**Just Retirement**
**Interim results for the six months to December 2013**
**Analyst Presentation Transcript**

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**Rodney Cook, CEO, Just Retirement**
**Simon Thomas, CFO, Just Retirement**

Rodney Cook: Right, good morning everybody and welcome to the Just Retirement Interim Results Analyst Presentation.

I believe you've all studied carefully the legal disclaimer, so moving on. I think most of you already know that I'm Rodney Cook, Group Chief Executive of Just Retirement. And for those on the telephone who cannot see the members of my team here with me, I have Simon Thomas, our Chief Financial Officer, Shayne Deighton here our Group Chief Actuary and David Cooper our Distribution and Marketing Director.

Before I get into the detail I'd like to make clear that I'm delighted to have the opportunity to present our (maiden) set of results as a new public company following our IPO in November 2013. And I would like to thank our host here Deutsche Bank for the use of the excellence conference facility. More particularly can thank all of you for joining us here today and also those listening on the phone.

So our agenda for today, it is fairly straight forward. First I'll walk you through some of the issues and opportunities that we have for our group and I will briefly touch on the interim results, but I will let Simon, our Chief Financial Officer go through them in much more detail. I will wrap up at the end with the outlook for our company and some comments on the market and most importantly also seek to answer your questions at the end.

You will remember that we have a June financial year end. So the references in this presentation, except where explicitly noted will be for the financial

year and periods commencing the 1st of July 2013 and we will try and highlight anything that is pertaining to calendar years and I accept that that is a slight challenge because many other companies have calendar year, financial years.

So moving on, I would describe our first six months result as a very good solid start, not spectacular but good nonetheless given the challenging overall market place that our results are also consistent with our expectations which were shared with you in the past.

Also clearly in our first six months of creating the IPO in November as I mentioned was clear highlight for us and we are very pleased to have attracted some significant blue chip investors onto our share register.

I think it is fair to say that our share price movements did give us some gray hairs on the early days, first IPO. But leaving that aside my team and I are delighted to be here, one again as a public company, but also with the much stronger balance sheet which positions us well for future growth.

In 2013 we spent a fair bit of time I must say, with you and with investors, giving our thoughts and views on the impacts of both the retail distribution review and the impact of gender neutral pricing, both of which occurred at the end of 2012 and more particularly the impact and difficult legacy that that would give to the results of 2013 and of course we have seen that.

Also for the annuity market there were added challenges which resulted from purchased referral and the rising share market, which tends to cost deferral of annuitization, but also an important one that some of you may not have picked up on, which was the passing peak of 65 year old males, the post war baby boomers in 2012 and therefore in 2013, the number of males reaching 65 was just over 8.5 percent lower.

Given all of those factors, we do feel comfortable having deliberate growth in sales and also in market share in each of the past three quarters including this quarter and that has added up to some reasonably robust trading in the first half. Whatever the combination of challenges for the annuity market in 2013,

we are still confident that our longer term growth drivers for the individually underwritten annuity market where we specialized are still in place.

Clearly the number of people reaching retirement age will continue to grow and an increasing proportion of those maybe able to become customers of ours in due course. Our excellent customer service and our franchise with distributors has been bolstered through the receipt of our ninth consecutive five star award for outstanding service to intermediaries and to customers and that is unique in our industry.

Pleasingly last night at our gala dinner, our company was placed once again and as it happens for the fifth consecutive year in the Sunday Times top 100 companies to work for and that is a significant achievement for an insurance company.

The other important development is we are now starting to benefit from the use of our intellectual property as we expanded our underwriting skills of longevity into small defined benefit scheme de-risking and Simon and I will talk more about that going forward.

I'd also like to later cover our -- the fact that we are heartened by the current level of public annuity debate and then I'll cover some points on PrognoSys which is our proprietary intellectual property for underwriting longevity. Of course if these things that we will cover together do not answer the questions that are upper most in your mind then we will seek to deal with those in the Q&A.

Moving on to the next set of charts, starting on the left-side side, you'll observe of course our track record of substantial growth in annuity sales over the last five years. However, given the significant fall in the annuity market I have mentioned in 2013 and the most difficult comparator between 2013 and 2012, we are today reporting total annuity sales for the half that are 14 percent lower than the corresponding 2012, '13 financial year has.

On the other hand, you'll see with the gold section, the lifetime mortgages, a pleasing increase of just over 49 percent in lifetime mortgage sales, so our total sales effort by the company, just 4 percent lower half from half. I accept

this isn't a positive number, but it is consistent with the picture we outlined both in September and November of last year.

Moving now to the middle section which is the IFRS profit, these numbers have also been previously flagged to you, we are reporting an underlying profit number which is 7 percent lower than the corresponding half in 2012, '13.

On the positive side of the coin, our operating profit is actually 11 percent higher on a comparator and Simon will explain clearly the difference and remind ourselves of the difference between underlying and operating profits. On the more pleasing note, to the right-hand side of this chart, where our imbedded value has risen 12 percent on an underlying or pro forma basis over the last six months, so close to 100 million increase.

So taking these three sets of charts together, I hope you'll agree that our financial results represent a respectable performance and a respectable start in our first half year as a new public company. Given the difficult backdrop which a number of analysts of course have already covered in the reports of recent time and Simon will take you through those financials in more detail shortly.

A couple of points on the IPO, as I said I'm delighted to be in a position to welcome our new shareholders and owners, but that's not the whole story. You will see here in front of you on this page the capital ratios and our increase financial strength shown here, post the IPO will enable us to continue the growth of the company and it also increases our options with respect to how we manage our company's balance sheet.

It also allows us to consider alternate asset types, although it isn't our intention like some other companies to be building new account, we're not quite that big. Moving on, we are content to point out that with the current position in terms of our balance sheet, but as we come to decisions on any chance of improving that, we will of course bring them to you on notice.

While I am on the subject of our capital structure, could I record here formally our appreciation of Permira for support, not just in capital but also in terms of

their advice and expertise, they're being a truly supportive shareholder of our company during this growth phase.

Moving to the next slide which has got four sets of charts and graphs, as you're aware and indeed you can see on the top-left chart, our last quarter sales and those three prior quarters or the announced of the marketing calendar '13, while growing on quarter, each quarter which is a positive feature, they are indeed lower than the corresponding quarters in calendar 2012 which are highlighted here.

This of course is also true moving across to the total market on the right-hand side it is also true of the individually underwritten annuity market shown here in the blue and also the total annuity market which is the sum of the internal vesting or captive market and the underwritten section below.

Can I remind you, we shared with your our estimate of the pull through into 2012 of approximately 800 million in the total annuity market which occurred in 2012 which could recently have been expected in 2013.

Correspondingly for the underwritten market which we participate and that figure was over 400 million, without doing (inaudible) and statics I think it is worthwhile to note that when adjust out that 800 million of pull through, the total market is actually down 4 percent year-on-year rather than the public leavers of old numbers which are much higher and indeed, adjusted likewise for the IUA market, it is actually 4 percent higher on a year-by-year basis, so not quite as negative picture than the broad headlines would indicate.

In the bottom left chart, now specifically referring to Just Retirement, during the second half of the year, you'll see and this is covered by our interim results, our IUA market share has grown in each of those three quarters, obviously above the minimum number which was the 22 percent which was hit in the first quarter of 2013.

So positive market share growth, I would highlight that this is getting us back up to the 30 to 35 percent range which we're traditional held, but I'd like to point out that we're not managing the business to a specific market share figure. Now while I'm not promising, given the somewhat volatile markets,

that every future quarter will be bigger than the quarter that comes before it, this chart does show a positive trend.

Moving across to the right of course, it shows the somewhat greater resilience of the IUA market, this will be the total annuity wider market and that has led to some further market share growth for us and therefore in the total annuity market we're now over 12 percent market share.

So moving on to the next set of slides, another four slides of those four charts for those on the phone, this with respect to the market. We remain confident that our longer term growth story is in place, even if the fourth quarter of 2013 was a rather soft quarter.

Reminding everyone, our main growth drivers or that shown on the top left which is an aging population demographic in the UK and of course a growth in defined contribution, pension assets. As I said on the top-left chart, there are more and more people aged over retirement age and moving across to the right, these people are bringing increased assets with them when they reach the retirement age.

That also bringing with them defined contribution pensions and with that the responsibility for the individual themselves through retirement choices to decide where they will invest their money, wherein of course in the past the trustees would have looked after them and they wouldn't have, had to make choices of their own.

If I can take the total annuity market as a given, then I would like to remind you of the two key factors which are important to Just Retirement. So firstly they are the proportion of retirees who access the open market and then of that proportion are the number who are then underwritten. And despite the modest setback on the bottom left-hand side you'll see a small setback in the open market over the last year.

Overtime we do believe that more and more retirees will take up their right to shop around. And I think the first thing we need to do for them is of course

take away the jargon because no one actually knows out there what open market option means and we need to alert them to their rights to shop around.

You'll see the individually underwritten annuity segment will also likely gain in share and the fact that people are realizing by answering a few simple questions that they can potentially get a better deal for themselves.

The gold line on the bottom-left and the light blue line for those in color, track the very significant growth in the penetration of individual underwritten annuities, clearly over the past five years on this chart.

You will of course seen the FCA's report, which was released just s fortnight ago. It noted that around a quarter of annuities are underwritten by number and just over 30 percent by value.

Clearly there is an opportunity given that industry estimates and we support these industry estimates are that around 60 percent of individuals, given their single independent status, would be eligible for some form of enhancement.

Also I think we have alerted you at some point in time, healthy life may also need to be underwritten medically and priced appropriately, was once cross subsidies come into question. And I think you've heard me say before that individual underwriting may in future be the new standard as opposed to non-standard.

So I think the observation on the right-hand side is therefore that it is no accident that individually underwritten annuity business has experienced the 20 percent plus growth compound since 2008 and that is ignoring the blip in 2012 that is a positive growth history.

So just before I hand over to Simon to take you through the details in the numbers, a few comments on our continuing development of our proprietary intellectual property for underwriting longevity called PrognoSys, phase two of a system which we've taken you through in some detail prior to now, is actually still on track for implementation in the summer.

As you've heard us mentioned before, we have been using actively the outputs from PrognoSys to deliver some quick wins already for our business, in improving the accuracy and granularity of our pricing. You will also recall that we used the insights from PrognoSys research to refine and strengthen our reserving, prior to the 30th of June 2013 yearend.

Our longevity experience continues to be in line with this insight and we have made no annuity mortality assumption changes. So just to reconfirm, our experience from longevity continues to be consistent with insight we gained already from PrognoSys and making no further changes at this time.

We continue to work closely with our reinsurers, gearing up to move to the user PrognoSys in pricing, so that is progressing satisfactorily. I think I would like to highlight that the work on PrognoSys will never end. It will never be finish.

We will continue to refine our insights from the research, we will be piling on data and analyzing that, as you know that dataset is growing at will in advance of 15,000 person years per month. And we will continue to use our foresight in examining new drugs or new medical techniques and the likely impact that they'll have on longevity. So the current focus for us interestingly is on the examination of healthier life rather than sick life and we believe that will yield some promising insights for us.

So now, Simon can I pass over to you and take the analysts and listeners through our results in detail and come back later to share the outlook.

Simon Thomas: Thank you, Rodney and good morning. Before I start, I just want to echo Rodney's comments about how pleased we are to be presenting you today as a public company. It's good to be back.

So if we can go straight into the IFRS results, like Rodney I view this is a solid start for the year against the difficult market background. We told you that we thought in 2013, was likely to be tough from a competitive position and that combined with the super charged RDR and gender effects in the first half of the prior financial year, remember this was always going to be a

difficult comparison.  However, I hope that you believe that we've been realistic in setting expectations.

Now just picking up a few lines, under the circumstances, we view a 7 percent drop in the underlying profit as a creditable performance.  On the face of it more encouragingly, the operating profit increased by about 11 percent over the period.

Now you can see this was due to a better performance in the operating variances line, where in the prior year we have some significant negative variance, mainly relating (inaudible) at mortality, which I'm pleased to say, has not been repeated this year.

You can also see further down the profit loss account, the profit before tax has fallen by 42 percent, this fall has been caused by the difference in the line, the investments and economic profits, losses where we saw a real benefit in the prior year's caused by some substantial spread tightening.  In fact I think they went down from something like 273 basis points to 181 basis points over swaps, so it was a huge tightening in the prior year.

That spread tightening has continued in this half year, but nowhere near the pace of the prior period.  However you can see we still captured about 8 million pounds of economic benefits, mainly caused by the spread tightening and I'm going to come back to that later when I talk about the in force profit on the IFRS basis.

The final thing I'll mention here is the finance and other costing by the HoldCo of 18 million pounds this year.  Now this includes the loan interest and the preference share coupons so about 14 million pounds, which cover the period up to the middle of November which of course was our IPO date.

It also in that 18 million includes about 2 million of cost for the IPO itself. And the key thing here is clearly as part of the IPO, those loans and the preference shares were consolidated into equity.  So of that 18 million, 16 will no longer appear in the future.

Now moving on to the KPI's, starting off with total annuity sales, I should say on these charts here, what we've tried to do is we've used calendar quarter rather than our financial year quarters, just to try and make things a little bit clearer.

Now there some number of ways to look at this, our sales in calendar Q4 grows to 351 million from 337 million in Q3, so an increase of about 4 percent. However you can see that sales were about 15 percent lower in Q4 when compared against the old time record quarterly sales of 412 million achieved the equivalent quarter a year before, which as we all know was caused by IFA's ensuring that their customers meet the new gender rules and the RDR factor.

Now something we talked about in the IPO which to look at the sales trends over the longer term. And here you can see that our Q4 sales, has in fact grown at a compound annual growth rate of about 17 percent over the last five years and this is similar in fact to the growth rate we've seen for Q3 which was around about 20 percent. So ignoring those exceptional peaks of the super charged 2012 figures, we think that our latest quarter continues to suggest that long-term growth trends remain in tacked.

Now on the next slide, I wanted to look a little bit more at sales in detail and this slide shows you the split of our total annuity and more with sales for the last six months. And we're showing this just to be absolutely clear about the constituents of our annuity sales.

The chart again highlights the full against the prior year, but it also allows me to breakout the new business impact that defined benefit, which sure is booked one scheme in the first quarter of 3 million and the second scheme in the second quarter about 2 million pounds.

Now this was promising area where we're using our IP to underwrite small DB schemes to allow them to de-risk. Now this is starting to deliver useful sales and importantly that satisfactory margin. Now given the recent lower annuity demand, having the flexibility to allocate capital to DB schemes is an important mechanism for optimizing our return.

You may recall that I gave you a prudence stir back in October that we booked our first case of 3 million and I think I said that we might expect another three or four for the rest of our financial year and for 30th of June. Now that original guidance is understating the possibilities and I'd like you now to think about the DB sales, to be more in the mid 30 million pound range for the balance of our financial year.

But I want to stress, this isn't going to be incremental to our yearend sales target and obviously DB does remain -- it remains a lumpy business. But we thought it was right to give you a little more detail on the pleasing progress we're making in this new market.

Now look at the mortgages in a little bit more detail. I have to say the lifetime mortgages and the mortgage picture is unequivocally healthy. Calendar four sales were up 43 percent compared to the prior year and about 8 percent, compared to Q3. This meant that sales in the first half of our financial year, we're up almost 50 percent compared to a year ago.

Pricing has been sufficiently attractive for us tactically to relax our cap of 25 percent compared to the annuity volume. We're up to about 30 percent at the moment, but I think in the next few periods that will start to drift back down.

But for the time being, we're very pleased with the volume and yield of this product and indeed I have to say the yield has improved over the product in the last three months, so it's slowly been picking up month by month.

The chart shows you the market share, we're about 34 percent and loan quality remain strong, we still have a loan to value of about 26 percent and maintained our record of never having incurring any losses under our no negative equity guarantee.

Now just turning to IFRS, new business margins, unsurprisingly the full and annuity sales has resulted in lower new business profit with a fall of about 9 percent compared with the previous period. Now focusing on the bottom right-hand chart here, in October I flagged that margins were under some pressure in the first our -- half of our financial year due to competitive market place.

Now given the reduction in the size of the market, it's meant that more people are fighting for a smaller cake. It's not therefore surprising that we've seen a fall in margins from about 4.7 down to 4.2 for the first half year. That's been helped a little by the stronger lifetime mortgage volumes we've been writing, but we've seen that it landed around 4.2 percent for the first half.

Overall, I'd say pricing remains competitive in the market, but there are some early signs of improving pricing and that combined with the fact that we're writing more DB at what I would describe as satisfactory margins and with the lifetime mortgage yield actually starting to drift up, leads me to be a little more positive on margins for the second half of our financial year.

Now turning to in-force profits, in force margins have been compressed as a result of falling bond spreads. I guided that historically we've seen in force profits of about 80 to 100 basis points on opening actuary liabilities and that we'd be at the lower end of this range.

Well this has fallen slightly further as a result of the continued tightening of credit spreads in the first half of our year. During the period, we saw spreads tightening full for about 181 down so about 149 basis points over swaps. So this has led to a fall in the annualized margin down to about 74 basis points per annum.

However as we've noticed before, if we lose an amount here you don't lose it entirely because the capitalized value of the spread tightening on the whole backlog comes through in that 8 million of economic variance on the IFRS P&L account.

Looking ahead my gut reaction is I wouldn't expect this to fall too much more as spreads has not seen significant tightening in January and February. And secondly of course we expect to earn further margin on our surplus due to the IPO proceeds, which only obviously contributed about one month of return in the first half of this year, bear in mind the date of the IPO.

Turning to the final KPI of embedded value, the group embedded value now stands at close to 900 million pounds. This chart shows the bridge from

perform or opening EV which I've been included in the IPO proceeds in there of about 800 million pounds.  And then shows the effect of trading the last six months.

Even excluding the fresh capital, the embedded value increased by about 100 million pounds over the reporting period.  The main contributor to these, were the new business contribution of 47 million pounds, where margins had fallen slightly for about 7.5 percent down to about 6.9 percent on an EV basis.

We've got the return opening embedded value of about 13 million pounds. Some small experience adjustments but also the more material benefits in the economic variance line of about 39 million pounds, reflecting further spread tightening and rising property prices.

Now once again just the EV basis allows the best estimates in all aspect, other than of course the liquidity premium where we use a CFO forum approach which takes the spreads minus 40 basis points times by 50 percent.  So this implies to and this equates to an implied default allowance of about 93 basis points built into the embedded value.

Have we adopted a more realistic default of say 50 basis points, this would have led to an increase of the embedded value of about 70 million pounds.  So our total EV would have been around about 960 million pounds, you can even round it to a billion.

Capital, as you can see on the next chart, our two main capital measures remains strong.  On the left-hand side we have the pillar one, the ratio now stands at 222 percent.  We've injected a 125 million into the life company so far and it expects to inject the further 50 million in the next six months.  This would a half year, a half yearend have increased the ratio backup to around 240 percent, so close to the pro forma figure we had in June 13.

On the right-hand side of the chart you can see our economic capital cover ratio, which has improved up to a 188 percent, this is well in excess of our minimum cover target and it's slightly better than the pro forma figure at the end of June.  This reflects the helpful economic changes in the period, partly offset by the dilutive effect of writing new business in the last six months.

Finally on dividends just to repeat, our guidance was that have we've been closer to the full year 2012, '13, we would have paid about 15 million pounds in pro forma full year dividends, split one-thirds, two-thirds between interim and final. So this would have equated to a dividend of about 2p for the final dividend. Our first payment will be a final dividend for 2013, '14 and it's going to be paid in Q4.

So I'll now hand back to Rodney to tell you about our outlook and some conclusion. Thank you.

Rodney Cook: Thanks Simon. Before I talk about our end prospects, I want to just touch on and make a few comments about the public policy debate, which has gained a great deal of coverage so far this year.

And for those on the phone, this is the slide with the financial conduct authority logo on it. Most of you will be familiar with the FCA's thematic review and the report of course was issued a fourth night ago today and having observed as they did that 80 percent of retirees who stayed with their current pension provider, suffered some detriment financially, there wasn't any surprise that they highlighted strongly a real need for such annuitant to shop around.

So overall we do welcome those findings there and in particular the FCA gave some prominence to enhanced or if you like individually underwritten annuities pleasingly. Of those findings are consistent with our own analysis of the market and I would like to remind everybody that we at Just Retirement have been champion in this course for almost 10 years now and if we remind everyone that the word just is not only, but it's fair treatment to the customers at Just Retirement.

After all our products to provide good value to retirees and typically they will gain 15 to 25 percent more than a standard writer would offer them. So we do welcome any initiatives which ensure that the customers are treated fairly.

Clearly also as you can see in here the Daily Mail, a number of the national media have launched their own campaigns which are continuing. However

we would like to make sure that the baby, meaning good value from annuities in general does not get thrown out with the bath water and the policy makers can distinguish between those for the pricing competitively in the open market and the others.

Together with other open market participants, you will see I seek to highlight those differences, so that the annuity market itself is not tainted. If I could quickly cover a couple of other important points for the FCA I highlighted, so firstly most customers do not shop around, so 60 percent don't. This is estimated financially to be the equivalent of somewhere between 115 and 230 million pounds of loss pension savings each year.

And we believe that those are processed significantly under estimated because the FCA did not seek to make an assumption about the proportion of those who fail to shop around, they may have been entitled to some form of enhancement.

The FCA inferred also that those firms selling internal annuities did actually make more profit than those selling external annuities and as analysts I'm sure that's an area that you've already formed judgments on.

Several providers have also established retention teams and sales practices accordingly and this is an area that the FCA specifically covered and identified that they would spend more time investigating during their supervisory activities.
So the regulator has concluded as this follows, but further work is needed under their competition objective and duty under the financial service and markets act. They will now be conducting an in-depth competition market study to examine retirement income as a whole.

And can I highlight to you having had my 1.5 hour interview with the regulator yesterday that they are taking this whole initiative seriously and more particularly they'll be looking both at the annuity and the draw down sectors of people moving into retirement.

And lastly as I said they will be examining sales practices and strategies for those pension companies selling to existing customers. We do believe that

these processes are likely to be helpful to our part of the market over the medium term.

Turning now to the outlook, first I would reconfirm that we had not change our expectations for our full financial year. And in the longer term as I've highlighted, mentioning the demographics and so on, we believe the market growth drivers remain in place.

However, given the significant endings external factors at play, clearly from the media, the regulator and government ministers, we do not propose to give specific market forecasts either on a quarterly or annual basis.

I do believe each of you have written on this and have your own views both as to the timing the likely impact of these changes that are coming to the market place and what that will mean for the proportion of retirees, but firstly come to the open market and then subsequently become underwritten.

Second as Simon highlighted we are pleased that our defined benefit de-risking skills are starting to make a contribution to our business and we do expect that to continue. As Simon said we will not chase individually underwritten annuities if we can get better return from small defined benefit scheme underwriting.

Thirdly while the margins in the market place as Simon mentioned remained challenging, we will continue to use that DB underwriting skill and the yield enhancement from our ability to rise our own and originate our own lifetime mortgages, at strong yields enhancements, we would use those two factors to optimize our profit outcome in this challenging environment.

So we remain confident that we at Just Retirement have a good set of products, our brand continues to grow in strength and reputation and unbelievably we feel that we've got a positive regulatory environment coming to floor in which to operate. So that does make us optimistic as for our shareholders and for the future of our company.

So I would like to now come to questions and I will take questions if there are any firstly from the floor and if you would just wait until one of our Deutsche

Bank colleagues bring the microphone around, if you can identify yourself and your question.

And we're using microphones of course, so that our friends and colleagues on the telephone may able to hear the questions and we will after exhausting the questions here on the floor, pass to those on the telephone -- questions.

Male: Good morning.

Rodney Cook: Just wait one second. It's not working.

Male: Hello.

Rodney Cook: Yes, done.

Male: (Inaudible) from Nomura. You mentioned that you are seeing an easing in annuity pricing early in this year, could you perhaps provide a bit more color on what's happening in the competitive landscape or are there any specific reasons you are seeing that's surprising and better behavior from customers, that's question one.

Question two is I appreciate that quarters can be volatile, but would you say we are in a steady state now past the disruption we saw from RDR and then the neutral pricing and going forward can you perhaps look at historic quarters to see how the trends have developed. Thanks.

Rodney Cook: OK so the first question is the comment by Simon that the margins may have a chance of improving, Simon?

Simon Thomas: Yes. Can you hear me (fellows)?

Yes, just to flag that, certainly in the last few weeks, I think we've seen a slight improvement in the competitive landscape. Clearly, I can't talk about individual competitors and I'm not going to, but it has improved.

However, I would just flag as well, I wouldn't want to get carried away by this. Things do change as you all know, overnight in this marketplace.

But certainly what we've seen in the last few weeks has been more positive. And I'd also flag obviously combining that with the fact that we've been writing some of these DB schemes, what I've probably describe as such a factory margins and the fact that I yield on our mortgages is picking up, does give me confidence that our margins will pick up in the second half of the year.

Rodney Cook: Moving to the second part of the question which is has RDR agenda flashed through the system and are we now in a position to move forward with greater confidence? David Cooper, our Marketing and Distribution Director.

David Cooper: Can you hear me?

Rodney Cook: Yes.

David Cooper: Basically, I think we've seen the end of -- it's only the end of the (effective) agenda. In fact, we saw those during the course of last year.

I think it's fair to say that we've seen the end of the effects of RDR in terms of the disruption it's caused. We've still seen intermediate return reorganized, regrouped with some consolidation to follow. But I think we're now looking at a year of stable progress as opposed to volatile disruption.

Rodney Cook: If I can just add to that, of course there were a number of IFAs who didn't continue post RDR, so that hasn't recovered. The share market is continued to be positive and that leads to a new annuitization deferral.

And I think the other important factor people may not have identified is that there is no company (structure) to retirement age any more. Most of you would've joined companies and be told they expected you to leave at a certain age. The government's law on that across the U.K. means no and has a specified retirement age. And we are getting increased numbers of people who are working part time rather than retiring and that will lead to some element of annuitization deferral because they're living off their part time earnings. So a number of factors there.

David, have you got a comment on -- we did all over the market to cases over 100 thousand, had certainly deferred significantly. Are they starting to come back?

David Cooper: Yeah, we believe so. It's very early days in the new year. But we do believe that -- we're certainly not showing a reduction in activity from larger cases now.

Rodney Cook: Right. Next question.

David Cooper: We'll come back …

Male: So the question on -- yeah, the question was on also reported progression coming to the historic quarter that guides how each quarter should progress or not.

David Cooper: I think, if I can repeat my comment, I see that they external forces of regulatory reviews and government ministers' interventions are too significant for me to make a call as to the impact and timing of those changes. So I don't wish to be drawn on giving a quarter by quarter basis.

What I can repeat of course is that we are content with the expectations we set in terms of our production and profit to the year, the 30th of June, 2014.

Alan Devlin: Thanks, Alan Devlin from Barclays. A couple of questions, first on the BPA, can you guys cite the opportunity, you know, what part of the market can you focus on and use your underwriting skills and how much could this potentially be overtime?

And then secondly on drawdowns and the issue of over 100 thousand pounds, is it drawdowns as of rest of your annuity markets that can defer valid annuities in general, more and more people talking drawdowns permanently as opposed to temporary risk?

Rodney Cook: Two excellent questions and thank you very much. David?

David Cooper: Yeah, on BPAs, we set out in the prospectus that we estimated a potential market for small BPAs to be up to a billion to 1.1 billion we said, of market size and we stand by that.

I would stress though that this is a new market, underwriting individuals in the small schemes, is a brand new market, hence a 5 million sales to date being a modest proportion of a billion. But that is our long-term expectation of how big the market could be.

In terms of drawdown, yes we are seeing more hundred thousand pound cases that about go to drawdown. As we've said in the past, the large cases form a relatively small part of Just Retirement business. Our focus has always been to the lower mid-end of the market where we see greater opportunity for enhancement and that continues to be the case. So I think you will have some downward pressure on the size of the annuity market as things currently stand, but not -- it doesn't have a great impact on us.

Rodney Cook: If I could point out to people who are involved in our analyst briefings and our distribution map, you will see of course that Hargreaves Lansdown a major self-investment personal pension provider and drawdown provider. He's also one of the U.K.'s largest distributors off annuities.

So just because a customer goes into drawdown doesn't mean to say that they decide at later date, and certainly for any customer over the age 70, there are some strong potential benefits to annuitize as opposed to continue to take investment risk on a dwindling capital base.

So we do recognize the larger accounts sometimes going into drawdown.

Importantly, we as a company head the strong message from Martin Wheatley that he wasn't satisfied with our industry's response to customers with small pension pots. And so for business going forward, we are reducing our minimum annuity size to 2000 which is his -- which is the government's governed trivial pension pot size. Clearly if they review that, which they are looking at, then we will follow their lead. So we are going to assist the customers that he believes are not getting a fair deal.

Barrie Cornes: Good morning, it's Barrie Cornes from Panmure Gordon. A couple of questions if I may. First of all, Simon, could you give more clarity on the margins but now and perhaps going forward on the DB, small DB schemes?

And secondly, the recent review came out with a couple of figures, shy towards the different ones of what your views were on the take up of the open market option, which seemed to be quite a bit lower than I thought it was generally meant to be at about 40 percent.

And the other question was the size of the pension pots, which again, I always thought from the reports I've read previously that they were sort of mid-20s and above, and yet they were talking the review about somewhat 17 thousand pounds. I just wonder what your views were on that.

Rodney Cook: If you do the first …

Simon Thomas: The first discussion -- thanks, Barrie. I'm not really going to give you a breakdown of the margins on the DB schemes yet, Barrie. We've only have two complete so far. So certainly the indications are that the margins we're seeing on this are satisfactory which kind of gives you an indication that they're likely to be higher than on the IUA in the current competitive market.

Where we see it going in the future is a bit difficult for me to say obviously. But clearly, when we come back, I think we're coming back in early May to talk about the next quarter's new business. We'll give you a bit more insight then from what we've seen. But it's a bit embryonic at the moment.

Rodney Cook: In terms of the number, it's important to remember the differentiation between numbers of annuity and some of the amount of annuity. So the regulator quite naturally tends to focus on talking about the number of people who've either gained or lost.

So I think if I mentioned only 25 percent of people get an underwritten annuity whereby value is over 30 percent. So naturally, the people with bigger pension pots and who are advised by IFAs do get better value.

David, the size of the pension pot being 17 thousand versus 20 thousand.

David Cooper: Two points actually, if I could go back to Rodney's answer on the IUA market, there's also the point on the open market. All these that you will see from ours on open market by customer, it shows around 50 percent of people don't shop around as opposed to the 60 that the FCA have identified as statistics come from the ABI where there can a modeling of customers and a number contracts they have individually.

So I suspect in this case that the FCA may have a more accurate handle on the actual numbers of customers who don't shop around and that's why they think it's higher.

In terms of the average case size, again I think that's the FCA's greater granularity of data and that being the average of people not shopping around.

Rodney Cook: The FCA has an authority to demand that you fill out very technically detailed forms and I don't have the ability to send the same request around by competitors and ask them to respond. So I accept what I think is clear, Barrie, is that you know, it's the majority of people who are not shopping around and we are hoping longer term that more will, and we will seek to be competitive in the market place and capture some of those people when they choose to do the shopping around.

Question?

Oliver Steel: Oliver Steel, Deutsche Bank. Two questions on distribution. I mean, the FCA criticized some of the sort of exclusive distribution deals that have been signed in the annuity market. And I'm honest, I get a bit sort of muddle as to when exclusive deals sort of merged with restricted panels and all the rest (should).

Now I know that you said you don't do exclusive deals. But you are on awful lot of restricted panels. So if you can just sort of explain the difference to help me out on that and where you think things go in that respect and what sort of exposure to that would be if there is any change to the rules around that.

Second question I've got again, is on distribution. I think one of the questions is on the current distribution model in annuities, is that it's just expensive particularly for those with smaller pots. And I believe there is some new sort of distribution routes that are up quite a lot cheaper. So how are those progressing and what is your position on those?

Rodney Cook: Right. David -- and just in case David, you haven't picked up some of the analysts will of course have heard from Old Mutual and their announcement that they're acquiring Intrinsic and the Old Mutual's Distribution Director's comments that he feels that panels are likely to be restrictive increase over the next five years. Of course from our perspective, Old Mutual isn't an annuity right currently so we see that this is a positive step.

Intrinsic is a major annuity writer in the U.K. in having a strong supportive parent we see, which also doesn't happen to be competitive as we see, is a positive feature; the FCA ties and restricted versus exclusive.

David Cooper: Yeah, the FCA ties -- my belief is that the reference there is predominantly for tight arrangements between the insurance companies. So insurance company A decides that it does not want to manufacture annuities so ties to insurance company B, and in doing so may claim that it now offers its customers a chance to shop around or move away. And I believe that the FCA have suggested that that is not ideal mainly because of its belief that they have in fact got the best arrangement around, that in fact they've just moved effectively through a fairly solid pipe to another insurer.

So I think that was that reference. More generally, our experience in the annuity market, because remember, a lot of comments are made around the advisory landscape or around broader advisory which a lot of it is retail investment.

In the annuity space, the huge majority of distributors whether they're restricted or independent off whole of market or very broad panels, and by broad panels, I mean that they make constructive panel of annuity writers, put those annuity writers collectively may make 90, 95 percent of the market. That is still called a panel.

So we have a very little exposure to a change of direction. That said, I do believe that the direction of travel is toward virtually all annuity distribution being close to whole of market or broad panel, I think would be very little, limited tie just because of the potential customer detriment and also that reflecting bad on the advisors delivering the advice.

Oliver Steel: OK.

Male: Inaudible.

Rodney Cook: Sorry, yes?

David Cooper: There are number of models being tested. There was a recent launch of a non-advised annuity distributor who is offering a service 100 pounds per case rather than a commission related to the premium size.

It remains to be seen which ones where we are supporters of all innovation in pioneering in this space because we do believe that the cost of distribution and delivery should be brought down, but clearly it's important that the quality provides all the scalability exists.

Rodney Cook: In the open market at the current time, about 55 percent of our business flows from an advised structure and 45 percent from non-advised. But it is true that that continues to grow.

So evidently in the internal vesting market, that is nearly all non-advised. So in terms of our total annuity market, the bulk of people are not speaking specific advice to their own personal circumstances. They may be going through a guided process, but the regulator calls that non-advised.

The comments from the regulators will focus on websites and (AR) team to see certain standard applied to websites and we will certainly support the development of (tight marked) websites so the regulators is comfortable with the service that is being offered.

Right, if I can now ask the operator to check whether or not there are any questions on the phone.

Operator: We have some questions. Your first question over the phone comes from the line of Greg Patterson. Please ask your question.

Greg Patterson: Good morning. I'll give you four questions in case some of it you would answer. The first one is in terms of quote level, so unless you can talk about how they have progressed in the first quarter versus last -- fourth quarter last year, how conversion rates have progressed.

You also -- sorry. You also said you're getting into healthier lives. Is that the not -- the more competitive low margin area. I wonder if that's going to have an impact for margins.

And third, I wonder if want to talk about the impacts of the resolution launched end of last year and soft launched by Standard Life both in the (lifestyle) space. I wonder if this has any impact on the market? Thanks.

Rodney Cook: If I can do the last two, Greg. So firstly my reference to healthier lives is for Just Retirement to be ready when the standard annuity providers can no longer cross-subsidize the standard rates by taking money from poor or sicker people and giving it to richer and healthier people. So that is by definition a notion of standard underwriting on a medical basis. Having also regard to the fact that they underwrite by post code which we consider to be of course a different, and somewhat blunter instrument.

So my reference to healthier lives is if the whole market becomes underwritten, we would like to be able to provide a variegation, if you like, of people's healthiness because up until now, people have thought of Just Retirement as someone who only offers annuities to people who are sick.

So we would be able in time to write the entire market on an underwritten basis. So that's the reference to healthy.

The quote levels and conversion rates, David, I don't believe that that's something we're commenting on until the 12th of May. But did you have a point to make?

David Cooper: No, no, I think that's exactly right. We would (astonishingly) prefer not to come in on short-term market activity principally because it's very commercially sensitive with regards to some of that competitors, and we stand by the guidance of the full financial year.

Greg Patterson: Sorry, I just want to -- can you hear me?

Rodney Cook: Yes.

Greg Patterson: Yeah, and since when we were chatting in the second half of last year in terms of calendar, we're talking about first are the small player having exited -- the small IFAs having exited the market and have the new age direct propositions where we're struggling to get traction. And hence, we've seen current levels and conversion rates. I was wondering, because I'm trying to get a feel to what extent the sort of new age (.com) providers how their models have progressed and how they're starting fill that gap. You know, have you seen some progress or have you not seen any progress?

David Cooper: Yeah, I can't answer that, Greg. I don't know if you recall but in the analysts' presentation pre-IPO, we put a chart up showing how distribution currently broke out between traditional IFAs, new specialists and partners and price comparison websites. And then we showed where we believed the growth, whether winners and losers were.

Since that time, our actual progress is followed pretty much what that slide suggested, which is we have seen a fall from traditional smaller IFAs as they've left the market, as they've refocused their business on other lines. All of that capacity and more has been taken up by the new specialist writers largely from (strain) on non-advised. But they are taking material share which is a good thing obviously in terms of market capacity.

Rodney Cook: So the other question, David was Friends Life launched into lifestyle, and if your grandmother is still alive …

Greg Patterson: And Standard Life as well. I see Standard Life announced yesterday, they've done a soft launch in -- it would kind of hurry as they backed up in end of October, November.

David Cooper: In terms of those two competitors, we believe that they are broadly following a similar strategy which is to attempt to offer their internal customers better terms to try and retain -- it obviously also helps with their external reputation in terms of being able to offer some form of enhancement for the owners.

We've not seen any effect from Friends, any material effect in the open market even though they have entered that now. And clearly we understand this is too early to tell, but that is an internally targeted launch at the current time.

Greg Patterson: Alright, thank you.

Sorry, just last question -- your statement about with got to meet our expectations for the full year. What are you talking about, profit -- what do you think expectations for the full year?

Rodney Cook: If I answer that -- so we're specific in not using the word itself, so our expectations and the market consensus both for production in total and also for IFRS profit, we are still sticking to those expectations, (Greg).

Greg Patterson: So your expectations in the current consensus conveniently coincides?

Rodney Cook: Yes.

Greg Patterson: Excellent.

Rodney Cook: Any other questions, operator?

Operator: And another question from the line of Ashik Musaddi. Please ask your question.

Ashik Musaddi: Hi, thank you and good afternoon everyone. This is Ashik Musaddi from JP Morgan. A couple of questions. So first of all if I heard it correctly, you did mention that you are looking to enter the small pot sizes -- well, I don't know if I heard it correctly or not. But in case you are looking to enter a small pot size for less than five thousand, how should you think about the margins on those kind of business? That's the first one.

Secondly, also you mentioned that currently it's a challenging environment and therefore you are focusing on DB and lifetime mortgages. Now, how long should we expect this to continue and when should we start looking for things to go back to normal? Any color on that?

And thirdly on -- is there any regulatory pressure with respect to explaining the market or the real margin and annuities, i.e. not just the booking all the profits upfront, the majority of the profits upfront, but giving more color on how does the profitability look like on more market-consistent basis? Your answer to these three questions would be good, thank you.

Rodney Cook: OK, firstly to the point on small pots, except for one specific client, our current minimum is 5 thousand pounds. What I was suggesting is that we would make annuities available picking up the criticism from the regulators that people with small pots couldn't even get an annuity.

So we expect that to be managed marginally by our business so we don't expect that to be profit-making, and if anything, very little in terms of the loss for margins; because as you might gather, we're processing literally thousands of cases so we don't see it as any additional cost in our administration.

If I could just cover off the one on lifetime mortgages and to clarify it because there may have been some miscommunication there. Lifetime mortgages are our way of enhancing the yield on our total portfolio. So we only offer lifetime mortgages from the proceeds of our annuity sales, but it is a very secure asset-backed thing -- well, zero coupon bond effectively because it's rolling up of the yield. And the yields are more attractive. So that was the reason for allowing it to move north of our normal -- we have 25 percent range. And also if you look in the history of the document there, that it does go up and down because annuity takes a completely different amount of time to complete than a mortgage.

The defined benefit business, we would like to hope that that will be continuing aspect. So we kicked off our work two years ago, we formed a whole new team, we have been discussing the concept of underwriting with

actuarial consultants for more than a year, and we now have them at a point where they're willing to talk to small clients of theirs, an interest -- I mean, the underwriting concept to get a better deal for their clients. And so we would hope that defined benefit underwriting will continue. And as David indicated in our prospectus, we highlighted the potential market of around a billion in size.

These are schemes which have up to 100 million of liabilities. So I do think it will be quite some time before, you know, old trustees treat this is the norm. If I highlighted -- I hope it's much quicker than the fact that we launched our business in 2004 and it's taken quite a number of years to convince everyone that the right answer was underwriting for individual annuities. We do hope that the actuarial firms will catch on somewhat quicker.

And Simon, can you talk on the real margins, please?

Simon Thomas: Can you just repeat that part of the question again?

Ashik Musaddi: Yeah, sorry for being a bit confusing on this. In my view, there's a perception in the market that annuities currently make a huge amount of margin, and that to, it's all upfront because you get the premium upfront.

So do you really believe it's such a very high margin business, and if not, then what would -- is there any pressure in the market to think about a new way of communication so that market get to see that it's relatively a good margin, but not exorbitant margins? Thank you.

Simon Thomas: OK, I'd let Rodney answer that last part of the question. But certainly in terms of sort of the margins, I think you can see here for this half year, we've been booking a margin of 4.2 percent upfront. Clearly we then recognize an amount of (prudent) margin over the remaining period of the contract, which I think in some of the presentations we've been seeing, might go up to about another 8 percent on top of that which we discussed as part of the IPO.

In terms of how we feel about that, clearly we feel this is appropriate in terms of the way that we recognize margin and the amount we're charging the client and the product that we're giving to the client.

Interestingly, I think if you compare this margin to some of the other players who possibly aren't operating on the open market, you might see some different patterns emerging, let's put it that way.

Rodney Cook: So just to pick up off that, the regulators' formal report actually identified that they thought companies that wrote internal annuities were making much higher margins. And I do think those of you who follow those particular companies, you'd see those margins being north of 10 percent.

So on a like for like basis in terms of declaring the margin upfront, so we are somewhere around 5 percent and they would currently be north of 10.

Ashik Musaddi: OK, that's very clear. Thanks a lot for that.

Rodney Cook: Right. Any other questions from the floor here before we come back to the operator?

Trent Monson: Trent Monson from (Baron) back here. A couple of little questions really. Once the -- one of the observations in the thematic review was clearly one of mass consumer inertia amongst other things.

I was wondering whether you, the industry or the regulators got any sort of bright ideas about how to tackle that because it's clearly one of the major issues. You can kind of lead a horse to water, but you can't make it drink, I think. People -- in one of the conclusions was a lot of people were aware of their ability to shop around sort of couldn't be public, so I mean it's interesting, I think.

Secondly, one of the other conclusions of the thematic review was that -- or one of the ways it focus was on the uplift or potential uplift that some customers could get by going into the open market. There didn't appear to be except by reference, to the internal vesting. Any real review of the profitability returns on the capital that annuity companies make on the business that they do right. Do you think that Phase II of the regulator here as we've seen already in the savings industry is to focus in on the actual returns on capital, the industries making and writing annuities and then to try and

force that down to the lowest common denominator as they're doing in the savings market or pensions market?

Thirdly, just in terms of your bulk purchase, I was interested in how many -- whether these schemes are coming to you and you're the only people sort of pricing the market and so forth, or whether, you know, there's a real competition in that market, you know, is it two players, is it three players, you know, what sort of competition are we seeing in terms of people coming there?

Rodney Cook: Alright. Could I just quickly do the last question first to clarify defined benefit?

Clearly as we said, small schemes were not getting much attention on customer services. You'll know that there are companies that write huge bulk annuity deals in the billions. So clearly, we identify this and also our colleagues, our partnership identified miraculously the similar time that this was an area where we could bring customer service and potentially our skillset.

What we're actually doing here is if you like the 80-20 rule, 20 percent of the members of the scheme will have more than 80 percent of the liabilities. So we do medically underwrite, if you like, the 20 percent and then we underwrite on an occupational observation basis the other members.

In the end, we do actually issue individual policy. So this is the fundamental difference. This is not bulk annuities if you think about them in the past where there's a billion pound deal with thousands of members.

So in the end, it is quite likely that all of these customers will become individual customers of Just Retirement. So that's the subtle difference.

There are about -- there are two active players and also some partnership, also L&G and Aviva as participant in this area.

As I said, we would be delighted if (inaudible) firms fully embrace this, but it's nascent of growing the market.

Male: Rodney, does that come to you via IFAs or …

Rodney Cook: No, actuarial …

Male: EBCs?

Rodney Cook: EBCs, principally. So the one in terms of profit, I understand your question of the risk of the regulator trying to drive margins to the lowest common denominator. Obviously we feel quite comfortable at the moment being at 4.2 versus numbers 10. So we see it being a long way -- in other words, impacting on other people.

Also, the real benefit of other players potentially bringing their customers to an underwritten market even if they attempt to underwrite themselves, is we see the opportunity for us to win some of that share where at the current time, they are keeping 100 percent. So we haven't got the sense that we will win all of their customers, but it would be the chance of getting some of their customers.

Trent Monson: You've got me wrong there. I think you're beneficiary from that by the way for reasons you described. But I was wondering whether you got any indication from the regulator. You mentioned you've just been chatting to the regulator, whether that was something that might be stage 2, I don't know if that's true.

Rodney Cook: Well, obviously discussions between companies and the regulators are strictly confidential. But not the actual concept of what they're looking at, and as I indicated, they are looking at a number of factors including not just annuities but drawdown propositions. They will be issuing in the next week a comprehensive request for information to all of the insurance companies and all of companies will need to respond, and of course profit and margin and sales, practices are all part of their questions there.

As you know, and you've got great expertise in analyzing every companies' accounts and profits, as you can see, they're all slightly different and we know some companies say they can declare all the margin upfront and we clearly show the split of our margins between what we declare upfront and what we

gain over the future lifetime of the product. And I think we share that during the IPO.

Just to quickly conclude, as time is getting away, the consumer detriment and the consumer inertia, I think the fundamental difference is that this is a once in a lifetime purchase. You will know only too well from your general insurance relationships that people are shopping around every year, as to say, 20 quid on their car insurance.

When we have done extensive consumer research for annuities, customers would be delighted to switch provider for 20 pounds, and when you tell them it's 20 pounds every year for the rest of their lives, they're even keener. But equally, other companies that done research that's said the customer likes this so much and we are so hopeful that they decided to stay with us.

I think what the regulator is about is switching the responsibility from the consumer to have to do everything onto the providers. So for the avoidance of doubt, just telling someone they have an open market option, what in English does that actually mean to your next-door neighbor or someone who isn't in this space? It means zero.

So we have to change the jargon, we have to put the emphasis on the provider to respond with what they find out from the customer. At the moment, all we've been doing is prompting the customer to think a bit more and clearly that has failed. So the regulator does have it in the mind and also the ABI. I was looking once again at their code to see whether they can improve the outcome. But I think we've got a way to go.

Right, one last question from the operator if there is one.

Operator: You have a further question from the line of (Greg Patterson). Please ask you question.

Greg Patterson: Yes. It's sort of a technical question. In terms of the increase in your lifetime mortgages to 32 percent versus 25, are you booking that additional profit in the margin or are you assuming a 25 in the margin and letting the residual come through as a variance?

Simon Thomas: Greg, it's Simon. Yeah, I mean clearly, we have to back the -- we use the lifetime mortgages to back the annuities. And so therefore, you know, there have to be the match when you're writing the appropriate annuities. So any significant amount in excess would be left until that could be used to back the annuities themselves.

Greg Patterson: Right, so I don't have to worry that there's been no boost to the margin in the first half of your financial year. So you're just assuming 25 in the margin …

Simon Thomas: Not a significant boost, I would suggest. But obviously the yield makes a difference.

Greg Patterson: No, no, totally. But are you assuming 25 percent in the margin?

Simon Thomas: Well typically we would assume what we could use which would be around the 25 percent mark.

Greg Patterson: Alright, thank you.

Rodney Cook: OK, so the time has come to conclude. I'd like to thank you all both on the phones and here in London for your insightful questions. And I look forward to presenting an update of our sales on the 12th of May. So thank you very much.

**END**