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14 May 2020

AGM statement – trading update

Just Group plc ("Just", the "Group") is holding its Annual General Meeting ("AGM") today. In compliance with the UK Government's social distancing guidelines, arrangements have been made for a quorum of two shareholders only to be present at our AGM this year. Shareholders should not attend the meeting in person and have been invited to dial in to the proceedings.

The following trading statement is an extract from the speech to be made by David Richardson, CEO, at the AGM.

Supporting colleagues and customers through the Covid-19 pandemic

In responding to the pandemic, the imperatives that guided our actions were protecting the welfare of our colleagues across the Group and ensuring the delivery of critical services to customers.

Colleagues

- We immediately increased our remote working capacity, enabling over 98% of our colleagues to safely work at home
- We have provided a range of well-being support to ensure our colleagues are safeguarded, particularly for those with additional caring responsibilities
- All of our 1,100 colleagues remain on full pay and the Group is not furloughing employees
- A senior member of our in-house medical intellectual property team assisted the Department of Health and Social Care and teams across NHS England in their national response.

Customers

I am pleased to confirm we have maintained the delivery of all the Group's services to customers, most of whom are in the more vulnerable groups.

To support our customers through this difficult period, we have made a number of changes to our products and services:

- in our lifetime mortgage business, we have introduced policies to help people navigate the constrained conveyancing and advice process;
- we reduced interest rates on our lifetime mortgages for those customers who have passed away or moved into long term care and are unable to sell their property because the housing market has been effectively closed; and
- we are currently implementing a new temporary capital guarantee feature for our long term care products, which will return the total premium less any income paid should the customer pass away within 12 months of the policy inception date.

These are extraordinary times and we are doing all we can to ensure we live up to our purpose, which is to help people achieve a better later life.

Updated financial and capital position

The Group's key focus is on improving our capital position and achieving capital self-sufficiency and, as we demonstrated at the full year results in March, we have a clear strategy to achieve this. We have already made good progress with the management actions taken last year and this year. This includes additional de-risking through further no-negative equity guarantee hedging and other forms of reinsurance as announced at our full year results. We will continue to explore further actions during the course of this year.

- We expect to deliver positive organic capital generation in 2020 and beyond
- Despite significant economic volatility, the Group's excess capital has grown by £60m in the first four months of the year, demonstrating the resilience of our balance sheet and effectiveness of our hedging activity, although there has been a three point fall in the Solvency II coverage ratio to 138% at the end of April 2020 due to our Solvency Capital Requirements increasing as interest rates fall

- This includes the effect of a year-to-date fall of 1% in the ONS house price index; a limited impact, less than 1%, from corporate bond downgrades; and a further 1% impact from six monthly debt coupons paid in April 2020.

Credit portfolio

Our £11.5bn (YE 2019: £11.9bn) corporate and government credit portfolio contained within the Group's overall financial investments portfolio is performing well. As a long-term holder of credit and operating in a Solvency II framework, we actively manage the portfolio to minimise the risk of defaults and downgrades.

- Since the start of the crisis: over 15% of our issuers, by market value, have been downgraded, £350m of our portfolio has been downgraded by one letter, and of this, only £110m has been downgraded to sub-investment grade
- We have sold over £300m of bonds that are most exposed to downgrades
- Our BBB rated bonds have limited exposure to the more at risk sectors with only 2% in energy and 1% in consumer cyclical (airlines, hotel, leisure and retail)
- Furthermore, our BBB portfolio is weighted towards the sectors least at risk, with a combined 80% in financial services, utilities, communications, industrials, infrastructure, government and consumer staples including healthcare (see appendix).

Mortality developments

Recent ONS publications have shown a marked increase in the number of deaths being registered each week in England and Wales, in particular for older age groups and residents of care settings. The number of deaths registered in the four weeks to 1st May 2020 was double the amount in the equivalent period last year. In our business, we have seen these trends mirrored in the pattern of death notifications received for this period. It is still too early to accurately estimate the financial impact of these developments and we will continue to monitor it closely. Our deepest sympathies are with all those whose relatives and loved ones have passed away.

Resilient retirement markets

Our markets are proving resilient in the face of considerable challenges and financial intermediaries are embracing virtual channels to maintain support for their clients and complete business.

- Despite advisers being unable to meet customers face to face, our retail business was initially operating at only around 25% below expectations and is now building from that base
- The defined benefit de-risking market continues to be buoyant and we have completed over £250m of transactions since the start of the crisis in mid-March
- Our total Retirement Income sales for the first quarter were in line with expectations and we continued to remain disciplined in our approach to pricing.

Chris Gibson-Smith, Chair, said:

"The Board are proud of the Company's leadership team in responding with such pace to the Government's instructions. We are very grateful to all of our colleagues across the Group for their resilience during this difficult period. With their positive energy and commitment to overcoming the disruption caused by Covid-19 we continue to provide peace of mind to our customers in uncertain times."

David Richardson, Group CEO, added:

"Since the start of the Covid-19 lockdown we have continued to work towards capital self-sufficiency whilst supporting our customers by making changes to our products, and managing our credit portfolio, which is performing well, to reduce the risk of downgrades. Our total Retirement Income sales in the first quarter are in line with expectations and we continue to maintain pricing discipline. Finally, I remain committed to ensuring the well-being of our colleagues and would like to thank them all for their continued hard work and how well they have adapted to the changes we have had to embrace."

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A copy of this announcement will be available on the Group's website www.justgroupplc.co.uk

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Appendix

The sector analysis of the Group's corporate and government credit portfolio at 30 April 2020, and the split of BBB assets is shown below.

	30 April 2020 £m	30 April 2020 Of which BBB £m	30 April 2020 % of BBB portfolio
Basic materials	301	129	2%
Communications & Technology	1,032	783	15%
Auto manufacturers	387	240	5%
Consumer (cyclical)	166	64	1%
Consumer (staples incl. healthcare)	931	377	7%
Energy	348	125	2%
Banks	1,439	493	9%
Insurance	777	478	9%
Financial – other	301	95	2%
Real Estate incl. REITs	531	315	6%
Government	1,273	53	1%
Industrial	815	401	8%
Utilities	1,776	960	18%
Commercial mortgages	522	181	3%
Infrastructure loans	857	511	10%
Other	37	-	-
Total	11,494	5,203	100%

Our BBB portfolio is weighted towards the sectors least at risk, with a combined 80% in financial services, utilities, communications, industrials, infrastructure, government and consumer staples including healthcare.

Note: This analysis does not include derivatives and collateral, liquidity funds or lifetime mortgages in line with previous disclosure. Includes both publicly and privately rated BBB assets