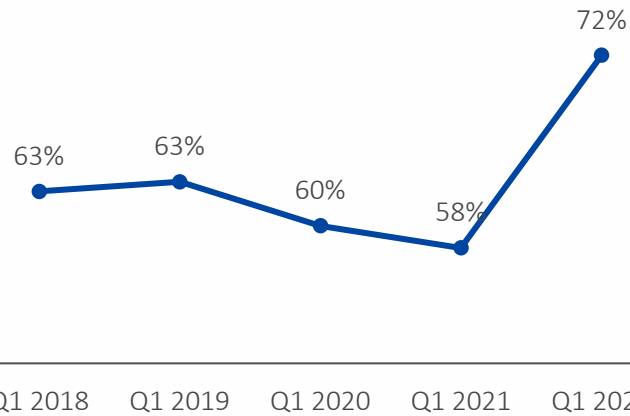
EU motor combined result (€m)



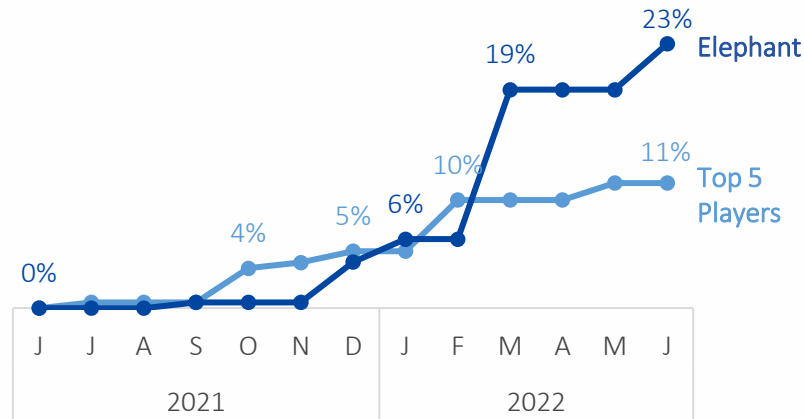
- Continued to gain scale through new channels and strong retention
- Short term profit impacted by:
  - Strong overall growth
  - Premium pressure in Italy (market average premium -15% vs 2019<sup>2</sup>)
- Well positioned for the future through diversified distribution, including ING bank partnership in Spain<sup>3</sup>
- Lower inflation currently experienced in European insurance markets with premiums beginning to slightly increase in Q2

# US Insurance: Claims inflation and market volatility drives disappointing result; immediate remedial action taken

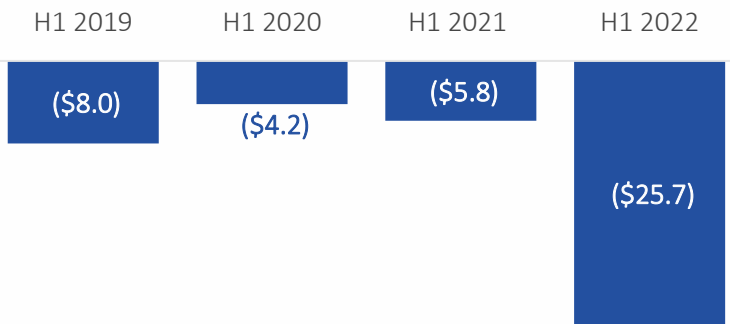
Market loss ratio<sup>1</sup>



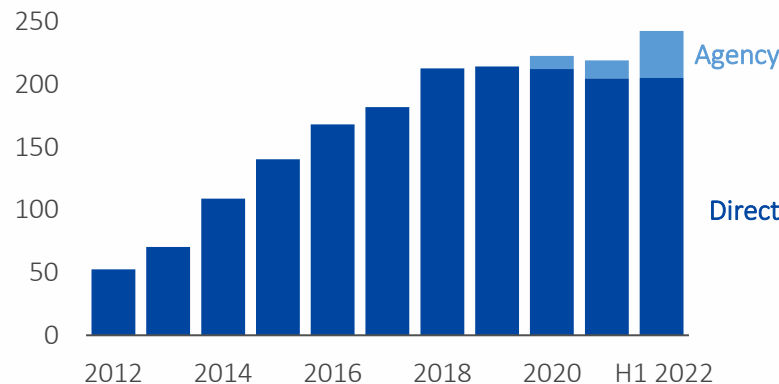
Rate increases<sup>2</sup>



Elephant result (\$m)



Elephant customers (000's)



- Business exposed to major headwinds from inflation and suppressed premiums (market loss ratio +14pts)
- Elephant implemented strong rate increase of 23%
- Substantial tightening of footprint and direct distribution, cutting low yield segments
- Growth through agency partnerships, accounting for over 40% of new business with efficient cost per sale
- Continued focus on building customer lifetime value



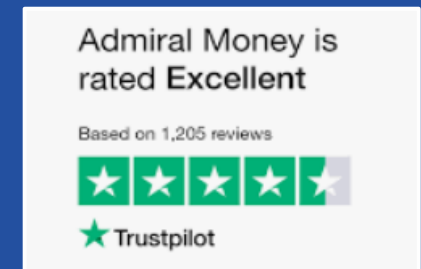
# Strong Risk Selection Capabilities



*Across the Group, we take a flexible and proactive approach to risk selection and pricing, and continue to evolve towards a stronger tech-data-driven approach*

## Admiral Money

Scott Cargill, Admiral Money CEO

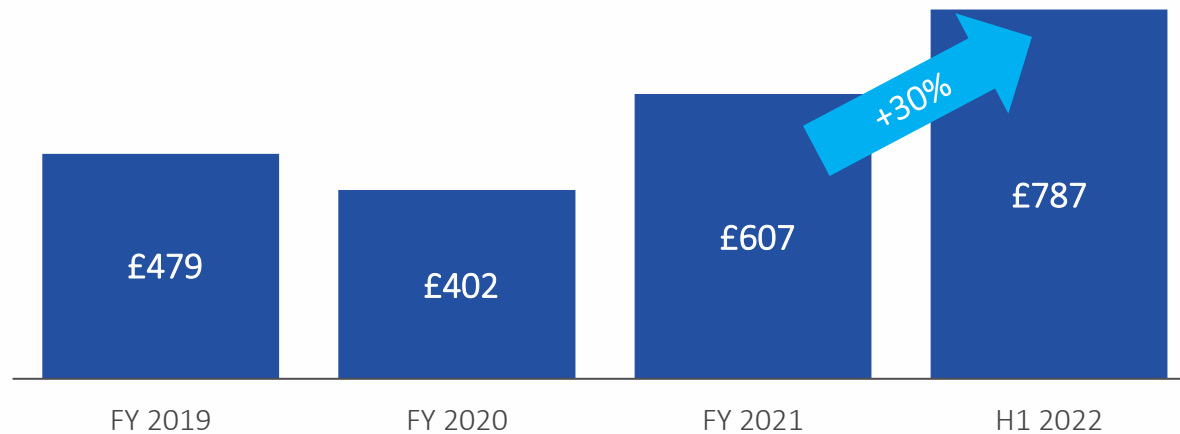


# Highlights: Admiral Money

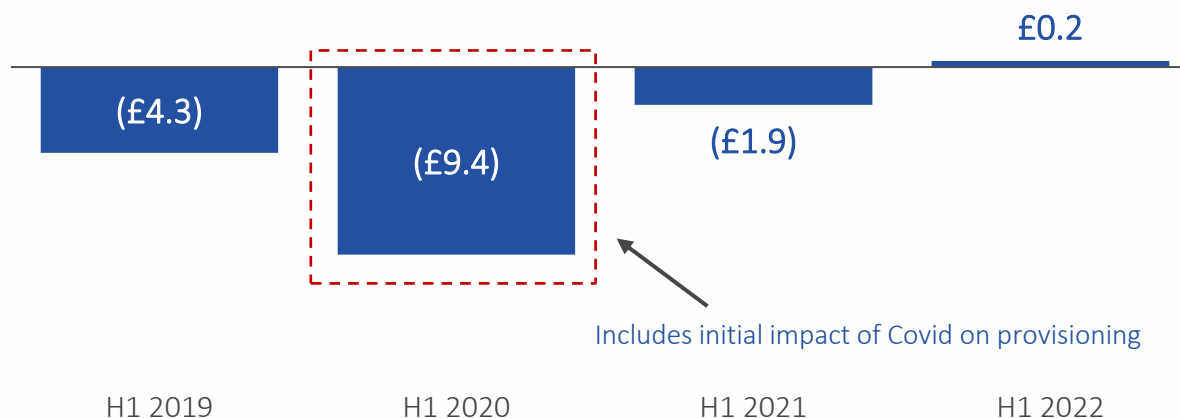
- Strong performance in the first half, loan book increased to £787m gross balances, +68% since June 21
- Current payment performance remains stable; provision coverage is 6.8% which includes an appropriately cautious post model adjustment for cost of living impacts
- Focus remains on sustainable growth, with early adjustments made to underwriting to account for current environment
- Reached breakeven for the first time, remain on track to deliver balance guidance of £800m - £950m

# Continued growth in H1 2022, reaching breakeven; provision remains cautious

Loans gross stock balances (£m)



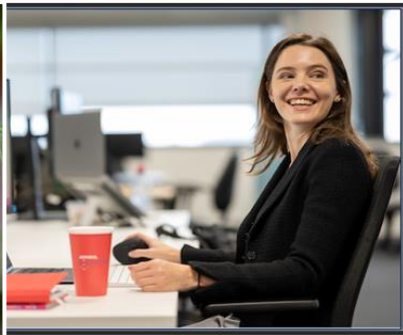
Loans profit/loss (£m)



- Strong performance in H1
  - Balance growth of 30% vs full year
  - Cost to income ratio improved to 54%
  - Loss performance in expected range
  - Reached breakeven: +£0.2m
- £53.5m total loan loss provision; Coverage remains appropriately conservative at 6.8%, with continuing reduction since FY21 driven by increasing quality of the book
- To account for cost of living pressures: £12.2m (c23%) of provisions are model overlays
- Balance guidance for FY22 remains in range of £800m-£950m



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Our commitment to transforming futures

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*Our Sustainability approach is aligned with our purpose framework and considers how we engage with our key stakeholders: People, Customers, Business, Society. We integrate environmental considerations across our operations.*

## Wrap Up

Milena Mondini de Focatiis, Group CEO

# Wrap-up: Solid results and continued progress on strategy

- Results progressing in line with pre Covid trajectory
  - Navigating challenging environment
  - Robust profit in UK motor while maintaining a cautious reserving approach
  - Growth across the group, supported by strong customer loyalty
- Remain focused on building long-term value through unchanged group strategy
  - Continued diversification of the business
  - Good performance beyond motor and profitable growth in UK Household and Loans
  - Growth across international operations through channel diversification
- Core competencies position Admiral well for the future
  - Historic results reflect competence in navigating the cycle
  - Supported by strong underwriting and pricing agility
  - The team, the team, the team

# Track record of long-term, profitable growth<sup>1</sup>



*From the beginning, we've offered more people access to protection by pricing fairly and competitively. As the Group grows, we seek to create products that provide more people with the opportunity to access good financial services products.*

## Appendix

# Group Key Performance Indicators

KPI	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	H1 17	H1 18	H1 19	H1 20	H1 21	H1 22
<b>Group Financial</b>																	
Turnover £m	2,190	2,215	2,030	1,971	2,119	2,576	2,958	3,283	3,463	3,550 <sup>2</sup>	3,575	1,446	1,662	1,756	1,690	1,814	1,847
Turnover (continuing ops) £m									3,299	3,366	3,508			1,676	1,602	1,747	1,847
Customers m	3.4	3.6	3.7	4.1	4.4	5.2	5.7	6.5	7.0	7.7	8.4	5.5	6.2	6.7	7.2	8.0	9.1
Group pre-tax profit £m	299.1	344.6	370.2	350.7	368.7	278.4	403.5	476.2	522.6	637.6	1129.2	193.4	210.7	218.2	286.1	897.9	251.3
Group pre-tax profit (continuing ops) £m									505.1	608.2	713.5 <sup>3</sup>			210.5	274.4	482.2	251.3
Earnings per share	81.9p	95.1p	104.6p	103.0p	107.3p	78.7p	117.2p	137.1p	148.3p	179.5p	335.5	57.3p	61.6p	63.0p	82.9p	272.0p	67.0p
Earnings per share (continuing ops)									143.7p	170.7p	196.7			60.9p	79.7p	132.9p	67.0p
Dividend per share	75.6p	90.6p	99.5p	98.4p	114.4p	114.4p	114.0p	126.0p	140.0p	156.5p	187.0	56.0p	60.0p	63.0p	70.5p	115.0p	60.0p
<b>UK Insurance</b>																	
Customers (000s)	2,966	3,019	3,065	3,316	3,612	4,116	4,616	5,238	5,473	5,977	6,550	4,342	5,075	5,319	5,579	6,222	6,940
Total premiums £m	1,729	1,749	1,562	1,482	1,590	1,863	2,098	2,270	2,322	2,373	2,453	1,023	1,167	1,186	1,102	1,231	1,265
Reported combined ratio	91.9%	90.0%	81.0%	80.0%	79.0%	88.4%	79.7%	83.6%	80.3%	70.7%	79.0%	82.4%	80.1%	85.6%	73.2%	59.4%	82.0%
UK insurance pre-tax profit £m	313.6	372.8	393.9	398.0	443.0	338.5	466.5	556.7	597.9	698.3	840.0 <sup>3</sup>	226.3	247.6	255.0	314.0	543.5	321.8
Other revenue per vehicle £	84	79	67	67	63	62	64	67	66	61	59	61	67	66	64	58	59
<b>International Insurance</b>																	
Customers (000s)	306	436	515	593	673	864	1,035	1,221	1,421	1,603	1,814	961	1,125	1,356	1,492	1,706	1,944
Total premiums £m	112.5	148.5	168.3	185.4	213.3	331.3	401.4	484.3	562.6	584.0	623.8	197.2	234.0	288.0	297.6	314.3	355.4
Reported <sup>1</sup> combined ratio	164%	177%	140%	127%	126%	125%	121%	116%	114%	108%	119%	123%	117%	114%	108%	114%	128%
International insurance result £m	(9.5)	(24.5)	(22.1)	(19.9)	(22.2)	(19.4)	(14.3)	(1.1)	(0.9)	8.8	(11.6)	(10.1)	(0.6)	(2.7)	6.5	(0.9)	(21.6)

# Summary Income Statement<sup>1</sup>

	UK Insurance			International Insurance			Loans			Other			Admiral Group		
	H1 20	H1 21	H1 22	H1 20	H1 21	H1 22	H1 20	H1 21	H1 22	H1 20	H1 21	H1 22	H1 20	H1 21	H1 22
<b>Turnover</b>	<b>1,248.4</b>	<b>1,372.0</b>	<b>1,409.9</b>	<b>329.5</b>	<b>347.2</b>	<b>393.7</b>	<b>20.7</b>	<b>16.2</b>	<b>25.7</b>	<b>3.4</b>	<b>11.1</b>	<b>18.0</b>	<b>1,602.0</b>	<b>1,746.5</b>	<b>1,847.3</b>
<b>Total premiums written</b>	1,101.6	1,230.9	1,265.1	297.6	314.3	355.4	0.0	0.0	0.0	0.0	7.7	13.7	1,399.2	1,552.9	1,634.2
Gross premiums written	827.0	929.1	1,063.5	287.5	309.8	342.9	0.0	0.0	0.0	0.0	0.0	0.0	1,114.5	1,238.9	1,406.4
Net premiums written	260.3	303.8	323.2	114.1	118.9	120.2	0.0	0.0	0.0	0.0	0.0	0.0	374.4	422.7	443.4
<b>Net earned premium</b>	251.7	295.5	306.2	95.5	111.7	116.4	0.0	0.0	0.0	0.0	0.0	0.0	347.2	407.2	422.6
Investment income	30.6	20.7	19.8	(0.1)	0.6	0.3	0.0	0.0	0.0	2.6	1.5	7.7	33.1	22.8	27.8
Net insurance claims	(76.2)	(8.1)	(102.0)	(63.3)	(82.1)	(105.1)	0.0	0.0	0.0	0.0	0.0	0.0	(139.5)	(90.2)	(207.1)
Insurance related expenses	(48.0)	(48.5)	(70.4)	(37.7)	(44.7)	(50.7)	0.0	0.0	0.0	0.0	0.0	0.0	(85.7)	(93.2)	(121.1)
<b>Underwriting result</b>	<b>158.1</b>	<b>259.6</b>	<b>153.6</b>	<b>(5.6)</b>	<b>(14.5)</b>	<b>(39.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.6</b>	<b>1.5</b>	<b>7.7</b>	<b>155.1</b>	<b>246.6</b>	122.2
Profit commission	44.6	187.1	74.7	0.0	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	44.6	187.3	75.3
Gross ancillary revenue <sup>2</sup>	98.8	81.4	89.3	12.8	14.1	17.0	0.0	0.0	0.0	0.0	0.0	0.0	111.6	95.5	106.3
Ancillary costs	(35.9)	(36.1)	(36.5)	(2.7)	(2.5)	(3.1)	0.0	0.0	0.0	0.0	0.0	0.0	(38.6)	(38.6)	(39.6)
Instalment income	48.4	51.5	40.7	2.0	1.8	3.0	0.0	0.0	0.0	0.0	0.0	0.0	50.4	53.3	43.7
Gladiator/Pioneer contribution							0.0	0.0	0.0	0.0	(2.2)	(9.6)	0.0	(2.2)	(9.6)
Compare.com							0.0	0.0	0.0	(0.8)	(1.4)	(1.7)	(0.8)	(1.4)	(1.7)
Loans contribution							(9.4)	(1.9)	0.2	0.0	0.0	0.0	(9.4)	(1.9)	0.2
Interest income							0.0	0.0	0.0	0.4	0.0	0.3	0.4	0.0	0.3
Other (mainly share scheme)							0.0	0.0	0.0	(33.0)	(50.7)	(40.1)	(33.0)	(50.7)	(40.1)
Interest payable							0.0	0.0	0.0	(5.9)	(5.7)	(5.7)	(5.9)	(5.7)	(5.7)
<b>Profit/(loss) before tax</b>	<b>314.0</b>	<b>543.5</b>	<b>321.8</b>	<b>6.5</b>	<b>(0.9)</b>	<b>(21.6)</b>	<b>(9.4)</b>	<b>(1.9)</b>	<b>0.2</b>	<b>(36.7)</b>	<b>(58.5)</b>	<b>(49.1)</b>	<b>274.4</b>	<b>482.2</b>	<b>251.3</b>



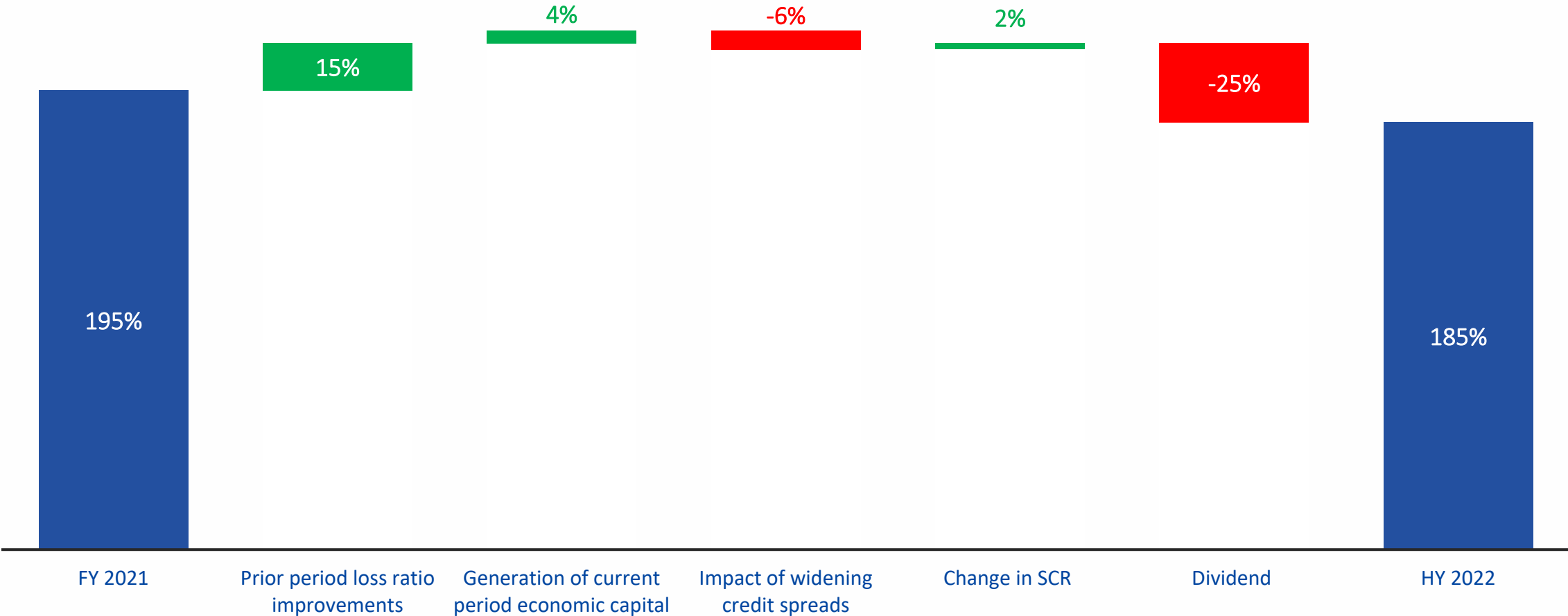
# Balance Sheet

	Jun-21 £m	Dec-21 £m	Jun-22 £m
<b>ASSETS</b>			
Property, plant and equipment	131.6	103.2	93.1
Intangible assets	177.4	179.9	214.5
Corporation tax asset	-	10.6	4.3
Reinsurance assets	1,911.9	2,176.1	2,346.1
Financial investments	3,879.3	3,742.6	3,393.7
Deferred income tax	7.3	9.3	19.4
Insurance and other receivables	1,223.9	1,208.5	1,325.4
Loans and advances to customers	425.7	556.8	733.1
Cash and cash equivalents	395.9	372.7	506.6
<b>Total assets</b>	<b>8,153.0</b>	<b>8,359.7</b>	<b>8,636.2</b>
<b>EQUITY</b>			
Share capital	0.3	0.3	0.3
Share premium	13.1	13.1	13.1
Retained earnings	1,595.3	1,348.8	1,226.7
Other reserves	59.8	44.0	(103.4)
Total equity (shareholders)	<b>1,668.5</b>	<b>1,406.2</b>	<b>1,136.7</b>
Non-controlling interests	3.5	2.3	1.6
<b>Total equity</b>	<b>1,672.0</b>	<b>1,408.5</b>	<b>1,138.3</b>
<b>LIABILITIES</b>			
Insurance contracts	4,019.2	4,215.0	4,504.3
Financial liabilities	548.8	670.9	887.4
Trade and other payables	1,783.8	1,960.0	2,013.2
Deferred income tax	-	0.0	-
Lease liabilities	114.9	105.3	93.0
Corporation tax liabilities	14.3	-	-
<b>Total liabilities</b>	<b>6,481.0</b>	<b>6,951.2</b>	<b>7,497.9</b>
<b>Total liabilities and equity</b>	<b>8,153.0</b>	<b>8,359.7</b>	<b>8,636.2</b>

# Solvency ratio waterfall

## Solvency ratio movements

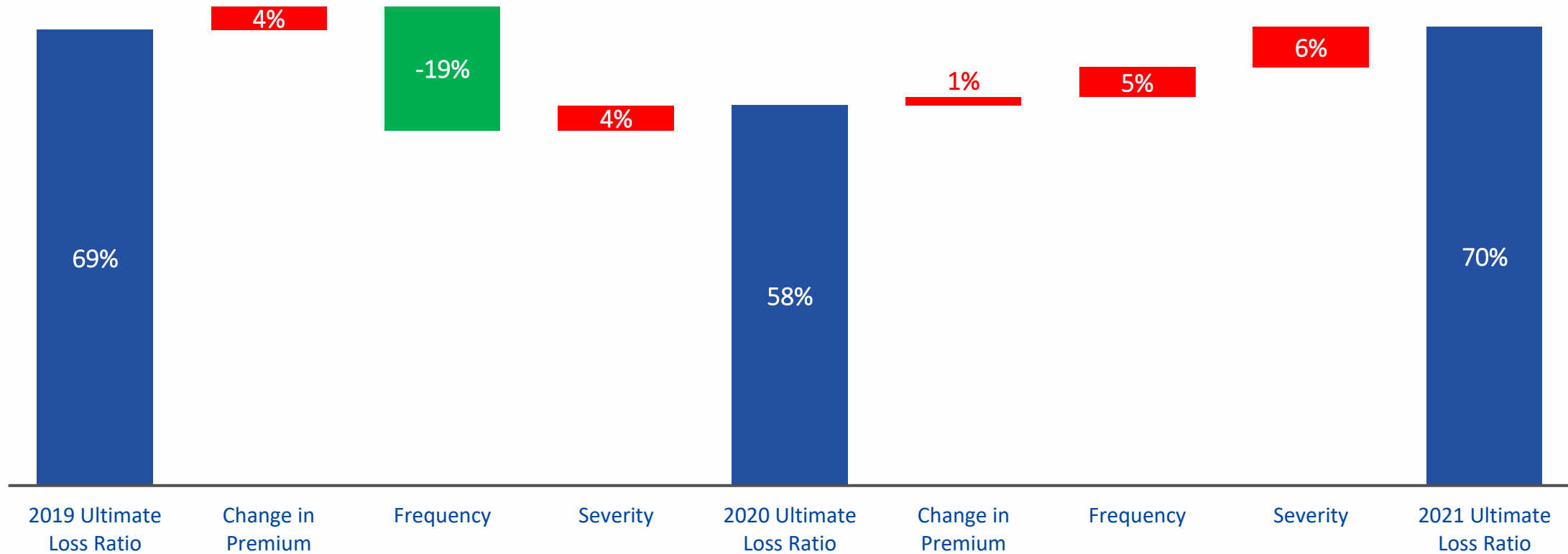
FY 2021 to HY 2022





# UK Car insurance – Projected ultimate loss ratio waterfall

Projected ultimate loss ratio waterfall<sup>1</sup>  
2019 - 2021

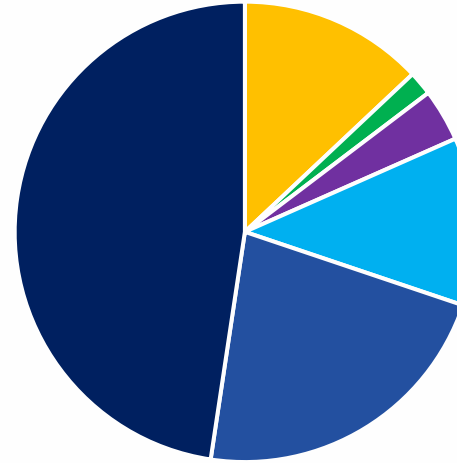
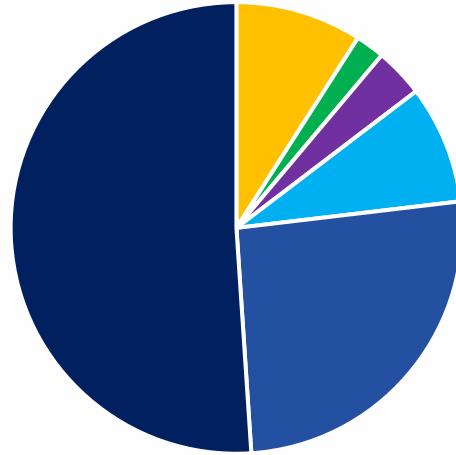
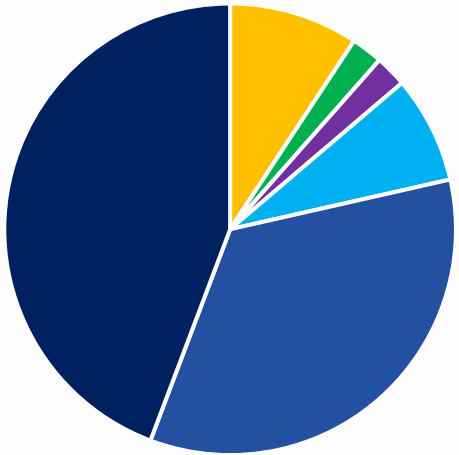


# Investment update

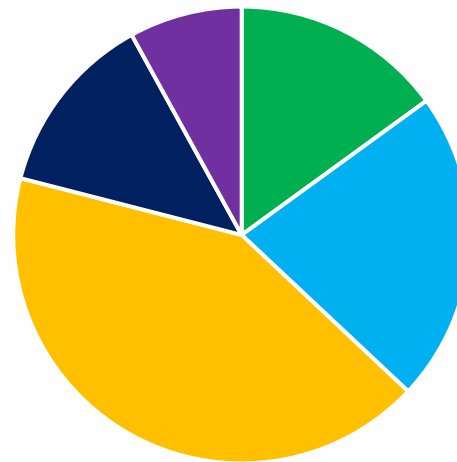
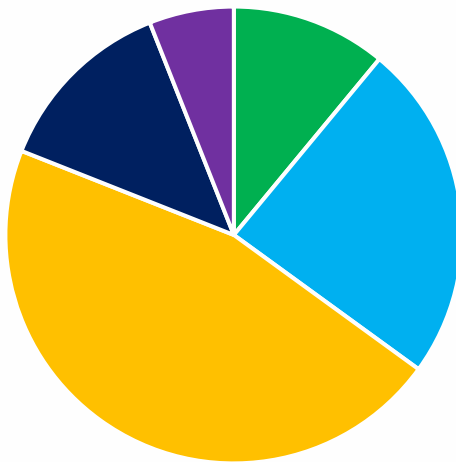
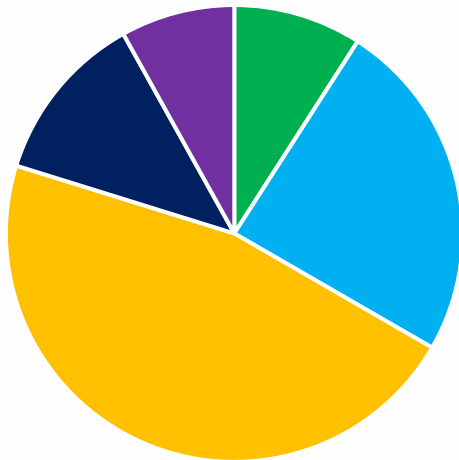
Jun '21: £4,275m

Dec '21: £4,115m

Jun '22: £3,900m



- Cash
- Deposit
- Government bonds
- Corporate bonds
- Money Market Funds and other fair value
- Other<sup>1</sup>



- AAA
- AA
- A
- BBB
- Other<sup>2</sup>

# Investment update

	H1 2022	H1 2021
Underlying investment income yield	1.4%	1.2%
Investment income	£27.8m	£23.1m
Movement on reinsurer fund income accruals	(£2.3m)	-
Unrealised gains/(losses) on derivatives	£0.4m	(£0.6m)
Movement in provision for expected credit losses	£1.4m	(£1.1m)
Investment income per Income Statement	£27.3m	£21.4m
Movement in fair value reserve	(£173.2m)	(£32.2m)

- No change in investment strategy in period or forthcoming
- Very limited changes in allocation and ratings
- Higher investment income mainly reflects gain on sale of government bonds at the parent company
- Rate increases throughout period have increased reinvestment yields, improving outlook for H2
- More significant adverse move in fair value reserve in the period reflects higher interest rates and wider credit spreads
- Movements due to interest rates well matched with changes in liability valuation for solvency measurement
- Average duration of bond portfolio at 30 June 2022 = ~3.4 years (30 June 2021 = ~3.9 years)

# Analysis of Other Group items<sup>1</sup>

	H1 2022	H1 2021
Share scheme charges	(£26.1m)	(£30.6m)
Other interest & investment income	£8.0m	£1.5m
Compare.com loss before tax	(£1.7m)	(£1.4m)
Business development	(£12.6m)	(£3.8m)
Other central overheads	(£11.0m)	(£18.5m)
Finance charges	(£5.7m)	(£5.7m)
Total	(£49.1m)	(£58.5m)

- Share scheme charges decreased by £4.5 million. The reduction is driven by a combination of the expected decrease of the proportion of shares that will eventually vest following lower Group results, as well as a lower share price, compared to the first half of 2021.
- Compare.com reported a loss of £1.7 million, as a result of modestly increased investment in marketing and acquisition in a challenging market in the US
- Business development costs increased to £12.6 million, primarily attributed to Admiral Pioneer. Admiral launched Admiral Pioneer in 2020 to focus on new product diversification opportunities.
- Other central overheads decreased primarily due to the higher costs of regulatory projects in 2021
- Finance charges of £5.7 million primarily relate to interest on the £200 million subordinated notes issued in July 2014

# Admiral UK Motor average premium and rate change insights

	H1 2022	H1 2021	Change
Vehicles on Cover (m) <sup>1</sup>	5.05	4.84	+4%
Total Written Premium (£m)	1,136	1,135	0%
Average Premium (£) (TWP/VoC) <sup>2</sup>	450	469	-4%
Net Earned Premium (£m)	235	242	-3%
Average Premium (£) (NEP/VoC) <sup>2</sup>	422	455	-7%

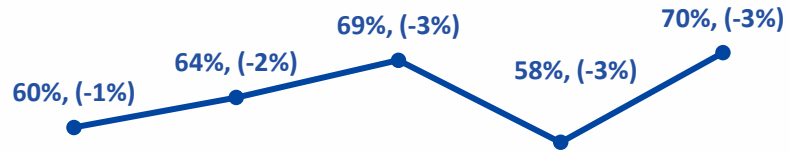
- **Rate increases are starting from a lower base**
  - Through 2021 and into January 2022 average premiums were suppressed due to lower frequency and the FCA reform
- **The full impact on average premium is not yet realised**
  - Admiral rates have been increased by 16% from March to end of July
  - The quantum of increase was higher in Q2 and July
  - There is a lag effect for renewals
  - Average written premiums have started to increase notably since March
- **Mix of book has changed in H1**
  - The portfolio has shifted in favour of lower average premium renewal business
  - There has also been a shift towards higher tenured renewal customers within the renewal portfolio

# UK Motor profit recognition: H1 2022

	Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Total earned premium, net of XoL cost (£m)		1,424	1,488	1,759	1,951	2,077	2,026	2,165	1,891	269	
Total net premium, original share (£m)		356	372	441	435	462	448	481	421	60	
Combined Ratio, booked basis		85%	82%	79%	78%	87%	90%	85%	116% <sup>1</sup>	173% <sup>1</sup>	
Underwriting profit/ (loss), net original share (£m)		55	68	94	95	60	46	73	-68	-44	
Profit commission - Coinsurance		38	67	108	74	34	27	59	0	0	
Profit commission/ releases on commuted QS RI (£m)		37	67	109	176	109	76	136	0	0	
Net other revenue, excl. Instalments (£m)		159	147	155	148	162	152	130	122	73	
Instalment income (£m)		25	29	38	72	86	92	106	77	9	
Investment income, financial year (£m)		12	26	39	33	32	30	51	42	19	
<b>Cumulative profit by UWY recognised to date (£m)</b>		<b>325</b>	<b>405</b>	<b>545</b>	<b>598</b>	<b>482</b>	<b>423</b>	<b>555</b>	<b>171<sup>3</sup></b>	<b>57</b>	
Profit recognised in current period (£m)	12	4	6	25	30	66	32	45	39	57	317
Loss Ratio, ultimate		69%	65%	61%	61%	67%	65%	60%	81%		
<b>Cumulative profit by UWY, ultimate (£m)</b>		<b>329</b>	<b>411</b>	<b>561</b>	<b>614</b>	<b>516</b>	<b>479</b>	<b>612</b>	<b>194</b>		
<b>Pre-tax profit loss ratio sensitivities (to Booked)<sup>2</sup></b>											
1 point improvement (£m)						19	18	19	4	1	
1 point deterioration (£m)						-19	-18	-19	-4	-1	
3 point improvement (£m)						57	54	58	11	2	
3 point deterioration (£m)						-55	-53	-58	-11	-2	
5 point improvement (£m)						94	91	96	19	3	
5 point deterioration (£m)						-91	-87	-96	-19	-3	

# UK Car Insurance: Ultimate loss ratio, expense ratio and combined ratio

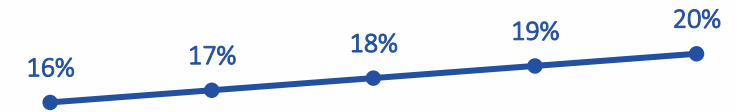
### Admiral projected ultimate loss ratio<sup>1</sup>



( ) % movements since December 2021

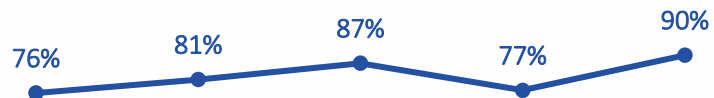
2017 2018 2019 2020 2021

### Admiral expense ratio<sup>2</sup>



2017 2018 2019 2020 2021

### Admiral projected ultimate combined ratio



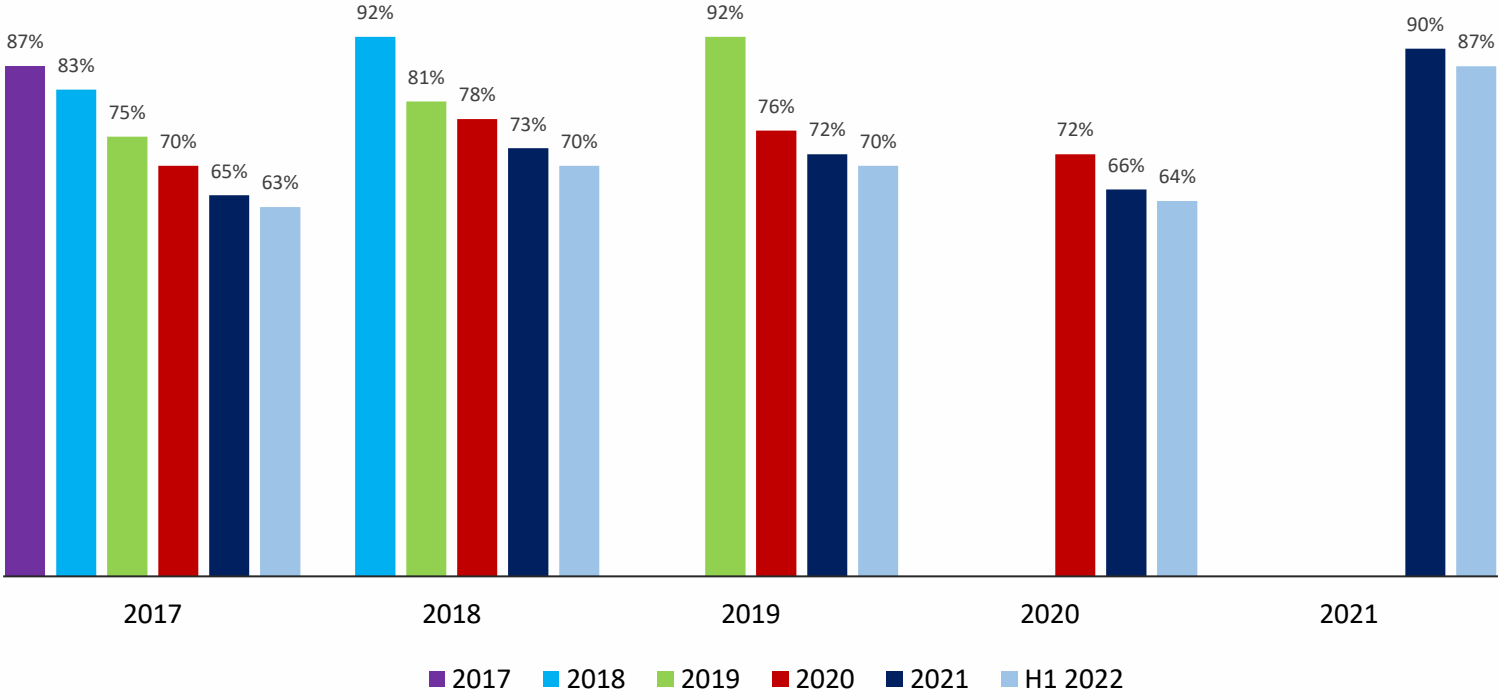
2017 2018 2019 2020 2021

- Recent accident year projections tend to be prudent, particularly when adversely influenced by large bodily injury



# UK Car Insurance: Booked loss ratio development by underwriting year

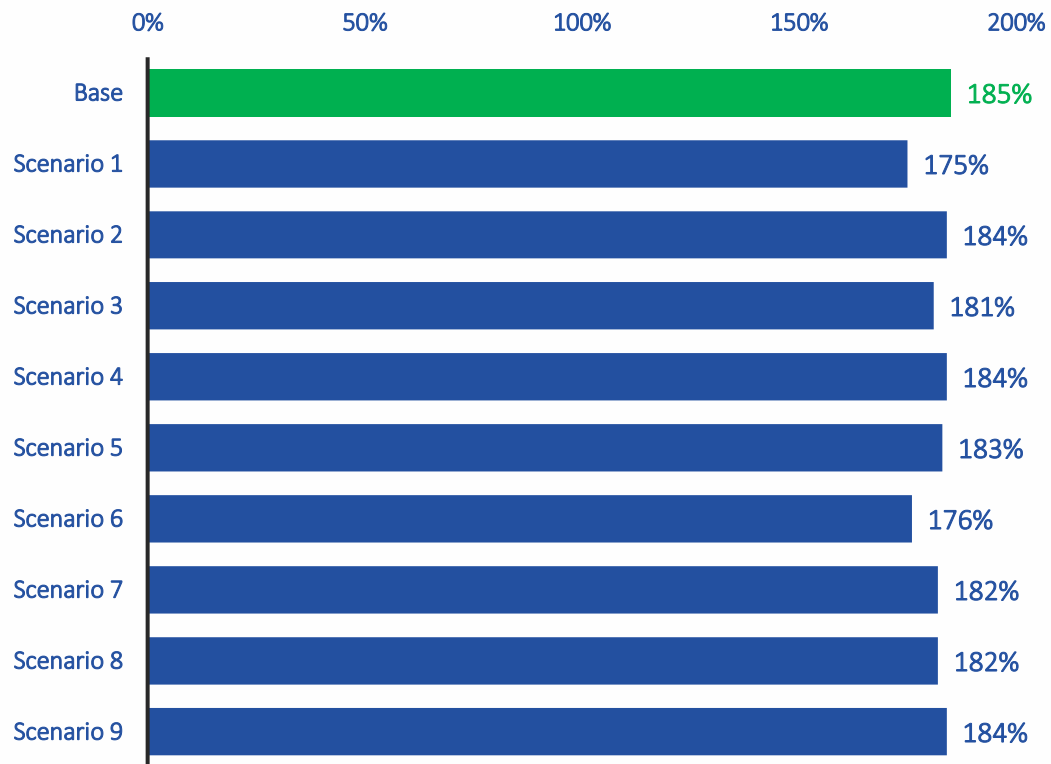
UK car insurance booked loss ratio (%)  
 Development by financial year (colour-coded)  
 Split by underwriting year (x axis)



Ultimate loss ratio by underwriting year	
2021	81%
2020	60%
2019	65%
2018	67%
2017	61%

# Solvency Ratio sensitivities

The sensitivities below have been selected to show a range of impacts on the reported base case solvency ratio. They cover the two main material risk types - insurance risk and market risk. Within each risk type the sensitivities performed cover the underlying drivers of the risk profile. The sensitivities have not been calibrated to individual return periods.



## Scenarios

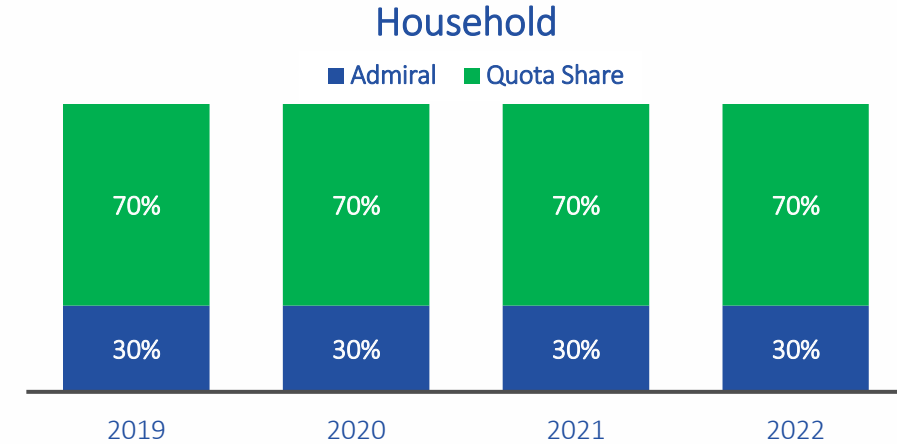
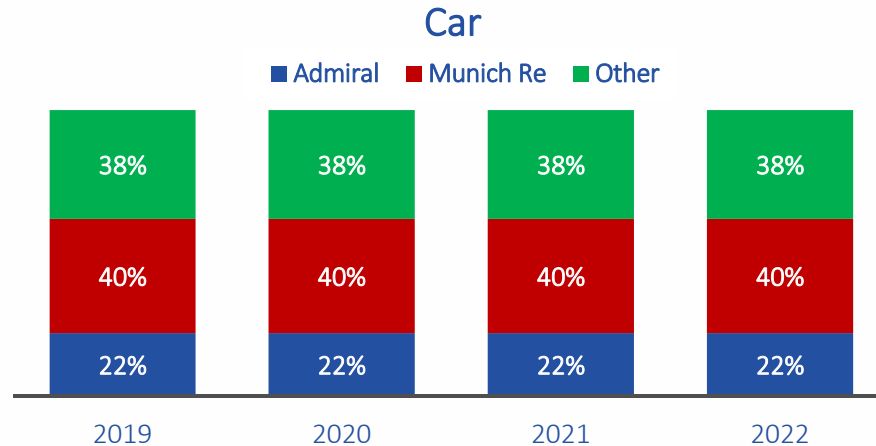
1. UK Motor – incurred loss ratio +5%
2. UK Motor – 1 in 200 catastrophe event
3. UK Household – 1 in 200 catastrophe event
4. Interest rate – yield curve down 50 bps
5. Interest rate – yield curve down 100 bps
6. Credit spreads widen 100 bps
7. Currency – 25% movement in euro and US dollar
8. ASHE – long term inflation assumption up 50 bps
9. Loans – 100% weighting to severe scenario

# UK Motor – reserve releases and profit commission breakdown

UK Motor - reserve releases and profit commission by underwriting year (£m)



# UK co- and reinsurance arrangements



- 38% 'Other' quota share in place until at least 2023
- Munich Re continues to underwrite 40% of the UK business
  - Current 10% quota share in place to at least 2023
  - Remaining 30% updated as:
    - 10% Quota share until 2026
    - 20% Coinsurance until 2029
  - Improvement in net cost to Admiral from 2022 underwriting year

- Quota share contracts where Admiral retains 30%
- End of initial contract terms approaching; analysis ongoing regarding future contracts

# UK Car co- and reinsurance arrangements<sup>1, 2</sup>

<b>Type</b>	Munich Re Proportional co-insurance – 30% current and 20% from 2022 underwriting year onwards	Proportional reinsurance (quota share) – 48% current (10% Munich Re, 38% other reinsurers) and 58% from 2022 (20% Munich Re, 38% other reinsurers)
<b>Cost to Admiral</b>	Variable, depending on combined ratio	Fixed – c2% of premium
<b>Risk protection</b>	Co-insurance	Starts at 100% combined ratio + Investment Income
<b>Profit commission</b>	<p>Key items in profit commission calculation include premium, claims, expenses, share scheme costs</p> <p>Profit share % variable based on combined ratio and calculated in tranches. Admiral's share of profit is c.65% at typical combined ratios under the current contract and c75% from 2022 underwriting year onwards</p>	<p>Fixed fee to reinsurer, then 100% profit rebate to Admiral thereafter</p> <p>Below ~98% combined ratio = 100%</p>
<b>Funds withheld</b>	No	Vast majority
<b>Investment income</b>	Munich Re	Admiral (provided combined ratio <100%)
<b>Instalment income</b>	Admiral	Admiral
<b>Commutation</b>	Not applicable	Admiral has option to commute contracts and typically does this 2-3 years after the start of the underwriting year

# Dividend policy overview and dates

## Dividend policy and guidance

- Admiral will pay 65% of post-tax profits as a normal dividend each half-year
- Admiral expects to continue to distribute all earnings not required to be retained for solvency and buffers
- Therefore expect normal plus special dividend to be in the order of 90-95% of earnings for foreseeable future

## Dividend dates

Ex-dividend date: 01 September 2022

Record date: 02 September 2022

Payment date: 30 September 2022

# Key definitions

Term	Definition
Accident year	The year in which an accident occurs, also referred to as the earned basis.
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 their proportional share.
Combined ratio	The sum of the loss ratio and expense ratio.
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.
Expense ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor, the most recent rate is minus 0.25% in England and Wales and minus 0.75% in Scotland.
Loss ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums.
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.
Total / Gross / Net Premium	Total = total premiums written including coinsurance Gross = total premiums written including reinsurance but excluding coinsurance Net = total premiums written excluding reinsurance and coinsurance
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).
Ultimate loss ratio	The projected ratio for a particular accident year or underwriting year, often used in the calculation of underwriting profit and profit commission.
Underwriting year	The year in which the latest policy term was inception.
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 incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.



# Admiral brands



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