

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

February 2014

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Rodney Cook

Group CEO

Agenda

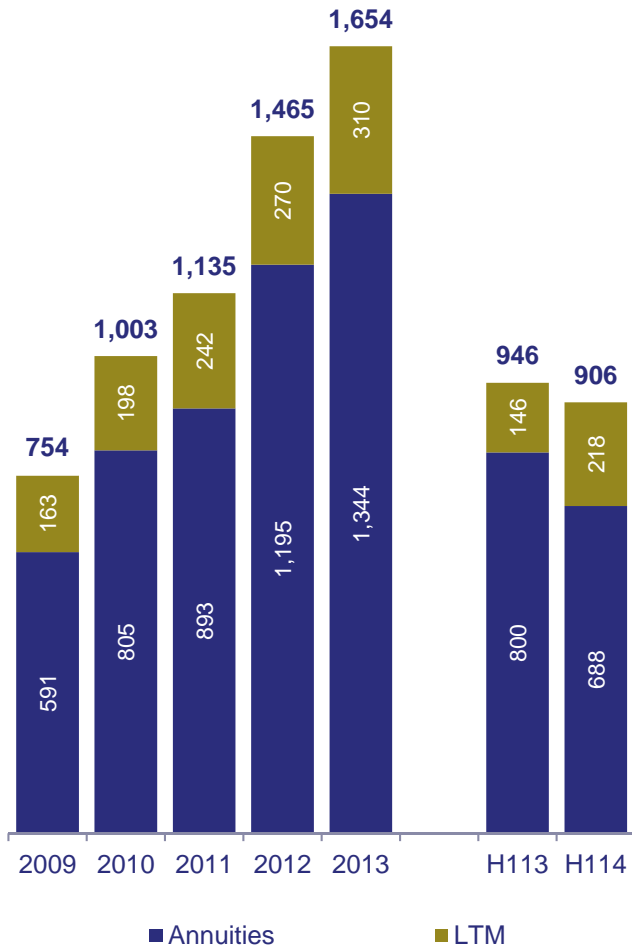
- Business update – Rodney Cook
- Financials – Simon Thomas
- Outlook – Rodney Cook
- Q&A

Solid trading despite challenging market place

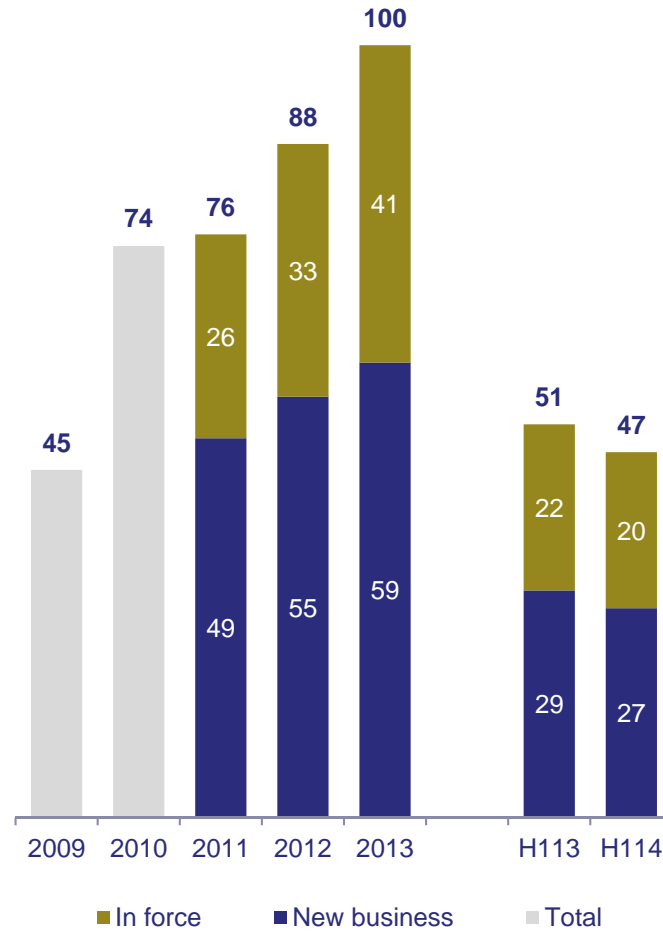
- IPO positions us for growth
- Robust market share and richer product mix
- Drivers remain in place for longer term growth
- Full roll-out of PrognoSys™ will enhance our capabilities
- 9th consecutive 5 star service award
- Current annuities debate is one we welcome

Strong EV growth despite tough trading conditions

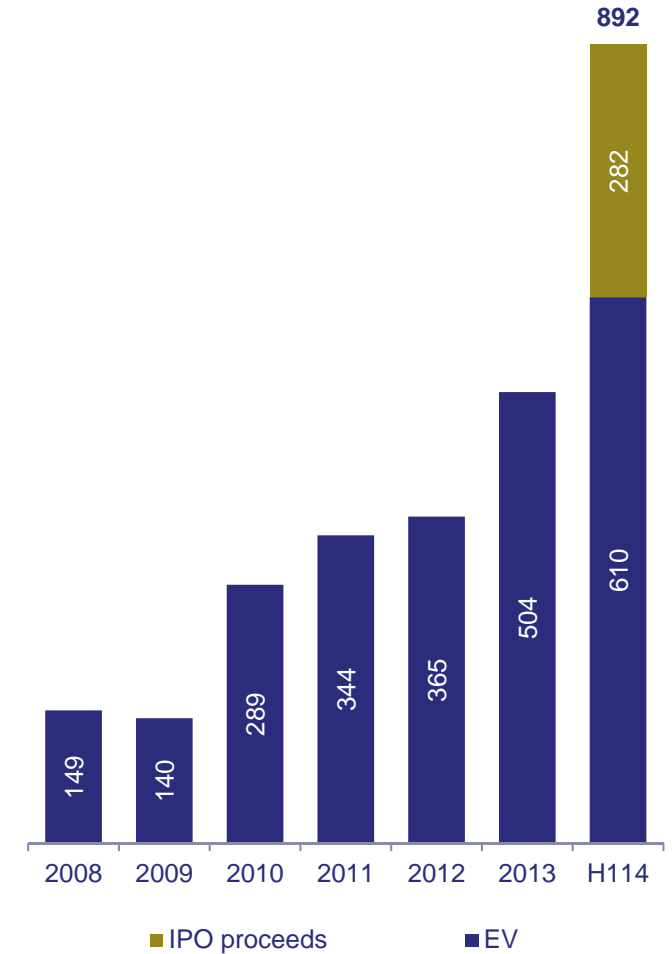
New business sales, financial year £m



IFRS underlying op profit¹, financial year £m



Embedded value, financial year £m²



Source: Just Retirement. Note: 1. Normalised new business operating profit for the year ended 30 June 2011 shown (excludes exceptional profit of £14m).
2 FY13 EV £504m at JRH level. Chart shows JRH up until FY13, JRGH for H114.

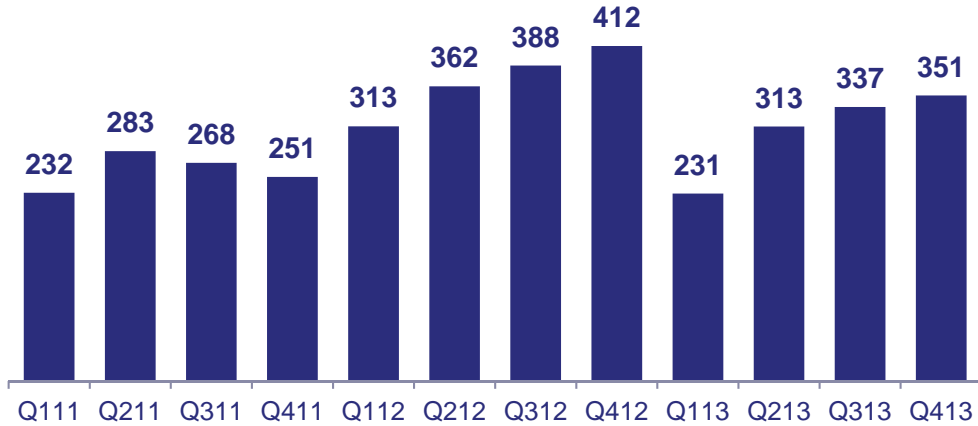
IPO proceeds support future growth

- Increased capital strength positions us well in the market place
 - Economic capital ratio was 188% at 31st December, well in excess of our 140% target
 - Pillar 1 Solvency increased from 170% to 222%
- It also gives us new capital and risk management options

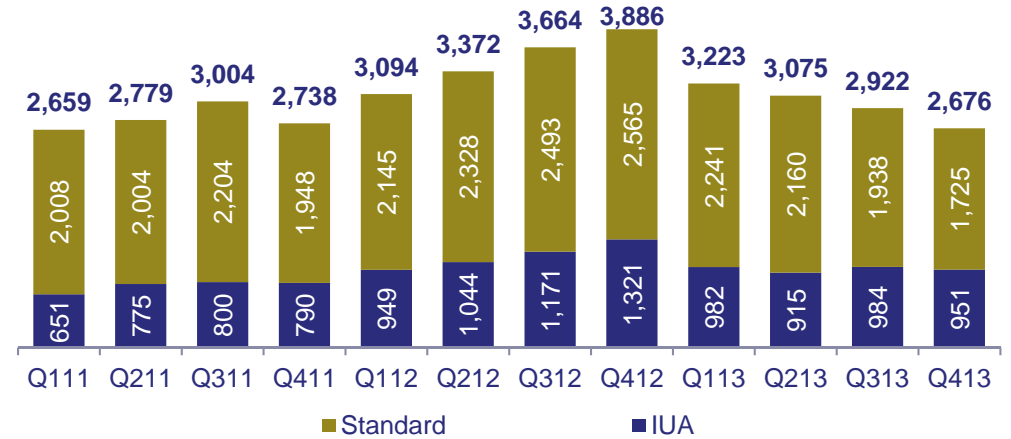
Satisfactory sales given tough annuity market

Our sales bottomed out in calendar Q113, ahead of the overall annuity market

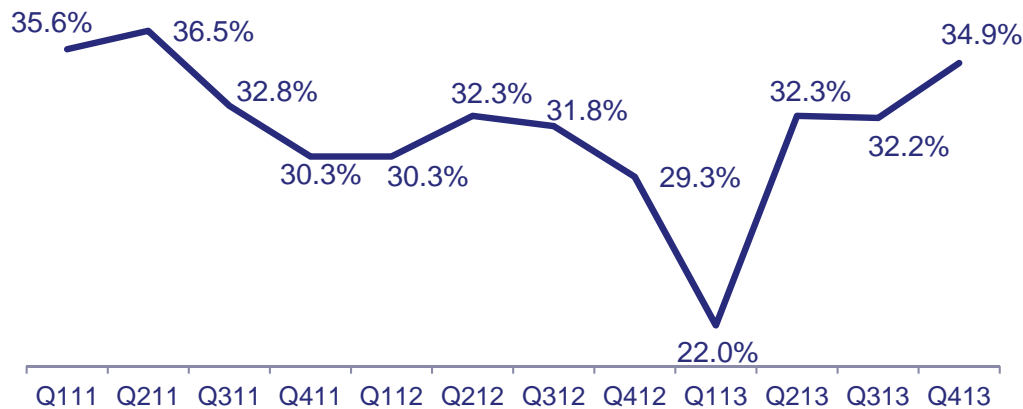
Solid annuity sales¹ (£m) momentum by Just Retirement²...



...has slightly outstripped the market² (£m) ...



...resulting in IUA market share gains²...



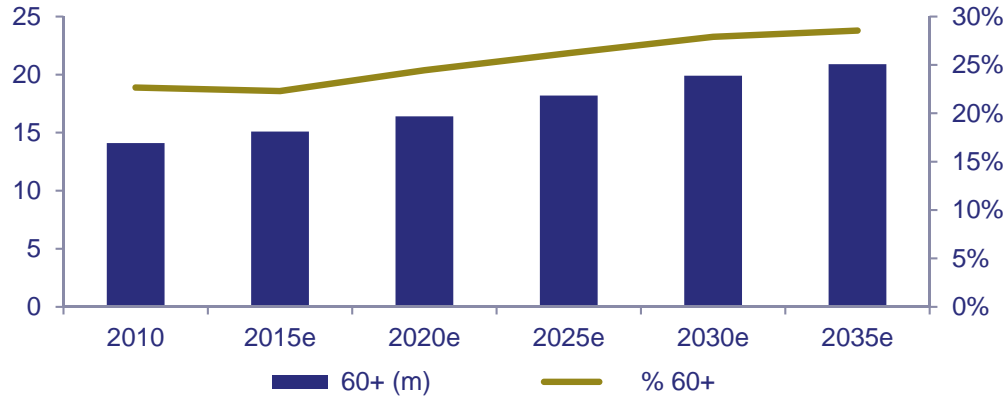
...and a rising share of the total annuity market²



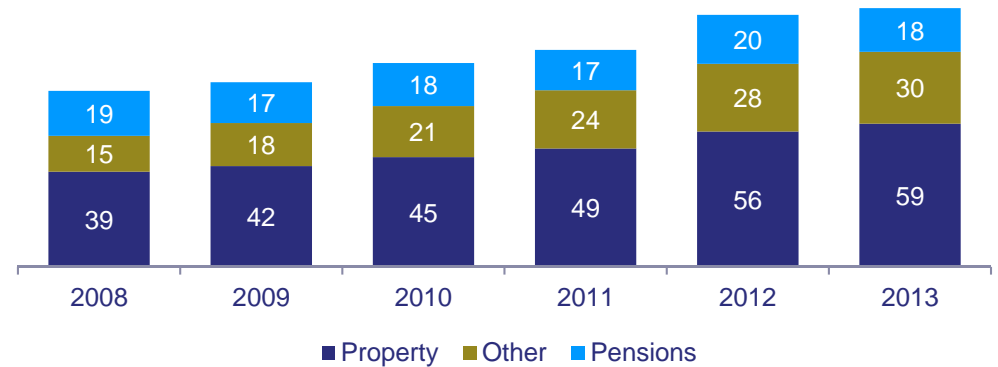
Our longer term growth drivers remain in place

More people are retiring, and they are getting richer. Increasingly they are DC scheme members who need to annuitise. They are increasingly likely to shop around and to benefit from individual underwriting. We are well-placed to capture this growth.

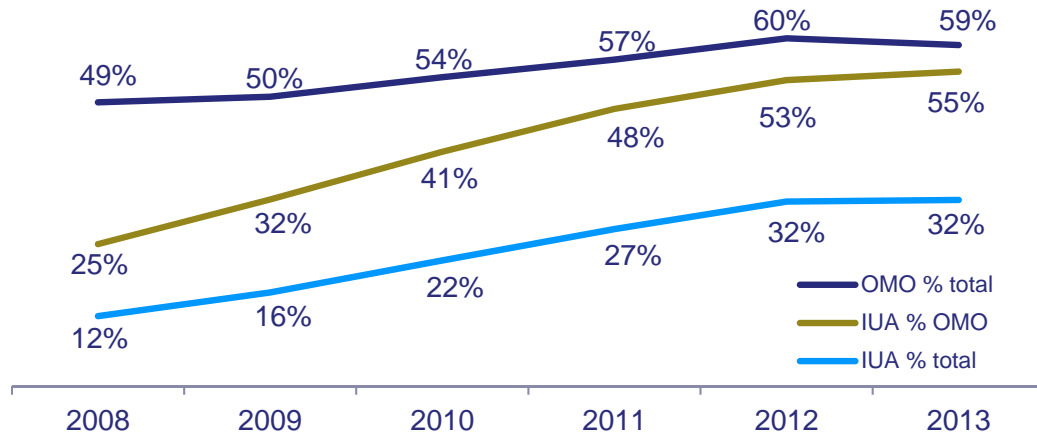
A growing grey market¹



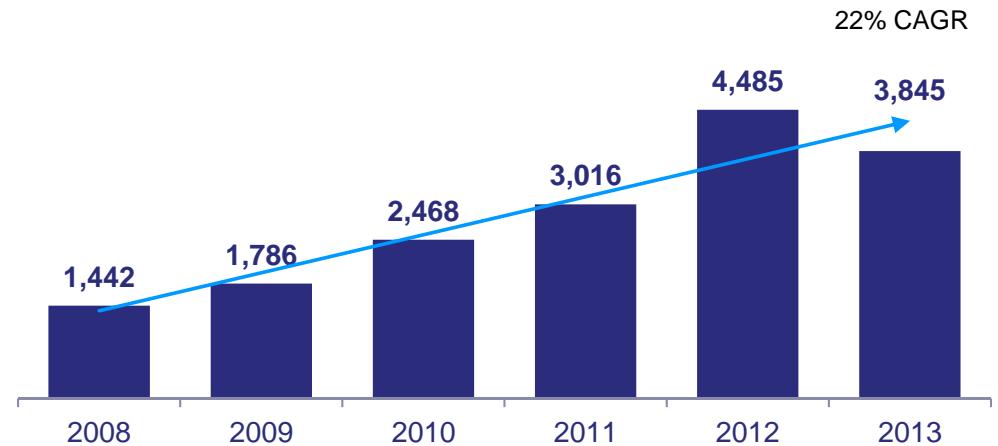
Annual inflow in retirement income (ex DB –c.£40b)¹ (£bn)



Increasing OMO and IUA penetration¹



IUA market has grown at a 22% CAGR from 2008-2013¹ (£m)



PrognoSys™ – Phase II

- Phase II implementation on track for Summer 2014
- Quick wins already implemented improving current pricing
- Longevity experience continues to be in line with June 2013 reserving basis – no further changes expected from PrognoSys™ work
- Working with reinsurers to manage transition to PrognoSys™
- Evolution of the IP continues, with the focus on healthier lives and horizon scanning

Simon Thomas

Group CFO

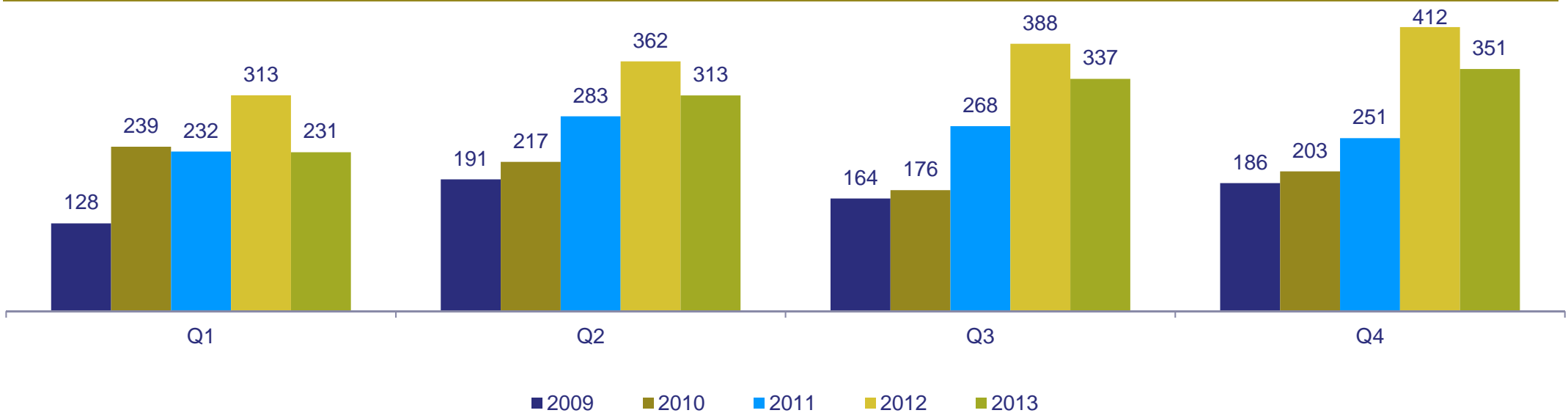
Summary IFRS results

£m	H1 2012/13	H1 2013/14	H1 2013/14 v H1 2012/13 ¹
IFRS new business operating profit	29	27	(8)%
IFRS in-force operating profit	22	20	(6)%
IFRS underlying operating profit	51	47	(7)%
Operating variances and assumption changes	(10)	1	n/m
Reinsurance and bank finance costs	(4)	(7)	52%
IFRS operating profit	37	41	11%
Non-recurring and project expenditure	(2)	(4)	91%
Investment and economic profits/(losses)	43	8	(81)%
Profit before tax (Group)	78	45	(42)%
Finance and other costs incurred by HoldCo	(21)	(18)	(11)%
Profit before tax (HoldCo)	57	27	(55)%

Strong long term sales trends in annuities

- Q4 13¹ sales of £351m, up 4% v £337m in Q3 13¹, but down 15% year-on-year
- H2 13¹ sales of £688m up 27% compared to H1 13¹ but 14% below H212¹
- Comparative numbers boosted by RDR and gender neutral pull forward
- 2009-2013¹ CAGR is 17% for Q4 and 20% for Q3
- Medium term growth trend remains robust, and DB looks promising

JR total annuity² sales by quarter, £m (calendar year basis)



Breakdown of sales

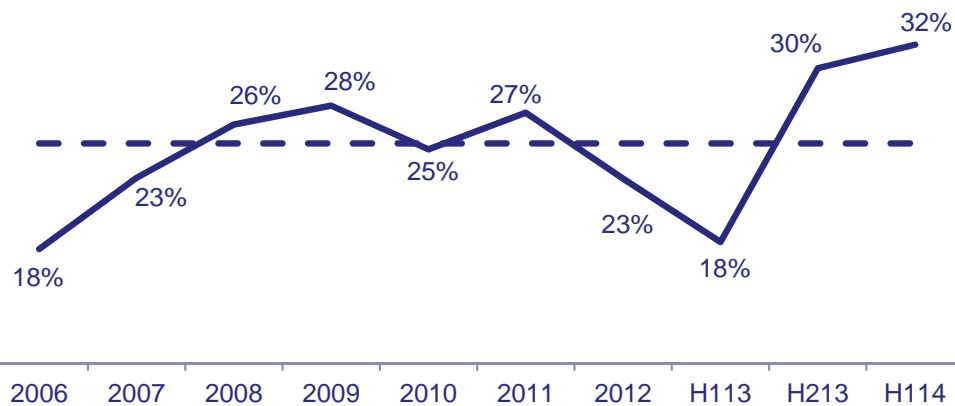
£m	H1 2012/13	H1 2013/14	H1 2013/14 v H1 2012/13
Individually underwritten annuities (IUA) ¹	758.8	645.8	(14.9%)
Fixed term annuities (FTA)	41.6	36.6	(12.0%)
Defined benefit solutions (DB)	-	5.4	n/m
Total annuities	800.4	687.8	(14.1%)
Lifetime mortgage advances (LTM)	146.2	218.3	49.3%
Total new business sales	946.6	906.1	(4.3%)

Consistent growth in LTM advances

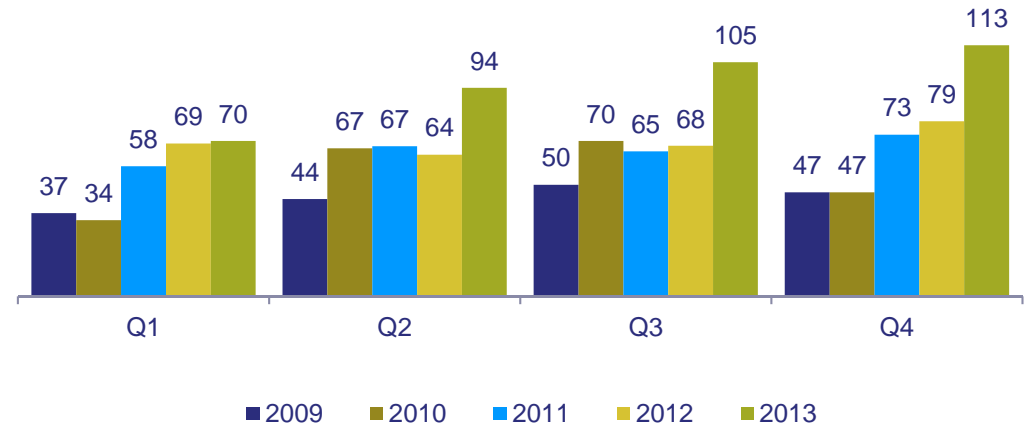
Commentary

- Q413¹ sales up 43% continued the strength seen in Q313
- Q409 to Q413 CAGR has been 25% (Q309-Q313 - 20%)
- LTM's were above our 25% long term target. Pricing conditions drove the decision to grow this exposure tactically
- Our market share of 34% represents a new record, but not at the expense of quality
- LTV remains 26%, we haven't had any NNEG charges, and the NNEG reserve of £218m is 7.2% of the LTM valuation

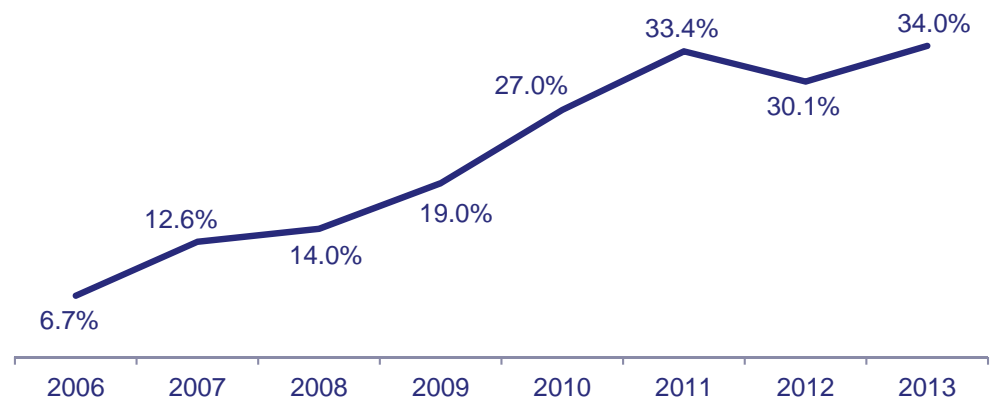
LTM % IUA v 25% target (financial year)



Strong LTM sales in CY13 (£m)



Market share at a new high (CY)

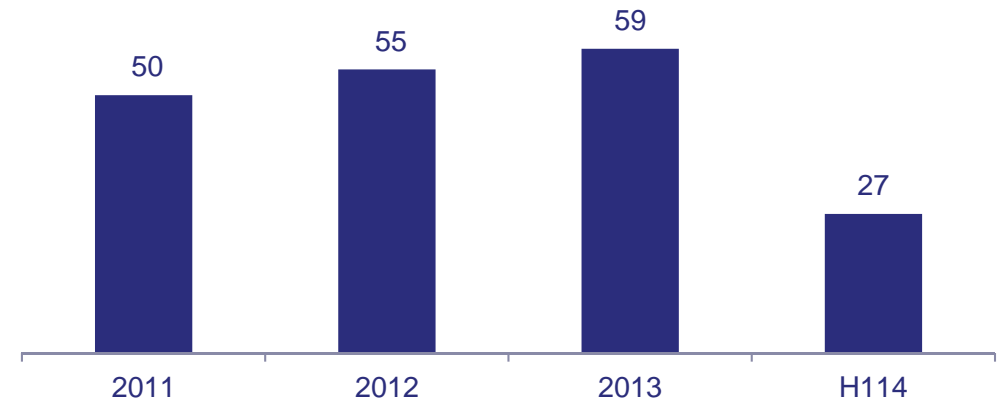


IFRS new business operating profit

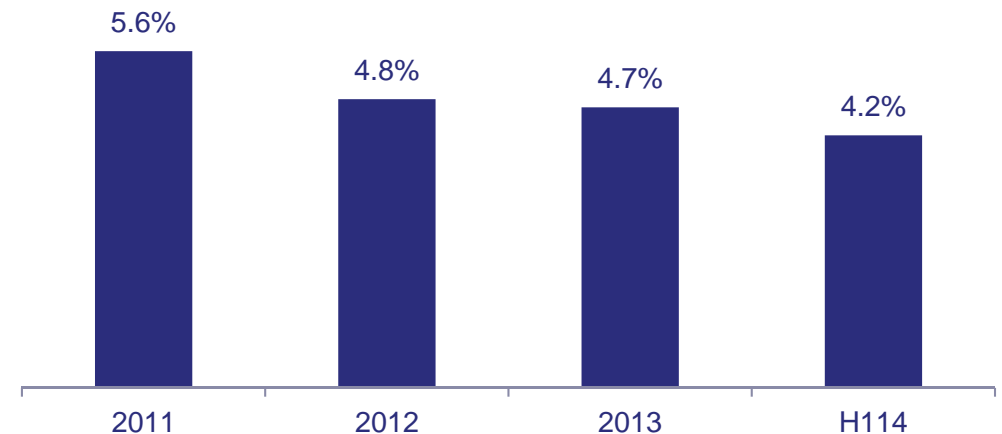
As expected, margins have remained under pressure

- Fall in H1 2013/14 total annuity sales has driven a 9% fall in new business profit v H1 2012/13
- Fall in industry annuity volumes took place in association with an increase in industry capacity, and margins have taken the strain
- Mortgage pricing remains attractive and has supported the overall spread and therefore total margin
- Early signs of improved annuity pricing

New business profit has followed sales (£m, financial year)



Margins % IUA

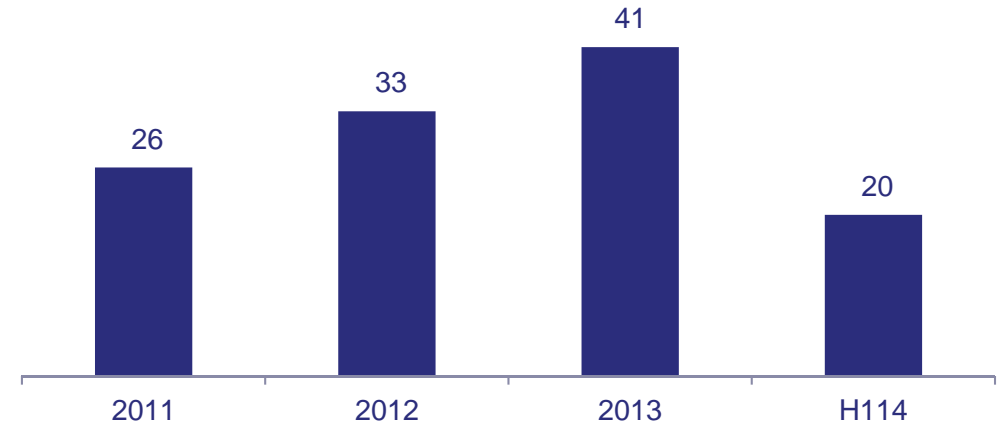


IFRS in-force profit affected by spread compression

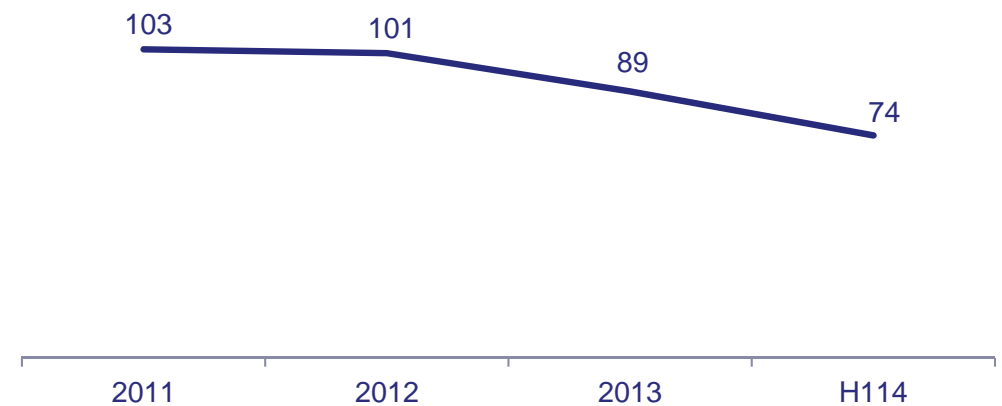
Low yields pressuring margins

- In force margins fell in H1 2013/14, but were stable compared to H2 2012/13
- This was due to reducing credit spreads largely offset by liability growth in the period
- Credit spreads fell from 182bps to 149bps against swaps during H1 2013/14, suggesting modest further pressure

Stable in force profit despite lower spreads (£m, financial year)

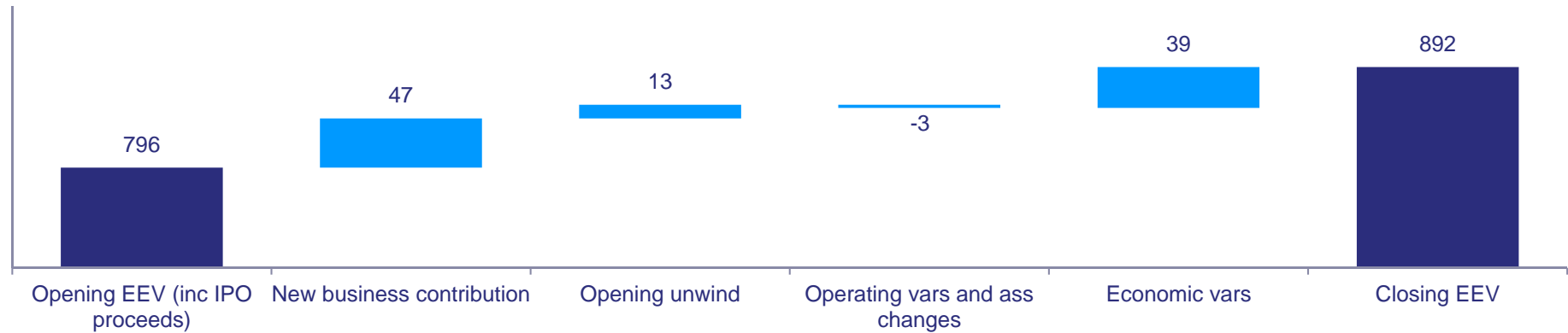


In force margins v 2012/13 (bp)



Group embedded value increases from £0.8bn to £0.9bn

- EEV has risen to £892m, helped by the IPO proceeds
- This has been driven by solid new business contribution.
- This has also been driven by favourable economic variances
- Had the liquidity premium been consistent with a default allowance of 50b.p. the EEV would have been c£70m more



Capital ratios

- Our capital position is in line with post-IPO expectations
- Additional £50m of IPO capital to be injected into the regulated entity. This would have raised our Pillar 1 coverage to 241% at 31/12/13
- Economic capital cover of 188% remains the key management yardstick and was significantly in excess of the 140% minimum target at H1 2013/14
- Dividends to commence following prelims, in line with previous guidance

P1 cover will be c.240% once IPO capital fully deployed

Pillar 1		
£m	Pro Forma Jun-13	Dec-13
Total capital available	586	578
Capital required	241	261
Surplus	345	317
Coverage	243%	222%

Economic capital in line with expected level

Economic capital		
£m	Pro Forma Jun-13	Dec-13
Total capital available	858	962
Capital required	467	511
Surplus	391	451
Coverage	184%	188%

Outlook

Rodney Cook

Positive reform : better value, an expanded open market



Regulation

- FCA thematic review published on 14 February highlights the way annuities are being sold by many pension companies must be changed if retirees are to achieve fair value. FCA will now be conducting a Competition Market Study to examine retirement income as a whole
- This will include supervisory work on firms' sales practices and strategies when selling to their existing customers
- This is likely to lead to more people shopping around and accessing the open market



Media

- Consistent media coverage highlighting poor consumer outcomes in the captive annuity market is helpful to the IUA market. It should drive more retirees to exercise the OMO in search of better rates



Politics

- Party politics rather than government policy has influenced the debate
- We are engaging positively with the Minister for Pensions, HMT and market commentators to influence the reform agenda
- As the market leader of open market annuities and the brand that launched the first *switchable* Fixed Term Annuity we are well positioned to lead the debate

The primary theme in the campaigning and reform agenda is to deliver greater value for retirees by ensuring they are directed to 'good' annuities

Outlook

- We are on track to meet our expectations for the full year
- Longer term drivers remain in place
- Margins remain challenging. Our portfolio of products allows us to move capacity to the most profitable areas. We remain focused on profit rather than volume.
- Our model is scalable, and is backed by a strong brand and outstanding service. Together with helpful regulatory pressure we remain optimistic about the future

Questions?

Contact and financial calendar

James Pearce

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Financial calendar

Mon 12 May: Q3 '14 IMS

Thurs 18 Sep: FY14 preliminary results

Mon 10 Nov: Q1 '15 IMS