

13 May 2015

Q1 Trading Update

Partnership Assurance Group plc ('Partnership') today announces its sales for the three months ended 31 March 2015

Q1 financial highlights

Total Q1 sales of £99 million including

- Individual annuity sales of £54 million, reflecting the expected increase in deferrals in the approach to the 6 April 2015 implementation date for the pension reforms
- Medically underwritten Defined Benefit ('DB') sales of £24 million
 - Completions remain lumpy as previously indicated
 - Strong high quality pipeline supports confidence in previously announced target of at least £200m of medically underwritten bulk annuity sales in 2015
- £20 million of care annuities and £1 million of protection

Current trading and outlook

- Early signs of a step up in adviser and customer activity following implementation of the Pensions Freedoms on 6 April. Key lead indicators for individual annuities to date point towards a gradual return to growth in H2 2015
- Q2 sales will be driven to a large extent by Q1 quote levels and are therefore likely to remain subdued
- Launch of retirement account⁽¹⁾ using an award-winning third party wrap platform scheduled for H2 2015
- Strong DB pipeline comprises high quality deals across all major Employee Benefit Consultants. Over 10% of DB deals with liabilities of less than £100 million medically underwritten in 2014 vs. 3% for 2013, demonstrating the development of the medically underwritten bulk annuity market
- Advanced discussions with potential partners regarding launch of immediate needs care annuity in US are progressing well
- Costs continue to be managed in line with 2015 targeted cost base of £75 million

Operational highlights

- Existing annuity product offering refreshed to provide new flexibility e.g. provision of 'Benefit Based Quotes'⁽²⁾
- Further industry recognition achieved for our customer focussed proposition with our Enhanced Lifetime Mortgage being awarded a 5 Star Rating by Moneyfacts for the third consecutive year at the Enhanced Lifetime Mortgage Awards
- Solvency II programme well progressed to ensure we are ready to meet the new regulations when they are implemented on 1 January 2016. We currently expect to initially use the Standard Formula approach for our most material risks and our current interpretation of the draft regulations indicates that we will remain well capitalised on this basis

Commenting on Q1 sales and current trading, Steve Groves, Chief Executive Officer, said:

"Key lead indicators including quote volumes and adviser engagement with customers have increased in recent weeks. As a result, I continue to expect a gradual return to growth in the second half of 2015 and a positive outlook for the market over the long term. Widespread market commentary and adviser feedback has been helpful in promoting a strong case for annuities and their role in retirement income planning. I expect further clarity on customer behaviour

and outlook to emerge over the coming months and look forward to providing an update at our interim results in August.

“The pipeline of high quality medically underwritten Defined Benefit transactions in the market is strong and the increasing prevalence of trustees selecting a medically underwritten approach supports our target of at least £200m of bulk annuity sales for the full year.

“Looking ahead, we remain focussed on leveraging our unique Intellectual Property to carefully select risks and write profitable new business in the UK Retail, Defined Benefit and US Care markets.”

New business sales by quarter⁽³⁾⁽⁴⁾ (£m)

3 months to:	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14
Individual annuities	54	62	69	135	200
DB bulk annuities	24	210	-	3	34
Care	20	19	20	16	20
Protection	1	1	1	1	1
Total new business	99	291	89	155	254

Notes:

- (1) Retirement account will allow customers to benefit from an individually underwritten guaranteed income for life and maintain flexibility on residual funds within the same product
- (2) Benefit Based Quotes allow customers to identify a level of annual income they would like to guarantee for life and receive a quote for the cost of securing that income through an annuity using part of their pension savings
- (3) New business sales are Single Premium Equivalent sales completed in the period. These are recorded when funds have been received from the policyholder
- (4) Subject to rounding

Enquiries:

Investors:	Media:	
Katherine Jones Director of Investor Relations +44 (0) 207 444 8040 katherine.jones@partnership.co.uk	Jim Boyd Director of Corporate Affairs +44 (0) 207 618 2744 pressoffice@partnership.co.uk	Citigate Dewe Rogerson Grant Ringshaw, Shelly Chadda +44 (0) 207 638 9571

Further information

A copy of this announcement is available on Partnership's website www.partnership-group.com
A conference call for analysts and investors will take place at 9am (UK time) today. A replay will be made available on the website.

The dial in number is +44 (0) 020 3059 8125
Please quote “Partnership” to access the call.

The call can also be accessed via a live audiocast on our website.

The financial information contained in this announcement has not been audited or reviewed by the Group's auditors.

Financial calendar

19 May 2015	AGM
11 August 2015	HY15 results
5 November 2015	Q3 trading update

Forward looking statements

This announcement in relation to Partnership Assurance Group plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.

Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that we have estimated.

Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities, including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care and the effect of the European Union's "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements within this announcement. The Group undertakes no obligation to update any of the forward-looking statements contained within this announcement or any other forward-looking statements it may make. Nothing in this announcement should be construed as a profit forecast.