

12 May 2014

NEWS RELEASE

**JUST RETIREMENT GROUP PLC
INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDING 31 MARCH 2014**

Just Retirement Group plc (“the Group”) announces its third quarter interim management statement for the period ended 31st March 2014.

Highlights:

- Q3 2013/14 individual underwritten annuity (IUA) sales at £288m, up 34% on Q3 2012/13
- Defined benefit de-risking sales £37m (Q3 2012/13 - £nil)
- Record quarterly lifetime mortgage advances at £159m, up 128% on Q3 2012/13
- Current IUA volumes around half of pre-Budget levels, confirming the attractiveness to many retirees of a secure lifetime income in retirement

Rodney Cook, Chief Executive Officer of Just Retirement said:

“Our performance was strong in the third quarter of our financial year, helped by our success in the defined benefit (DB) de-risking segment, buoyant demand for lifetime mortgages (including £60m issued in a single block transaction), and given a lower comparative quarter for individually underwritten annuities.

Although operating conditions have become much tougher since the Budget, with sales at around half of pre-Budget levels, we are rapidly adapting our model to the new environment. I am confident that by continuing to offer customers a fairer deal in retirement we can deliver further shareholder value.

Our flexibility is exemplified by our recent launch of a one year fixed term annuity. This will help customers retiring now to make use of the new rules when they are introduced next year, and further product launches will be announced in due course. We expect distribution shifts to give us access to a growing proportion of retirees, particularly if the Government’s guidance concept is successfully implemented. We are also working hard to align capacity with demand and are today announcing a reorganisation to deliver some £14m of annual cost savings.

Financial intermediaries are still rightly advising many of their clients that a guaranteed income for life is often the best retirement solution. Our underwriting skills mean we offer them competitive terms, whilst protecting against the risk of outliving their money.”

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Commentary on sales in the quarter ending 31 March 2014

- Individual annuity sales for Q3 2013/14 of £287.5m were up 34%, despite the Budget having a materially negative impact on the last two weeks of the quarter. Our performance is helped by comparison with a Q3 2012/13 figure which was negatively affected by the Retail Distribution Review and the Gender Directive. Cumulative nine month sales to 31 March were £933.3m, a 4.1% fall.
- Fixed term annuity (FTA) volumes of £50.2m fell 13.3% compared to 9M 2012/13. However, we recently launched a one year FTA, which allows those retiring this year to acquire a short term income, and then take advantage of the new rules after April next year.
- The Group has continued to make progress in the medically underwritten defined benefit de-risking market, with premiums of £37.0m written in the quarter. In addition, we announced in April a £36.5m transaction with a scheme in the shipping industry. We therefore remain confident of writing at least £80m of DB premiums for the full year.
- Record levels of lifetime mortgages were advanced in the quarter, amounting to £159.2m, an increase of 128% on the prior year quarter. The result was augmented by the issue of £59.6m of mortgages in a single block transaction.

Current trading and outlook

Given the exceptional uncertainty due to the Budget, it is appropriate to comment on current trading and the capital position to a greater extent than would normally be the case at the Q3 stage:

- On March 19 the Chancellor announced significantly greater flexibility for retirees, including more attractive withdrawal limits for capped drawdown, and higher limits for trivial commutation. This has reduced current demand for annuities, with large numbers of retirees deferring their decision.
- In the period from the Budget up to the end of April, activity levels have fluctuated, but have fallen by just under 50% on average compared to pre-Budget run rates. It remains to be seen if the relatively short time period of post-Budget trading will be representative of the remainder of the year.
- Advisors are again explaining to their customers that they need a secure income for life in order to support themselves during retirement. This is especially true when lifestyle factors or medical conditions make life expectancy particularly uncertain. We expect our medical underwriting skills to be increasingly valuable if drawdown becomes more popular after 2015, as we can help advisers to ensure retirees do not spend their savings too quickly.
- Given the fall in demand for individual annuities, we are today announcing a Group reorganisation which will produce annual cost savings of £14m in the next financial year. The reorganisation will result in one-off costs of £5m in this financial year. In order to respond to the changing market place we are also announcing £5m of additional investment over the next financial year. Together, these steps will ensure that we are ready with appropriate new product and distribution offerings in April 2015 when the new regime begins.
- The strong post-IPO capital position of the Group has not materially changed over the quarter on either a Pillar 1 or Economic Capital basis.

Unaudited New Business figures to 31 March 2014

	3 Months to 31/03/2014	3 Months to 31/03/2013	Change
	£m	£m	%
Individually underwritten annuities ¹	287.5	214.3	34.2%
Fixed term annuities	13.6	16.3	(16.6%)
Defined benefit solutions	37.0	-	-
Total annuities	<u>338.1</u>	<u>230.6</u>	<u>46.6%</u>
Lifetime mortgage advances	159.2 ²	69.8	128.1%
Total new business sales	<u>497.3</u>	<u>300.4</u>	<u>65.5%</u>

	9 Months to 31/03/2014	9 Months to 31/03/2013	Change
	£m	£m	%
Individually underwritten annuities ¹	933.3	973.1	(4.1%)
Fixed term annuities	50.2	57.9	(13.3%)
Defined benefit solutions	42.4	-	-
Total annuities	<u>1,025.9</u>	<u>1,031.0</u>	<u>(0.5%)</u>
Lifetime mortgage advances	377.5 ²	216.1	74.7%
Total new business sales	<u>1,403.4</u>	<u>1,247.1</u>	<u>12.5%</u>

¹ Includes sales of individually underwritten, and long term care annuities.

² Includes mortgage deal of £59.6m

A conference call for analysts and investors will take place at 9.30am today. Conference call participant dial-in: 0800 694 0257 or +44 (0) 1452 555 566, conference call ID: 40786869. A copy of this announcement and a transcript of the conference call will be available on Just Retirement's website www.justretirementgroup.com

BY ORDER OF THE BOARD

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Forward looking statements:

This announcement in relation to Just Retirement 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.