

**Just Retirement
Preliminary results for the year to
30 June 2014**

18 September 2014

Rodney Cook

Group CEO

Agenda

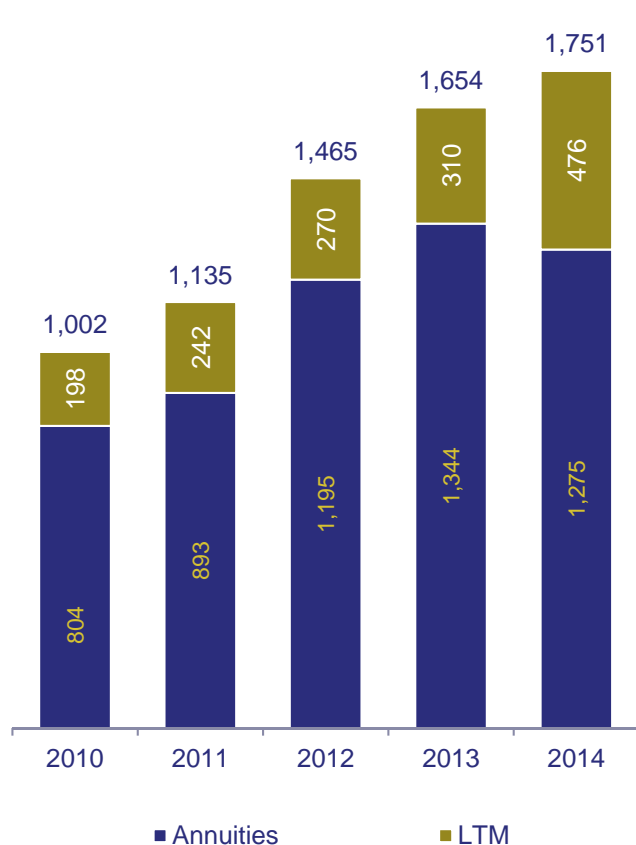
- Business update – Rodney Cook
- Financials – Simon Thomas
- Outlook – Rodney Cook
- Q&A

What a year!

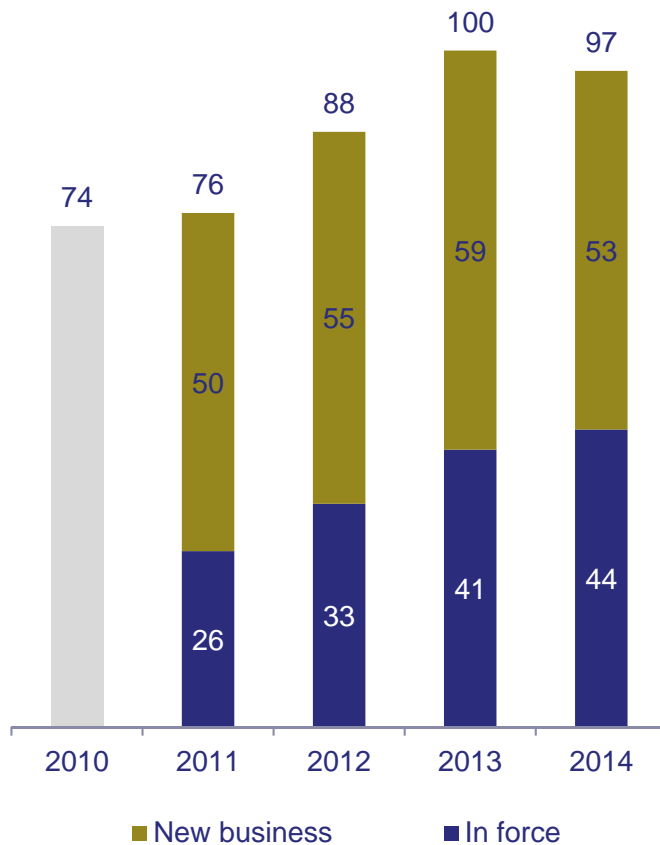
- Record sales and EV
- IPO significantly strengthened our balance sheet
- Robust market share and richer product mix in a tough post Retail Distribution Review/Gender Directive market place
- 9th consecutive Financial Adviser 5 star service award, 5th consecutive top 100 placing in the Sunday Times “Best Companies to Work For in the UK” survey
- Successful Defined Benefit de-risking launch, completion of PrognoSys™ on track
- BUT then there was the Budget, and IUA activity levels fell c50% and have stayed down. We have taken prompt action, cutting costs by £14m, but also adding £5m to our development budget
- Guidance Guarantee developing positively so far

Resilient sales, profit and EV

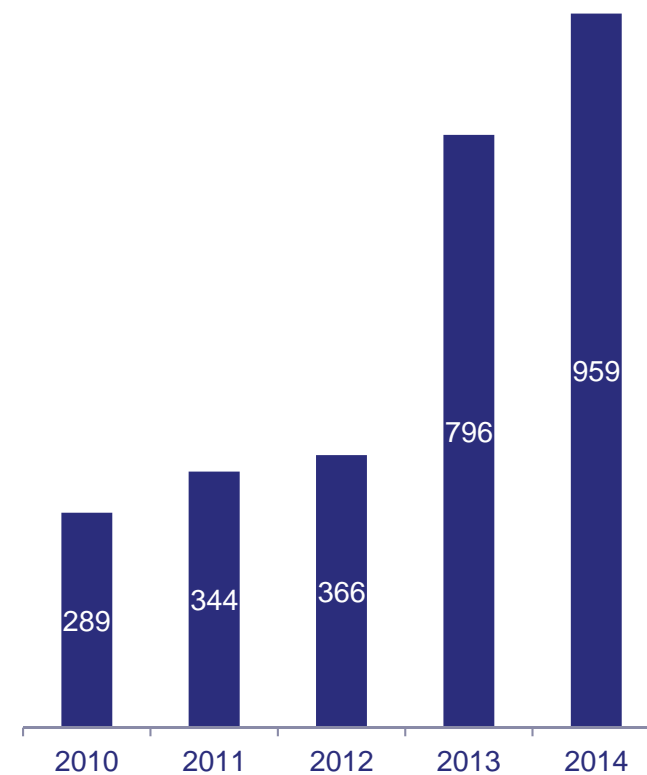
New business sales¹, financial year £m



IFRS underlying op profit², financial year £m



Embedded value³, financial year £m

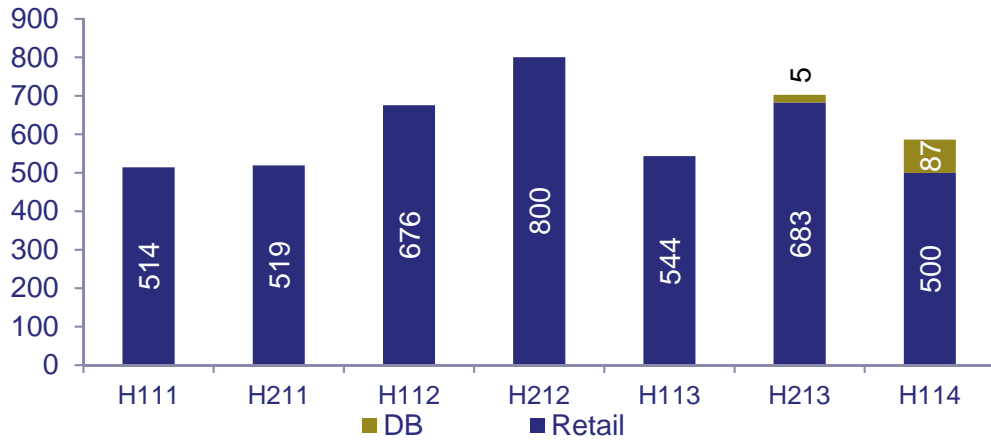


Source: Just Retirement. Note: 1. including DB 2 Normalised new business operating profit for the year ended 30 June 2011 shown (excludes exceptional profit of £14m).
3 Chart shows JRH up until FY12, JRG plc pro forma for 2013 including IPO proceeds

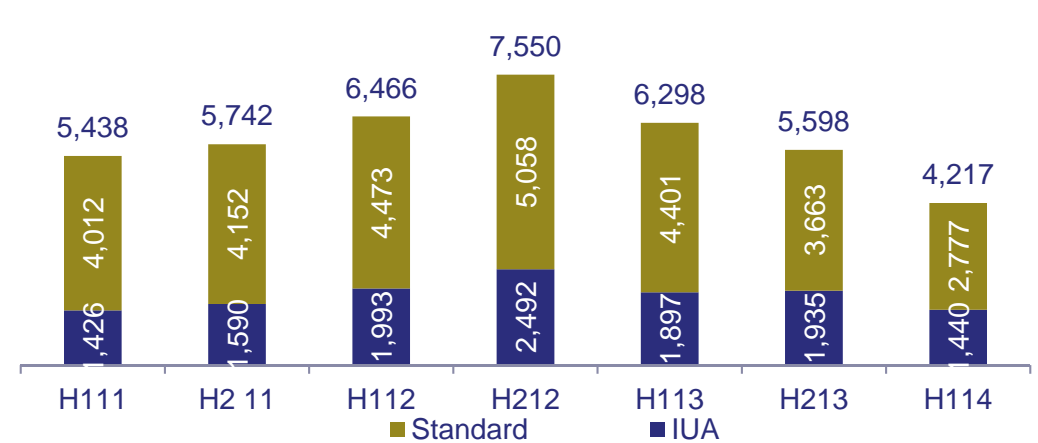
Buoyant market share despite volume declines

Fighting hard in a very challenging market

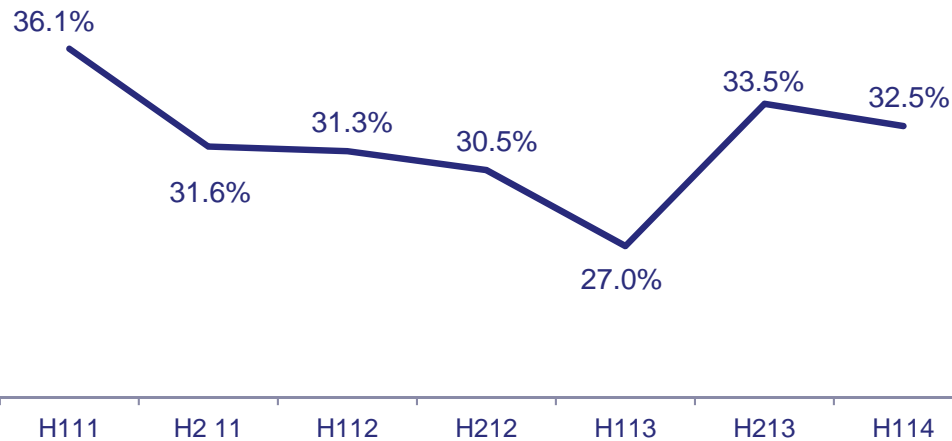
Lower individual¹ demand partly offset by DB² (£m)...



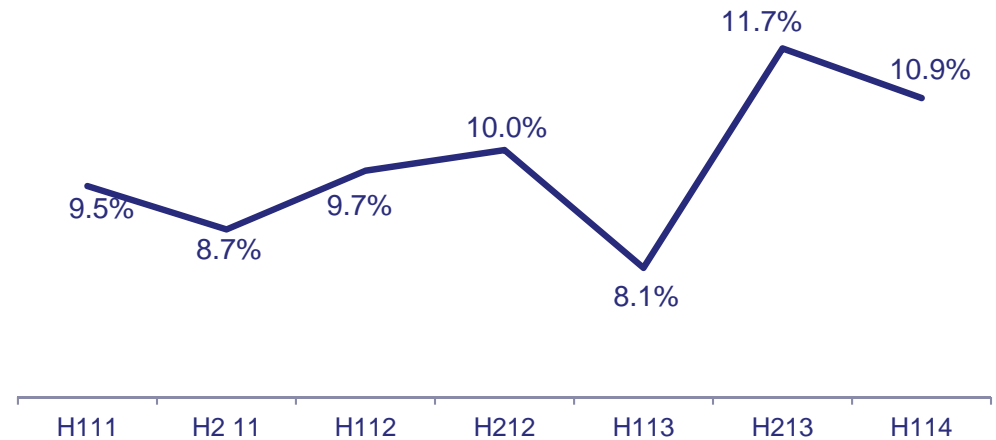
...reflects the market contraction post Budget² (£m)



We have maintained our IUA segment leadership²....



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



Simon Thomas

Group CFO

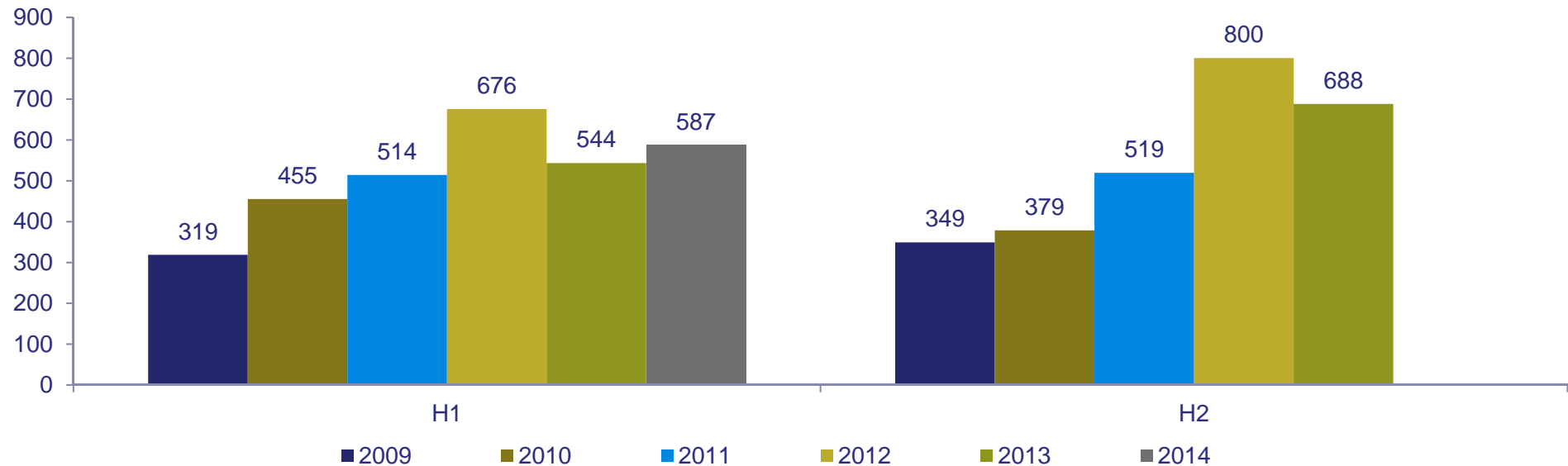
Summary IFRS results

IFRS operating profit (£m, FY)	2014	2013	+/- %
IFRS new business operating profit	53.1	58.9	-10%
IFRS in-force operating profit	43.6	41.1	6%
IFRS underlying operating profit	96.7	100.0	-3%
Operating variances and assumption changes	-2.8	-11.8	-76%
Reinsurance and bank finance costs	-13.4	-9.2	46%
IFRS operating profit	80.5	79.0	2%
Non-recurring and project expenditure	-7.0	-6.5	8%
Restructuring costs	-5.4	0.0	na
Investment and economic profits/(losses)	44.1	48.9	-10%
Profit before corporate costs	112.2	121.4	-8%

Strong pre-Budget sales trends in annuities

- H1 14¹ sales of £587m were an 8% improvement versus H1 13. DB sales of £87m (H1 13 - £nil) more than offset an 8% decline in individual annuity sales
- The medium term growth trend was robust pre-Budget, although RDR and Gender made 2012 volumes unrepeatable in the near term
- Past single tie distribution opening up – eg Zurich and Royal London vesting pensions books

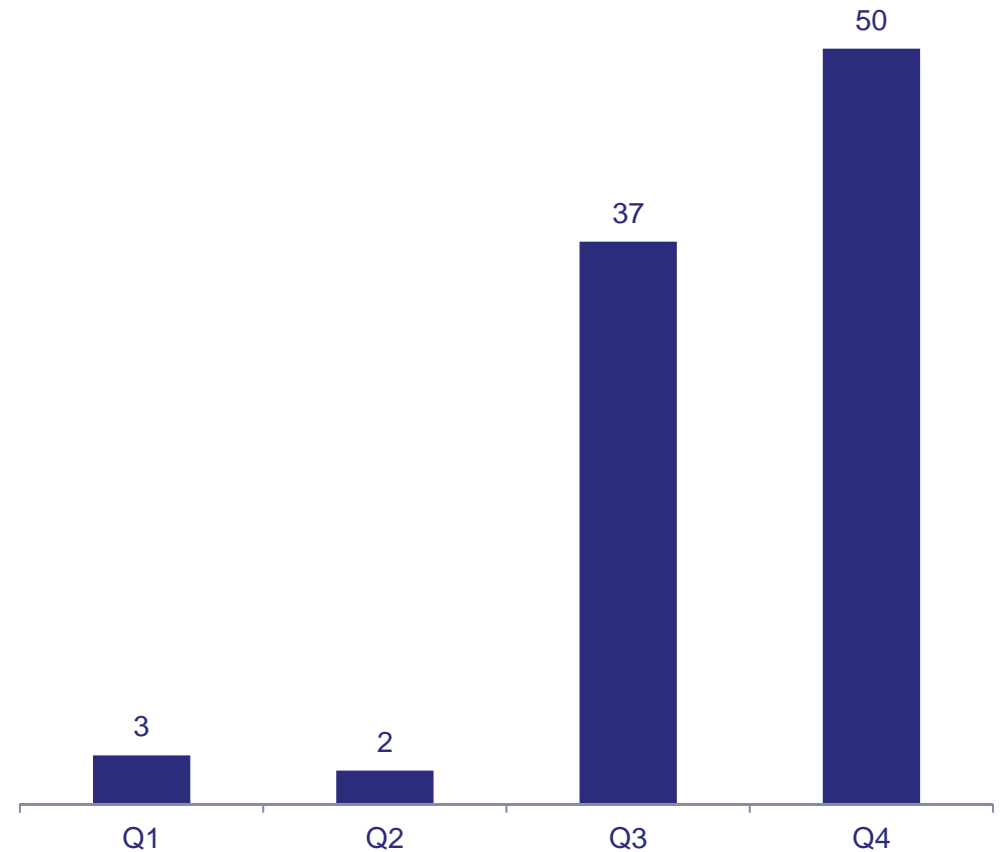
JR total annuity² sales by half year, £m (CY basis)



DB – a good start

- DB looks very promising and has been broadly unaffected by the Budget
- We achieved sales of £92m in the year (FY13 - £nil)
- Margins are satisfactory
- Inherently lumpy business, but the outlook is promising
- H2 run rate probably more indicative of the future than H1

DB sales quarterly progression (£m, FY)

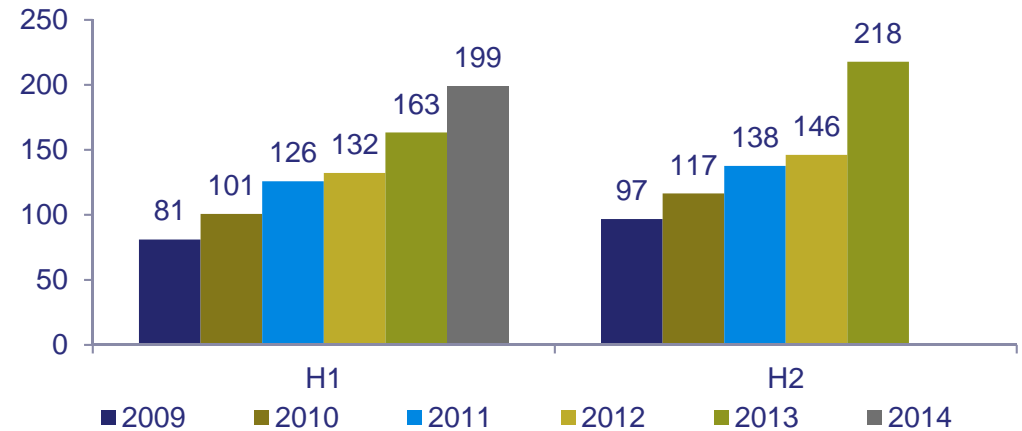


Lifetime mortgages – continued momentum

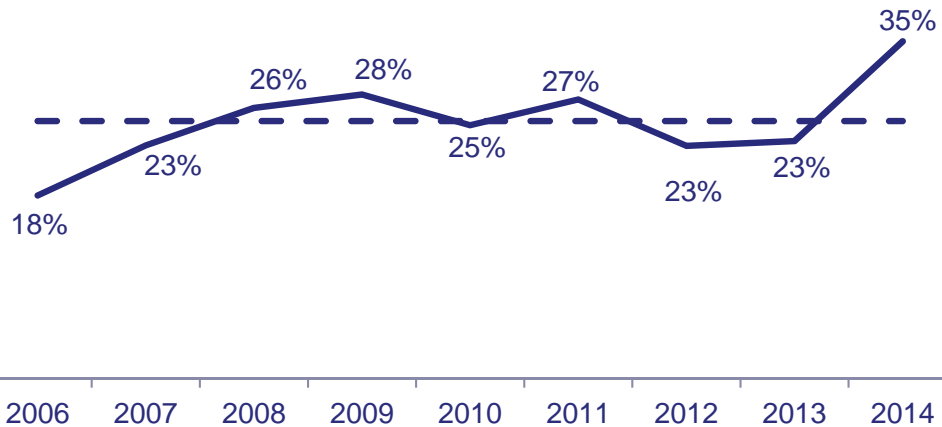
Commentary

- We maintained LTM sales momentum despite tighter terms
- LTM's at 35% remained above our long term target of 25% of annuities. We are actively exploring funding alternatives
- Our market share remains robust at 28%
- LTV at 25%, we haven't had any no negative equity guarantee (NNEG) claims, and the NNEG reserve of £236m was 6.6% of the LTM valuation at 30/6/14
- Demand will grow as interest only mortgages mature

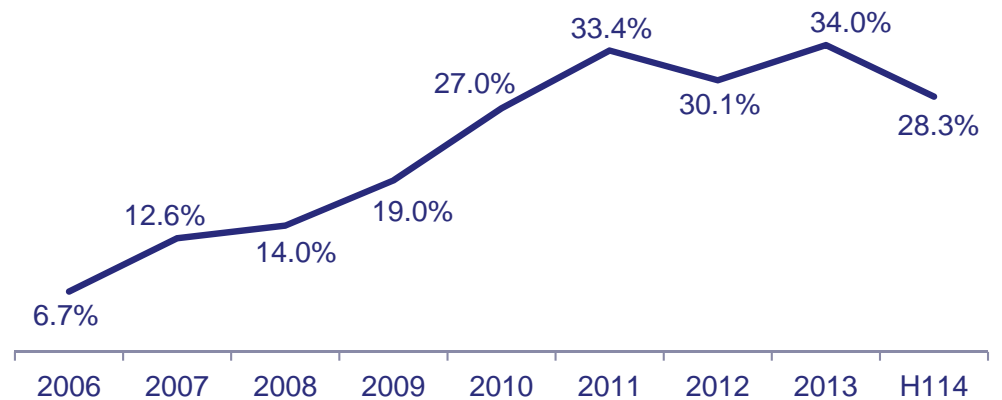
Strong LTM sales momentum ¹ (CY £m)



LTM as a % of annuities (inc DB) v 25% target (FY ¹)



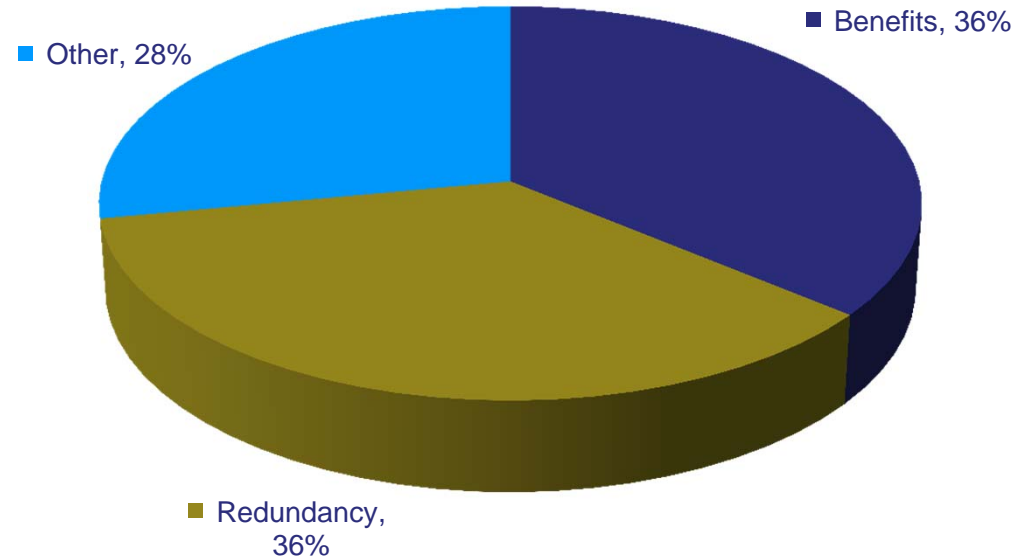
Market share easing from record levels (CY)



Cost saving programme fully implemented

- The £14m cost saving programme has been implemented as planned
- In addition to redundancies, we have applied no across the board pay increases
- We also reduced benefits for all employees and Directors
- FTE has fallen by 108 since March
- There will be some margin erosion due to time lags, but overall the programme is intended to reduce costs to within allowances

Cost savings by source

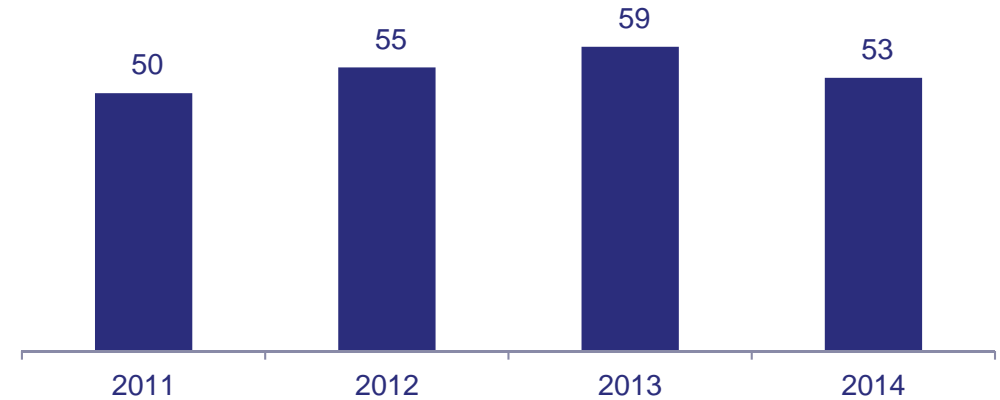


IFRS new business operating profit

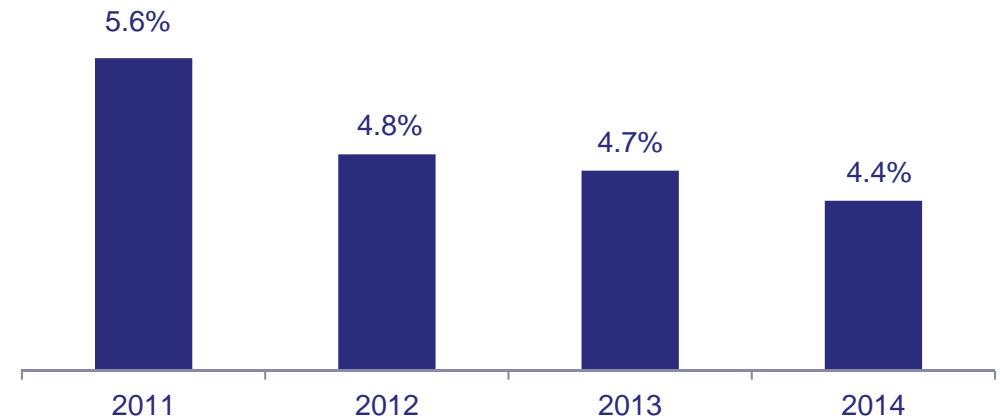
As expected, margins have remained under pressure

- Post Budget annuity pricing has been competitive, while growth is on hold
- Market capacity has been re-directed to the DB market and elsewhere
- Mortgage pricing remains attractive and has supported the overall spread and therefore total margin. However, new entrants are stirring
- DB de-risking pricing is slightly better than for IUAs
- Cost reductions should begin to offset lower volumes by the second half of 2014/15

New business profit has followed sales (£m, FY)



Margins (FY)

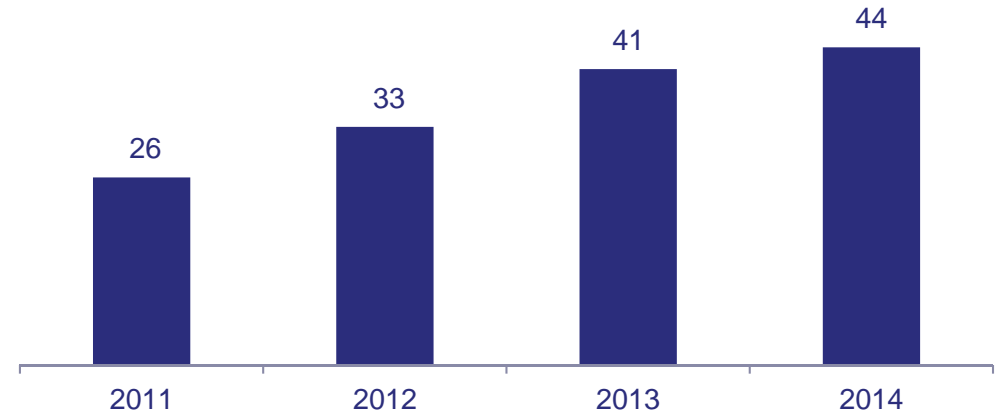


IFRS in-force profit affected by spread compression

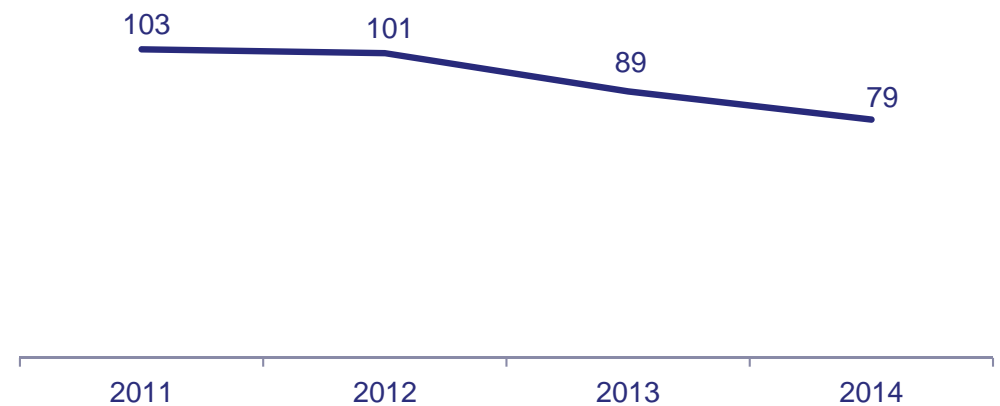
Low yields pressuring margins

- In-force profit has grown modestly
- Tighter credit spreads partly offset liability growth
- Credit spreads fell from 182bp. to 130bp. putting further pressure on in-force returns during the period, but boosting the economic variance in 2014
- No effect on in-force results from Budget

Growing in force profit despite lower spreads (£m, FY)

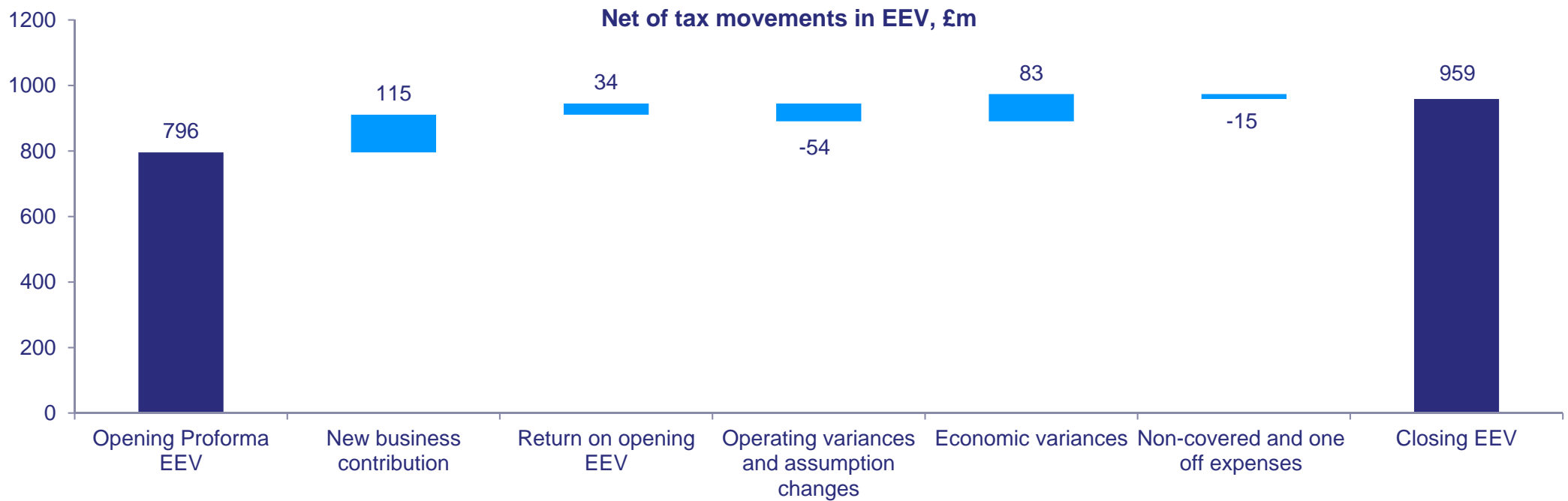


In force margins (bp)



Group embedded value increased close to £1.0bn

- EEV has risen to £959m
- This represents an underlying growth rate approaching 20%
- This has been driven by a strong new business contribution due to the mortgage volumes



Capital ratios

- Overall our capital position is in line with post-IPO expectations
- The ongoing strength of mortgage and DB sales, but not IUA's, has accelerated our capital usage
- Economic capital cover remains key and at 178% is strong compared to the 140% minimum target
- Final dividend of 2.2p, which is intended to represent 2/3 of the pro forma full year pay out
- The directors keep the amount and mix of capital under constant review. We intend to maintain our capital strength, particularly given the opportunity to grow DB volumes

JRL P1 cover remains robust

Pillar 1		
£m	Pro Forma Jun-13	Jun-14
Total capital available	586	676
Capital required	241	287
Surplus	345	389
Coverage	243%	236%

Group economic capital in line with expected level

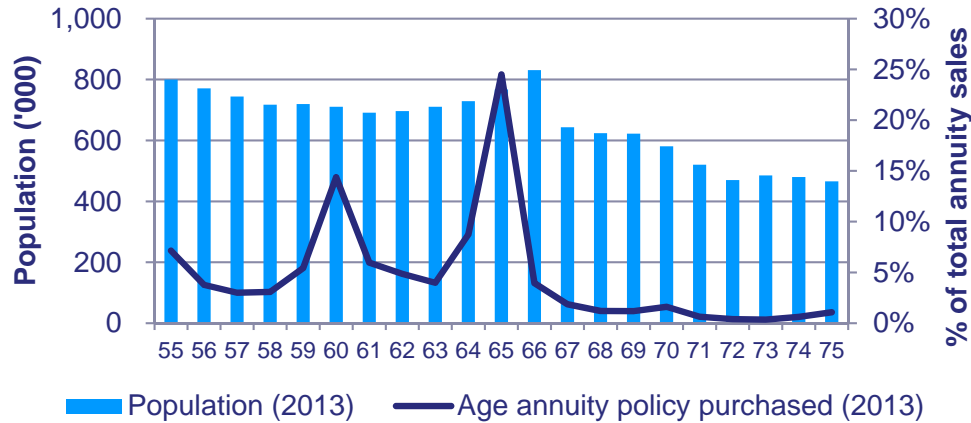
Economic capital		
£m	Pro Forma Jun-13	Jun -14
Total capital available	858	1,004
Capital required	467	564
Surplus	391	440
Coverage	184%	178%

Outlook

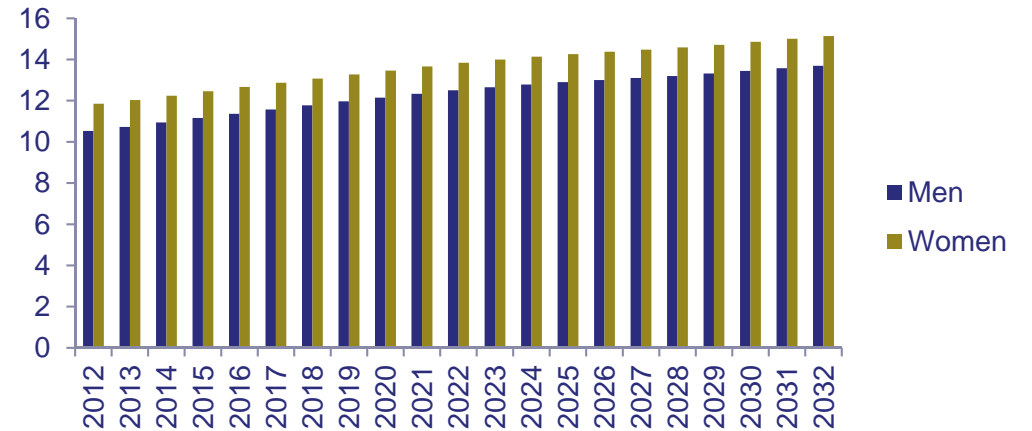
Rodney Cook

Demographics remain favourable

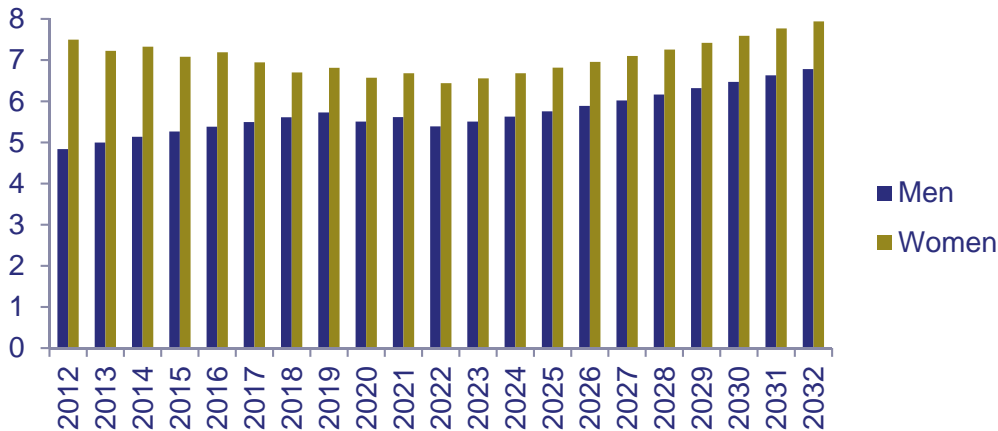
Large numbers reaching State Pension Age (SPA), key annuitisation trigger



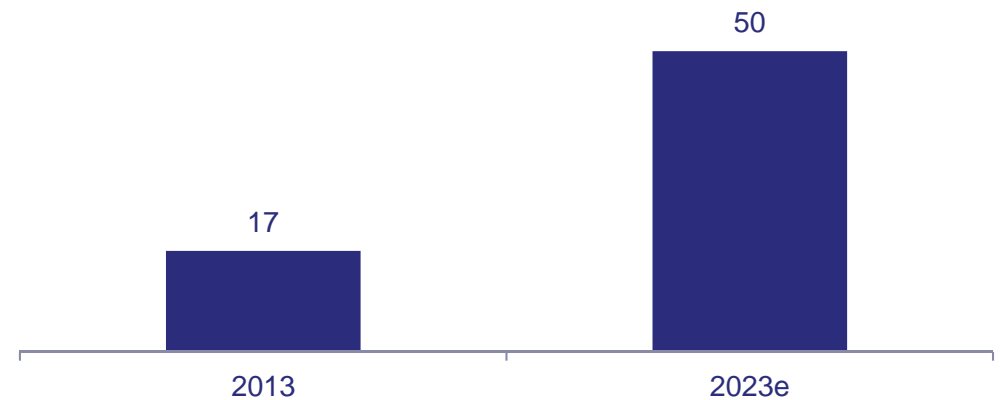
The population of over 50's is inexorably increasing (m lives)



The number of men above SPA will gently increase, the number of women will rise again after SPA equalises in 2022 (m lives)



DC Retirement income market CAGR 12%, 2013-2023e (£bn)



What will the new retirement income market look like?

- The Budget has driven a drop of slightly more than 50% in annuity activity levels. Those with small pots or very large ones have taken their funds or gone into drawdown. But many in the middle ground appear to have deferred any decision until the new rules come into force next April
- Best advice for many will still be to seek certainty of income for as long as they live. Our medical underwriting means our product will remain competitive
- The Guaranteed Guidance service may provide access to flows previously captured as internal vestings. Incumbents will fight to keep their customers, but we are pleased that guidance will be independent
- A key question is whether we will gain more from the previously captive vesting market and our new generation of products than we lose to drawdown
- New markets may develop for those seeking secure incomes starting later in life. Drawdown customers in their 70s may seek the superior income of an IUA, while enjoying the security of not taking asset risk or longevity risk
- Guidance could mean more shopping around, and therefore more medical underwriting, even for healthy lives. Our addressable market would then increase in percentage terms, but whether or when it will grow in absolute terms is less clear

DB de-risking momentum

- The medically underwritten DB de-risking market is growing rapidly
- We target schemes with fewer than 300 lives, and AUM below £200m, but have flexibility to top-slice larger schemes
- We estimate that of the £7.5bn total DB market in 2013, c.£1.0-1.5bn would have been suitable targets. We wrote £92m of premiums, suggesting real room for growth
- DB pension indexation also means these liabilities are usually an even better duration match than IUA's for our longer duration LTM's
- DB de-risking is inherently lumpy, given small numbers of medium to large transactions with long lead times. Average quote size £10-15m, but there are a number of outliers

Outlook

- While there is considerable uncertainty in the IUA segment, the outlook is positive for both the DB and LTM markets
- We have implemented a £14m cost saving programme, at a one-off cost of £5m incurred in 2013/14
- We have a good track record of product innovation, with a further £5m planned spending to deliver new products from April 2015 and subsequently. In response to the Budget reforms we rapidly launched a 1 year Fixed Term Annuity, enabling people retiring now to protect their position until they can consider their choices in the new environment
- We will ensure that we match capacity to demand in a timely manner, including both processing and balance sheet
- We are developing new products for the individual retirement income market, and our DB de-risking propositions are capable of much more
- We have a strong team and believe we are well-equipped to capitalise on our IP by offering products which are compelling

Questions?

Appendix: Our business model today

Overview of Just Retirement

What we are

- Market leading provider of Individually Underwritten Annuities (“IUA”) and Lifetime Mortgages (“LTM”) in the United Kingdom
 - IUA: Offer better rates (compared to standard annuities) to those who suffer from conditions which may detrimentally impact life expectancy
 - LTM: Designed for individuals in retirement who wish to realise some of the equity value in their home
- Innovative provider of other retirement income products with significant market potential, including DB de-risking, Fixed Term Annuities and care annuities
- Established in August 2004, acquired by funds advised by Permira LLP in November 2009, IPO November 2013
- **Office:** Reigate, United Kingdom
- **Employees:** 834 on average in 2014
- **Customers:** Over 275,000 customers
- **Management:** Over 100 years of combined relevant experience

Award winning product and service propositions



Annuity provider

Mortgage provider

Financial service provider

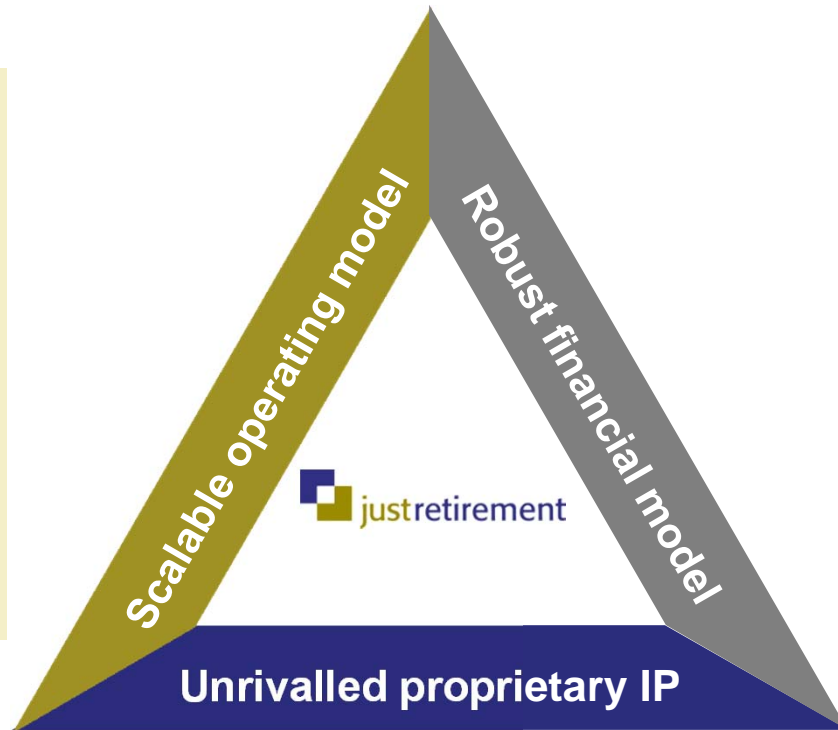
Top 100 company to work for

Key financials (year ended June 2014)

Total annuity premiums	£1,275m
Lifetime mortgage advances	£476m
IFRS new business operating profit	£53m
IFRS in-force operating profit	£44m
Total IFRS underlying operating profit	£97m
Assets under management	£7,490m

Differentiated business model providing significant competitive advantage

- Highly automated processes
- Multi-channel distribution
- Leading service
- Experienced and motivated team
- Strong operational risk management



- Capital efficient model
- Sophisticated investment management strategy
- Fully embedded financial risk management

- Unrivalled proprietary data in the core IUA segments
- Experienced medical team
- Next generation underwriting system: Prognosis™

Company history

2004-
2005

- Just Retirement commences operations
- Mission: "*To be recognised and trusted as the provider of financial solutions for people at and in retirement*"
- Launches lifetime mortgage plans
- Staff numbers close to 100; revenue grows to over £100m

2006-
2008

- Launch Just Retirement Solutions – offering advice on equity release in conjunction with inaugural partner Saga
- Lists on the AIM valued at £422m**
- Revenue grows to £500m per year
- Voted '5 star' in the Mortgage Lenders and Packagers category for the first time

2009-
2010

- Permira (Avalon Acquisitions) acquires Just Retirement for £228m, injects £25m for growth**
- Rodney Cook named CEO of Just Retirement
- New vision: "*To be the leading retirement brand known and trusted for enriching our customers' lives*"**
- Acquires The Open Market Annuity Service (TOMAS) from Kerr Henderson
- Voted as one of the best companies to work for by The Sunday Times

2011

- Core medical team recruited
- Launches Fixed term annuity with unique conversion feature
- Total annual volume of new business annuity policies sold by Just Retirement passes £1bn

2012

- Mortality curves recalculated using PrognoSys™
- Launches its defined benefit de-risking solutions proposition in the market
- Total financial assets reach c.£5.0bn

2013

- PrognoSys™ being used alongside JR Merica and other reinsurers during development phase
- Signs partnership deals with Origen Financial Services and NFU Mutual
- Enters long term care and individually underwritten LTM markets
- IPO raising £300m of new capital

2014

- Chancellor announces major annuity market reform
- Completes major defined benefit de-risking transaction for £36.5m
- Launches 1-year Fixed Term Annuity

What are annuities and lifetime mortgages?

Annuities

- Typically offered to people at retirement but can be taken from age 55
- Premium is large up-front payment (funded from annuitant's accumulated pension fund)
- Insurer provides a series of guaranteed regular payments until death

■ Individually Underwritten Annuities (“IUAs”)

- **Enhanced annuities:** medical and / or lifestyle factors (e.g. smoking) which may lead to shortened life expectancy, and;
- **Impaired annuities:** significant medical conditions that impair life expectancy (e.g. heart attacks or cancer)

- **Care annuities:** guaranteed income to pay residential care home fees (tax free if paid to care home)

- **Defined Benefit de-risking:** medically underwriting DB annuity liabilities allows trustees to de-risk at lower cost if their pensioners have above average levels of health issues

Lifetime mortgages

- Allow home owners to release cash from home ownership

- **Lifetime mortgages**, where cash advanced is secured against the equity in the property

- **Roll Up:** the original advance and any subsequent advances are rolled up at a fixed rate of interest. The loan is payable on death or upon vacation of the property into nursing care

- **Individually Underwritten LTM:** provide customers with the opportunity to achieve a higher loan value compared to a standard roll-up LTM

- **Interest Choice:** similar to roll up, except customers can choose to pay part of the interest in cash per month and over what term

- Both roll up and interest choice products are available as lump sum and draw down variants

- No Negative Equity Guarantee protects heirs

Real outcomes: our customer rates vs. standard providers

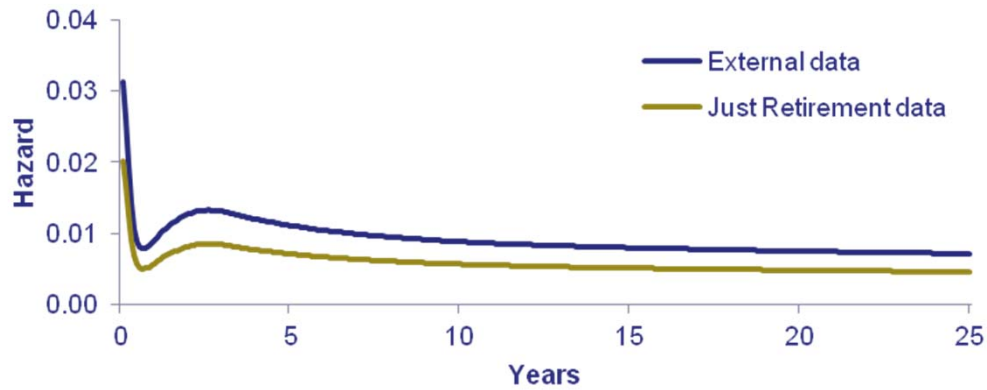
	Illustrative example	Provider	Annual income	Enhancement if chose Just Retirement
Lifestyle	65 year old with high blood pressure and high cholesterol, 1 medication for both conditions	Just Retirement quote		£3,075
		Best standard quote	£2,889	+6%
		Worst standard quote	£2,492	+23%
Medically Enhanced	65 year old with heart attack within the last 5 years and admitted to hospital, 1 medication daily	Just Retirement quote		£3,253
		Best standard quote	£2,889	+13%
		Worst standard quote	£2,492	+31%
Impaired	65 year old with end stage renal failure diagnosed more than 10 years ago, hospitalised in the last 12 months, bedridden with dialysis	Just Retirement quote		£3,872
		Best standard quote	£2,889	+31%
		Worst standard quote	£2,492	+55%

PrognoSys™ – Phase II

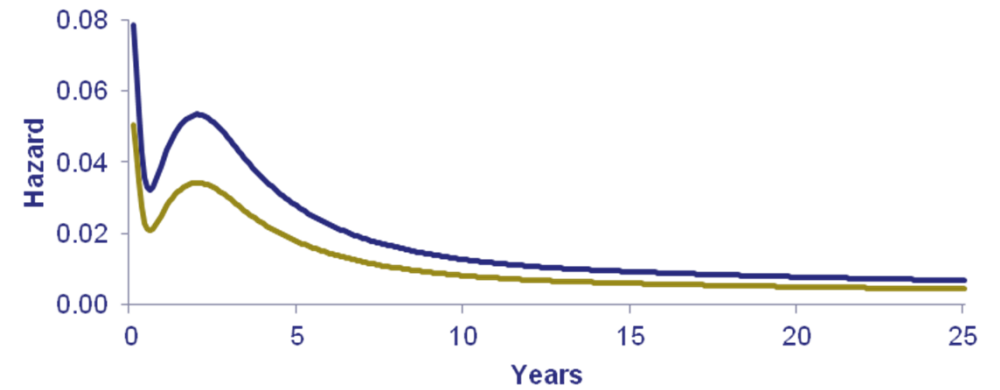
- Phase II implementation now underway
- Quick wins already implemented improving current pricing
- Longevity experience continues to be in line with the June 2013 reserving basis, which was informed by PrognoSys™. No further changes expected from that work
- Working with reinsurers as we transition to PrognoSys™
- Evolution of the IP continues, extending our reach to healthier lives and horizon scanning for new pharmaceuticals and technologies

PrognoSys™: colon cancer excess mortality

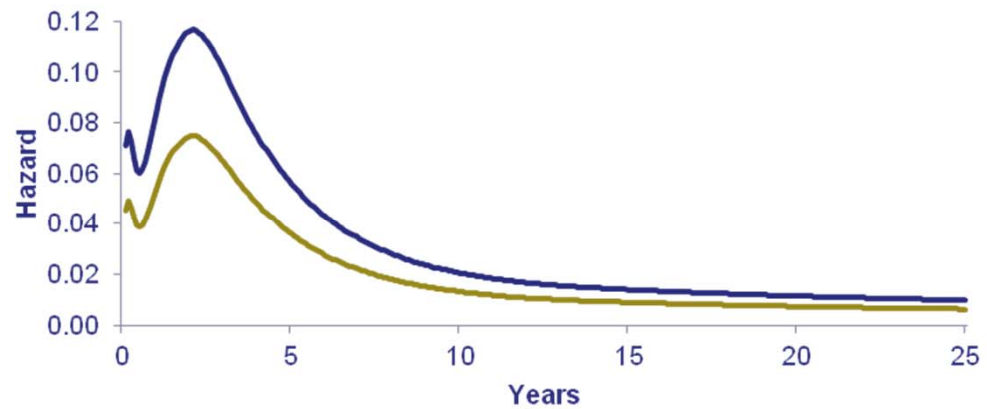
Stage 1



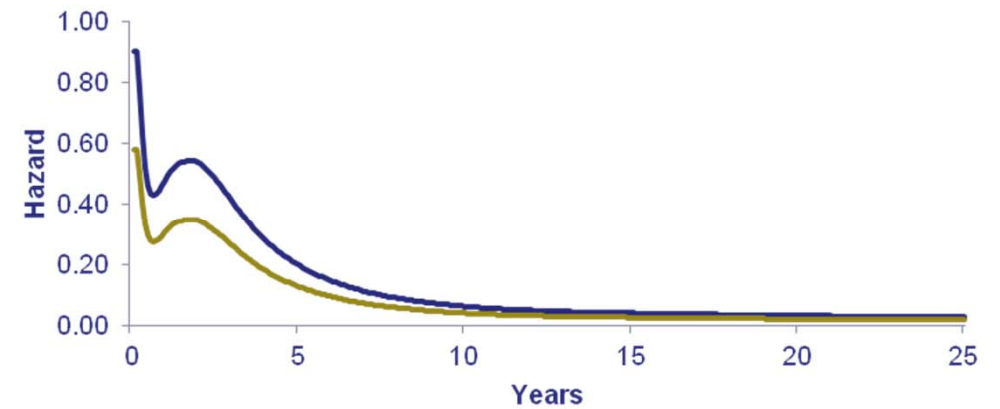
Stage 2



Stage 3

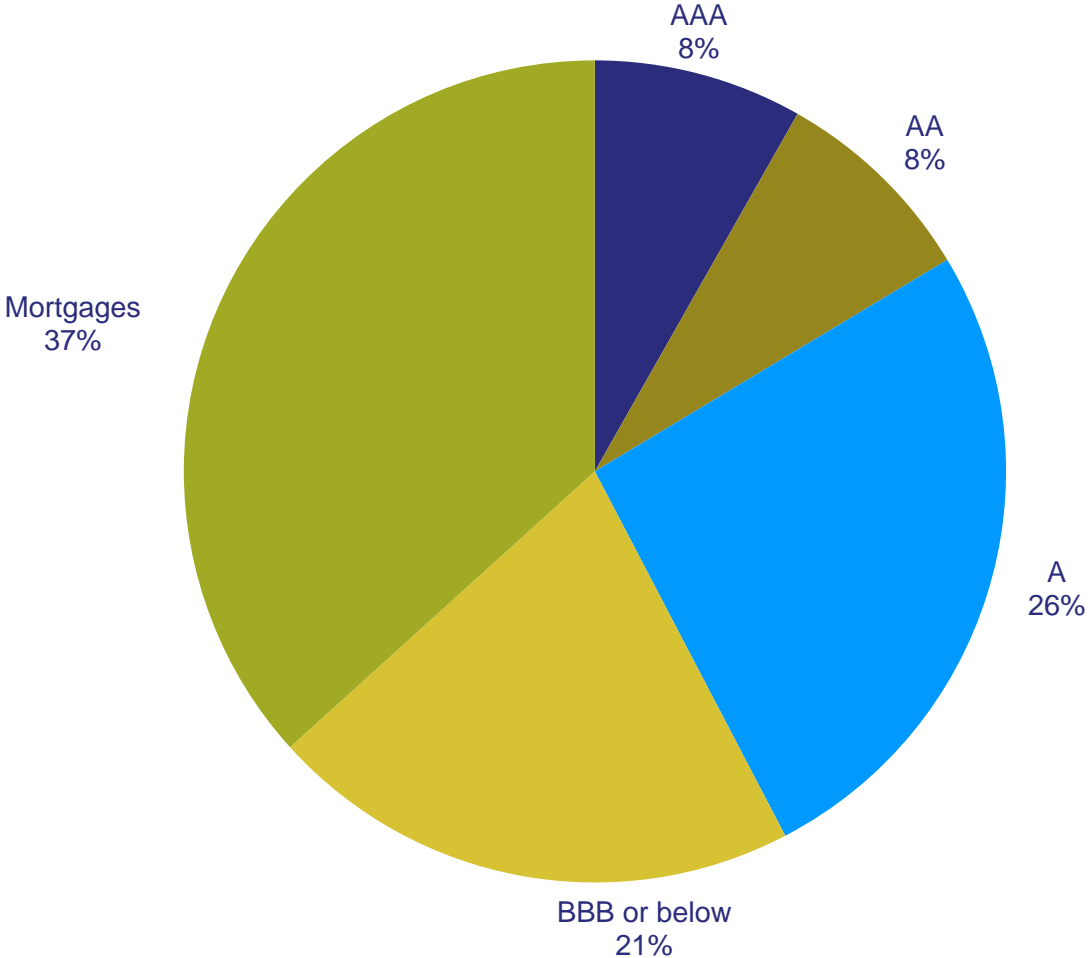


Stage 4



Asset mix

Total investment assets £7,490m at 30/6/14

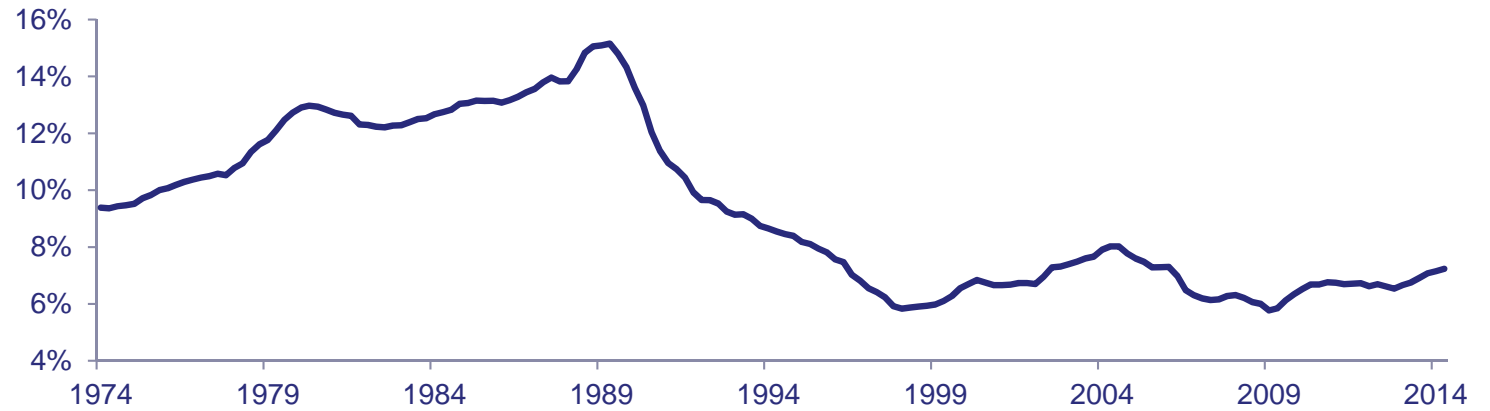


LTM portfolio is low risk – LTV of 25%

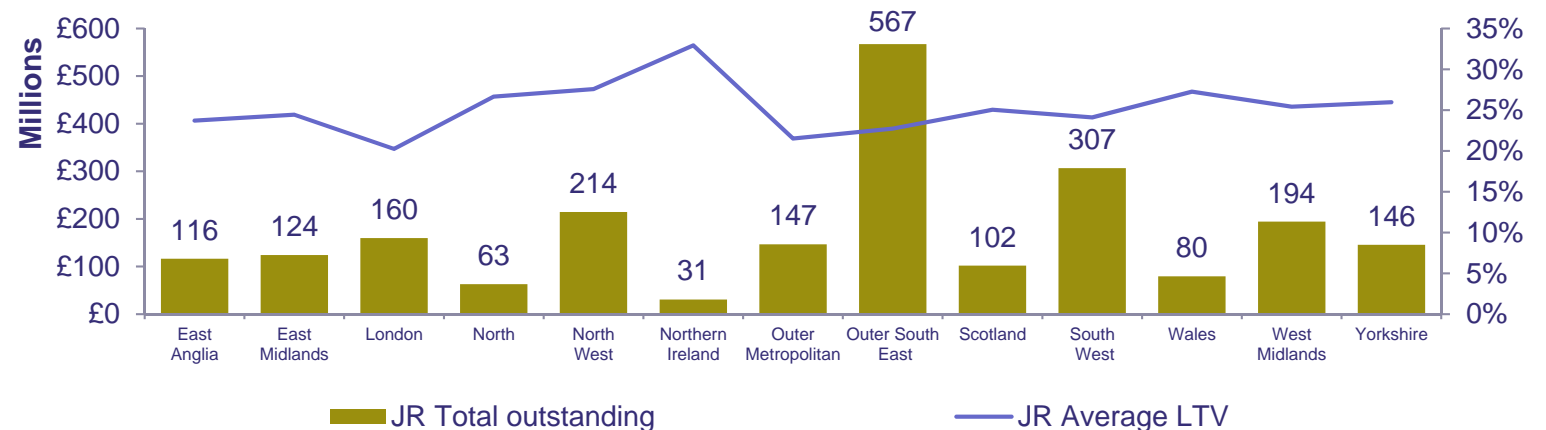
Key statistics

- Just Retirement has been active in the LTM market since 2005
- Average age of customer: 71 years at commencement, 72 years now⁽¹⁾
 - Expected life expectancy on current book: 18 years
- Average LTV at commencement very prudent at 18%
- Even with mortgage interest, current average LTV still only 25%
- Very low collateral risk – average UK house price growth (y-o-y) over successive 18 year periods has not been below 5% in over 40 years
- Just Retirement has not had a mortgage case that has crystallised a NNEG
- Out of 35,486 mortgages, only 3 have an LTV over 75%
- Average loan size⁽²⁾: £47,235
- Average property value⁽²⁾: £243,441

Historic 18 year moving average UK house price growth



LTM & LTV breakdown by geography⁽³⁾

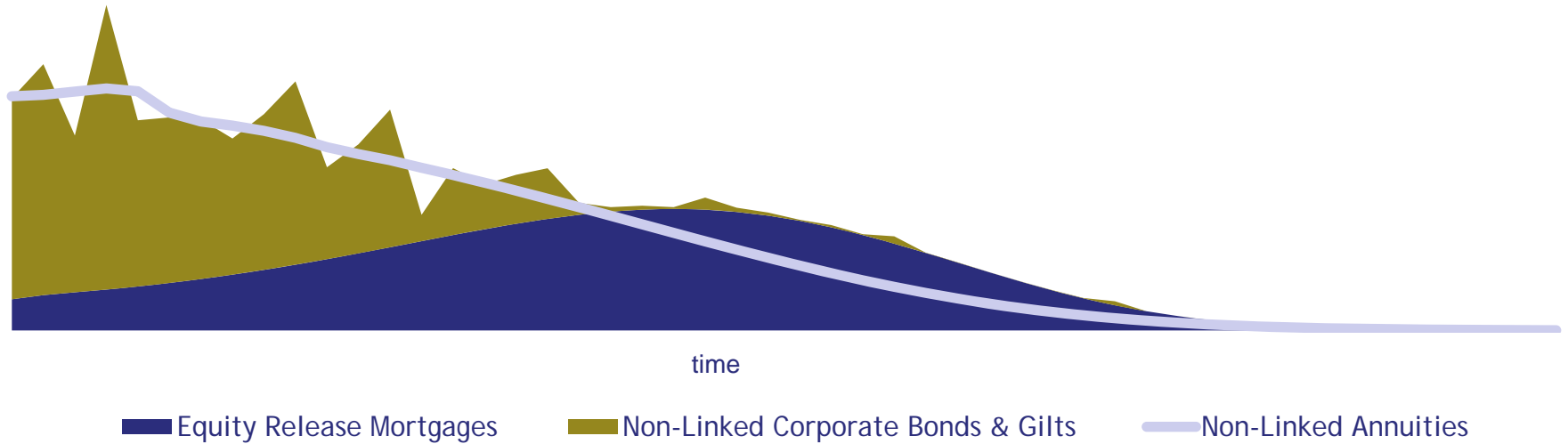


Synergistic product suite

Enhanced risk-adjusted yield

- Higher net yield than gilts / corporate bonds even after NNEG⁽¹⁾
- High quality, low risk assets

Long duration and good longevity hedge

























Efficient funding model

- Annuity business funds all our equity release lifetime mortgages
- Effective substitute for scarce, high yield, low risk, long dated assets

Hedge on new business margins

- The IUA margin and LTM margin move in opposite directions with change in interest rates, thereby providing a natural hedge

Multi-channel distribution for IUAs

	Channel	Outlook on future importance	% of JR premiums				Examples of JR relationships
			2012/13	2013/14	3Q 13/14	4Q 13/14	
Traditional channels	Financial intermediaries	↔					
	- Networks ⁽¹⁾		56.1%	48.8%	49.7%	48.2%	   
	- Regionals		15.0%	14.9%	14.8%	15.7%	 
	Specialists	↑↑	19.9%	22.9%	22.2%	19.6%	   
	Employee benefit consultants	↑↑	4.1%	4.9%	4.9%	8.0%	   
	Banks & building societies	↑	2.3%	4.1%	4.1%	3.9%	  
Emerging channels	Life insurance companies	↑↑	1.7%	3.6%	3.4%	4.0%	  
	Price comparison websites ⁽²⁾	↑	0.9%	0.7%	0.9%	0.6%	 

1. Includes Honister and Openwork. Honister closed to new business in July 2012, Openwork lost contract in November 2012. 2. Includes direct sales.

Our overriding company philosophy has created a strong and trusted brand delivering a social purpose

Leading brand

- Delivering a “Just” Retirement for customers
- #1 brand for sales achievement in the IUA segment
- #1 brand for service recognition in the IUA segment

Market pioneer

- Championing the Open Market Option
- Recognised for innovation e.g. LTM drawdown product
- Introduced the UK’s first convertible fixed term annuity

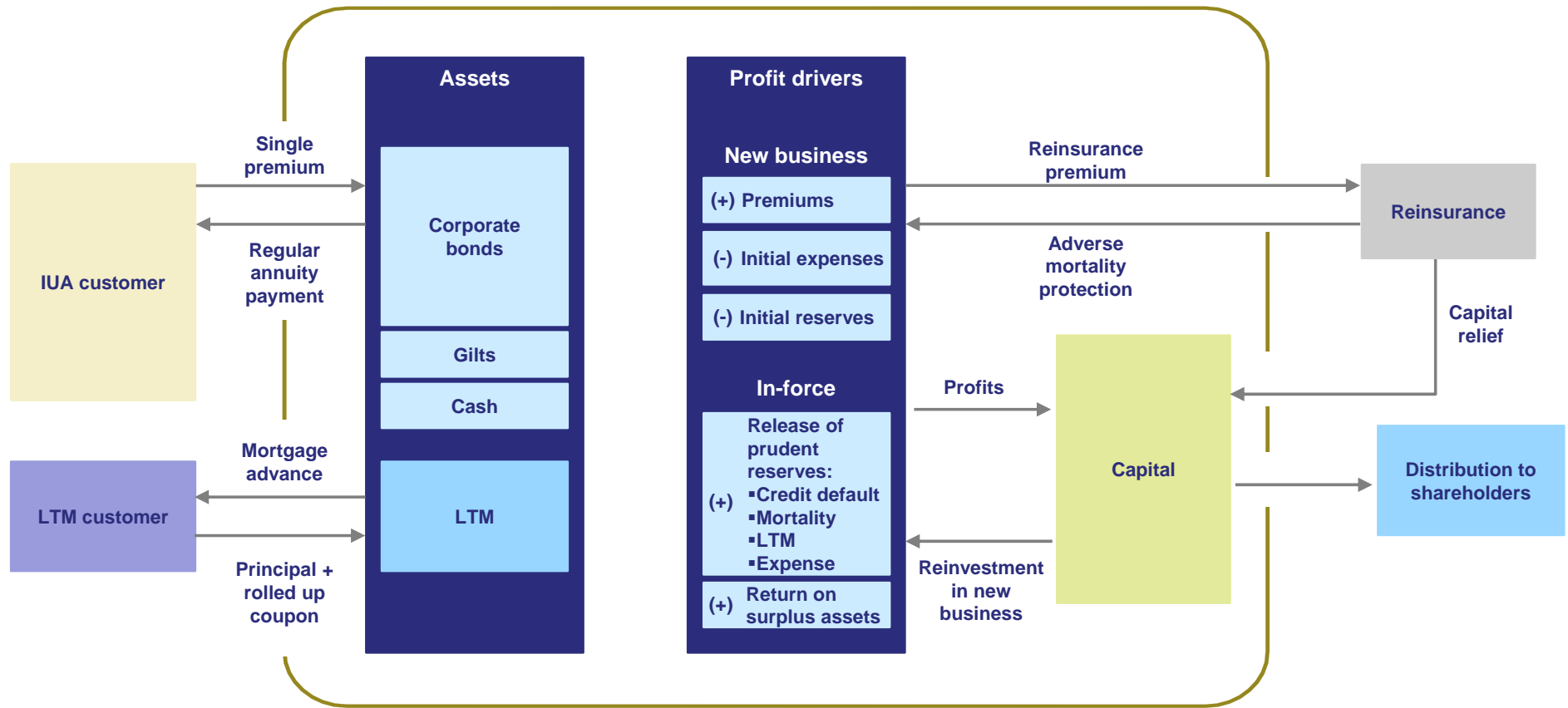
Products delivering significant benefits to customers

- Supporting the cause of delivering better results for customers
- Typical income enhancement of 20% to 25% to our annuity customers⁽¹⁾
 - Equivalent to over £350m of additional retirement income to customers⁽²⁾
- Access to over £1.9bn of household equity to our Lifetime Mortgage customers⁽²⁾

Committed to the highest standard of business values

- Consistently achieved top decile performance against TCF regulatory standards
- Very low volumes of referrals to Financial Ombudsman Service (“FOS”) – 59 referrals out of 490,000 policy quotes
 - Total compensation instructed by FOS is £1,690 in 10 years

Robust financial model: profit drivers



Contact and financial calendar

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Next results

Mon 10 Nov: Q1 '15 IMS

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