

NEWS RELEASE

14 January 2021

**JUST GROUP plc**  
**BUSINESS UPDATE FOR THE YEAR ENDED 31 DECEMBER 2020**

Just Group plc (“Just”, the “Group”) announces a business update for the year ended 31 December 2020.

**Highlights**

- **Retirement Income sales for 2020 up 12% to £2.1bn.** Defined Benefit De-risking (“DB”) sales were up 22% during the year to £1.5bn
- **Further reducing our exposure to UK property risk** by completing the sale of a book of £540m of lifetime mortgages (“LTMs”). Separately, we have transacted a third no-negative equity guarantee (“NNEG”) hedge, covering £280m of LTMs

**Retirement Income sales for 2020 up 12% to £2.15bn**

Just Group new business <sup>2</sup>	12 months to 31/12/20 £m	12 months to 31/12/19 £m	Change %
Defined Benefit De-risking	1,508	1,231	22
Guaranteed Income for Life (incl. Care) <sup>3</sup>	637	687	(7)
<b>Retirement Income sales</b>	<b>2,145</b>	<b>1,918</b>	<b>12</b>

The growth of 12% in Retirement Income sales for the year was due to a 22% increase in DB premiums.

The defined benefit market remains buoyant – this has been the second highest year for market transaction volumes and the industry pipeline is very strong. During the year we have written 23 transactions. DB De-risking sales in the second half of the year were over £1bn, a record six months for the Group.

The market for guaranteed income for life solutions has continued to recover following the COVID-19 related sales disruption in the first half of the year. Sales in the second half were similar to the second half of 2019.

The percentage solvency capital strain on new business has reduced further in the second half.

**Increasing Just’s balance sheet resilience by reducing property risk**

We continue to implement management actions to reduce the exposure and sensitivity of our balance sheet to the UK property market. In December we completed two transactions:

- the sale of £540m of lifetime mortgage balances<sup>1</sup>; and
- completion of our third NNEG hedge covering £280m of lifetime mortgages.

Combined, these two transactions are solvency capital ratio neutral, but more importantly they reduce the sensitivity of the Group’s solvency ratio to any potential future fall in UK property prices.

We have sold the beneficial interest in £540m of LTMs, which is approximately 8% of our mortgage portfolio at year-end. Just will continue to provide LTM customer servicing activities on behalf of the purchaser. The sale proceeds were immediately reinvested in corporate bonds, with the reduced yield resulting in a one-off reduction in IFRS net equity of £90m. However, over time a proportion will be allocated to new illiquid assets reducing this initial impact.

We are pleased to have completed our third NNEG hedge, which provides protection for a further c.£280m of LTM mortgages and increases the total amount of mortgages covered by the hedges to £1.3bn, 20% of the LTM portfolio at year-end. We expect to complete further NNEG hedges during 2021.

These transactions add to the multiple management actions executed in 2019 and 2020, which have significantly strengthened the Group's solvency position, and are reducing our property risk exposure following changes in the regulatory environment in 2018. We continue to actively evaluate further opportunities to reduce property risk on the balance sheet.

### Further UK COVID-19 related restrictions

Following the announcement of the third set of government restrictions, we continue to be committed to supporting our colleagues, customers and distributors. We expect our wholesale and retail markets to continue to function as normal during the current restrictions, as they did during November 2020. We continue to monitor and assess the potential impacts of COVID-19 restrictions and Brexit on the UK economy, including future house prices, as we look to finalise our year-end assumptions.

### Solvency II capital ratio<sup>4</sup> improvement

The Solvency II capital ratio was 145% at 30 June 2020. The net proceeds of £177m from the issue of debt in October has improved the ratio by 9 percentage points. Economic sensitivities in the second half are expected to be broadly neutral – with a small benefit from property growth above long-term assumptions, offsetting the cost of further credit migration and no major impact from interest rates.

### David Richardson, Group Chief Executive, said:

“I am pleased that we continued to deliver on our commitments to shareholders during 2020 to improve the Group's capital position. We have also taken steps to improve balance sheet resilience and reduce our exposure to UK property prices through the sale of a LTM portfolio and the execution of our third NNEG hedge.

I am also delighted with the new business performance, where the strong pipeline we indicated at the time of our interim results in August has converted well, resulting in Retirement Income sales 12% ahead of 2019. This will have a positive impact on new business and operating profit. We have maintained strong pricing discipline throughout, which is reflected in further reductions in our capital strain percentage on new business. This performance is particularly pleasing against the challenging and uncertain backdrop of COVID-19 that we faced during 2020.

As we head into 2021, supporting the welfare of our colleagues, providing outstanding service to our customers and distribution partners, and further improving the resilience of our capital position remain our top priorities. We have a strong pipeline of new business and we start the year with increased confidence.

We look forward to presenting our full year results on 11 March 2021.”

FINANCIAL CALENDAR	DATE
Results for the year ended 31 December 2020	11 March 2021 <sup>5</sup>

Note 1: Amount outstanding, including rolled up interest

Note 2: Numbers in table subject to rounding.

Note 3: Care Plan sales are now reported within GfL. 2019 comparators have been adjusted.

Note 4: Solvency II capital coverage ratio is estimated

Note 5: Assuming no significant disruption from the current lockdown

Note 6: All the figures are unaudited

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A copy of this announcement will be available on the Group's website [www.justgroupplc.co.uk](http://www.justgroupplc.co.uk)

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