

NEWS RELEASE
9 August 2022

JUST GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022
DEMONSTRATING OUR GROWTH POTENTIAL

Just Group plc (the “Group”, “Just”) announces its results for the six months ended 30 June 2022.

Profitable and sustainable growth

- **Underlying operating profits¹ up 15% to £74m** (H1 21: £64m), driven by higher in-force operating profit and lower finance costs.
- **Retirement Income sales¹ down 3% to £879m** (H1 21: £909m), as Defined Benefit De-risking (“DB”) sales increased by 3% and retail sales fell 14%.
- **Largest Defined Benefit De-risking (“DB”) transaction to date signed in July.** £0.5bn Buy-in insuring c.4,800 members. c.50% of the liabilities are reinsured with a DB partner. It adds £24m of new business profit¹ (post 30 June 2022) and is capital generative.
- **Record pipeline of over £5bn gives confidence in meeting or exceeding our growth ambitions for the year.** Very favourable DB market backdrop and growing pipeline means we expect substantial DB sales growth in 2022 and beyond.

Strong Solvency II

- **Improved capital coverage ratio of 184%²** (31 December 2021: 164%²). Organic capital generation contributed 2 percentage points (“pp”) to the ratio - interest rate increases added 12pp and other economics a further 6pp.
- **Underlying organic capital generation¹ (“UOCG”) increased to £31m** (H1 21: £25m), driven by continued outperformance in new business capital strain, which at £11m, represents only 1.3% of sales (H1 21: £17m and 1.9%).

IFRS

- **IFRS loss after tax was £226m** (H1 21: loss £70m) as economic variances, driven by the increase in interest rates and the loss on the sale of the third LTM portfolio led to investment and economic losses of £353m (H1 21: £174m).
- **Tangible net assets per share 172p** (31 December 2021: 194p).

Rewarding shareholders

- **Interim dividend of 0.5p per share.** Sustainable dividend expected to grow over time. Interim dividend restored in line with stated policy.
- **Reiterating confidence in achieving 15% target growth in underlying operating profit, per annum on average over the medium term¹.** Increasing organic capital generation to sustain strong, profitable sales growth and increase the long term value of the business.

David Richardson, Group Chief Executive Officer, said:

“This is a strong set of results which continues to demonstrate our ability to generate profitable growth within a sustainable capital model.

In July, we signed our largest single DB transaction to date, at almost £0.5bn and this is our second DB partnering transaction. There is a very favourable DB market backdrop and we have a record pipeline of over £5bn. This together with our positive momentum, and supported by our strong capital position, give me confidence that we will achieve our growth ambitions in 2022 and beyond.

Following our strong H1 22 we have increased confidence of delivering 15% growth in underlying operating profit per annum, on average over the medium term. We have a unique opportunity to build substantial value to shareholders and deliver our purpose to help more people achieve a better later life.”

Notes

- ¹ Alternative performance measure (“APM”) – In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in the glossary at the end of this announcement. Adjusted operating profit is reconciled to IFRS profit before tax in the Financial Review.
- ² These figures include the estimated impact of a TMTP recalculation. For 31 December 2021, the TMTP was recalculated excluding the contribution from the LTMs that was sold on 22 February 2022.

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For those analysts who have registered, a presentation will take place today at 1 Angel Lane, London, EC4R 3AB, commencing at 08:30 am. The presentation will also be available via a live webcast.

FINANCIAL CALENDAR	DATE
Ex-dividend date for interim dividend	18 August 2022
Record date for interim dividend	19 August 2022
Payment of interim dividend	2 September 2022

A copy of this announcement, the presentation slides and the transcript will be available on the Group’s website www.justgroupplc.co.uk.

Forward-looking statements disclaimer:

This announcement has been prepared for, and only for, the members of Just Group plc (the “Company”) as a body, and for no other persons. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Company and its subsidiaries (the “Group”) in this announcement involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. This announcement contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements in relation to the current plans, goals and expectations of the Group relating to its or their future financial condition, 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 are based on information available at the time they are made, based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors which the Company believes are appropriate and relate to future events and depend on circumstances which may be or 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, although the Group believes its expectations are based on reasonable assumptions, 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 political, economic and business conditions (such as the impact from the COVID-19 outbreak or other infectious diseases and the continuing situation in Ukraine); 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; 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 and the timing, impact and other uncertainties associated with future acquisitions, disposals or other corporate activity undertaken by the Group and/or within relevant industries; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; default of counterparties; information technology or data security breaches; 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 (including changes in the regulatory capital requirements which the Company and its subsidiaries are subject to). 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. The forward-looking statements only speak as at the date of this document and reflect knowledge and information available at the date of preparation of this announcement. The Group undertakes no obligation to update these forward-looking statements or any other forward-looking statement it may make (whether as a result of new information, future events or otherwise), except as may be required by law. Persons receiving this announcement should not place undue reliance on forward-looking statements. Past performance is not an indicator of future results. The results of the Company and the Group in this announcement may not be indicative of and are not an estimate, forecast or projection of the Group’s future results. Nothing in this announcement should be construed as a profit forecast.

Chief Executive Officer's Statement

GROWING WITH CONFIDENCE

In the first six months of 2022 we have made strong progress towards our new growth targets, and just after the period end we completed our largest single Defined Benefit De-risking (“DB”) transaction to date. We continue to transform the Group so we are even better placed to unlock the significant untapped potential inherent in the business and the markets we participate in. I am very pleased to present my Chief Executive Officer's Statement for the first six months of 2022.

RETIREMENT SALES GROWTH

Sales for the first six months of 2022 were down slightly at £879m. We focussed on writing low strain new business to preserve flexibility to take advantage of what we expect will be a very active DB market in the second half of the year. Our solid start was bolstered in July as we completed our largest single DB transaction to date – at £0.5bn. For this transaction, we have chosen to partner with an external capital provider, who will reinsure c.50% of the liabilities in the scheme. This is our second capital light DB partnering deal to date, and is a further endorsement of our approach to use optionality and capital efficiently to grow shareholder value.

In the six months before this transaction, Just Group's DB sales were up 3% to £574m (H1 21: £555m). Operationally, we were busy as we completed 14 transactions (H1 21: 9 transactions), however, average case sizes were smaller. The defined benefit de-risking market is very active currently and we expect to be very busy in the second half. Having just signed our largest ever single transaction and with a pipeline of over £5bn actively quoting small, medium and large transactions, we expect that DB sales for the full year will substantially exceed the level achieved in 2021.

In our retail market, sales of £305m were 14% lower than in the first half of 2021 as we maintained pricing and returns discipline during a period of uncertain investment markets.

GROWING OUR INVESTMENTS BUSINESS

In June we were delighted to host a seminar for investors and analysts to explain in further detail the fundamental role our investment strategy plays in the Group's ability to offer competitive customer pricing and deliver shareholder returns. In order to meet our customer promises, we invest approximately 50% of the premiums we receive into liquid investments, principally public bonds, and the other 50% into illiquid assets. This in turn is split 20% into our traditional strength of lifetime mortgages and 30% into a diversified range of other illiquid asset classes.

In the first half of 2022, we have invested £466m in other illiquids, including infrastructure, private placements, social housing, commercial mortgages, ground rents and income strips. This level of origination positions us to achieve c.£1bn of other illiquid investments in 2022, compared to £0.6bn in 2021. We expect to maintain significant growth in future years as we access growing private debt markets through our close partnerships with 14 external asset managers. Their investment professionals have built strong working relationships with our in-house teams. We work in tandem with these asset managers to provide productive finance for these highly rated, structured and long-term real assets, while benefiting from increased portfolio diversification with good investment yields.

We remain optimistic that HM Treasury's commitment to reform Solvency II will release capital currently held by life insurers and unlock tens of billions of pounds for long term productive investments, including infrastructure. The current proposals put forward by the Prudential Regulation Authority will not achieve HM Treasury's objectives. Alongside other industry leaders, we remain committed to working with HM Treasury and the PRA to develop a final set of proposals that meets all of our objectives and enables the UK to seize this unique opportunity for the benefit of our customers, the UK economy and the environment.

Lifetime mortgages contribute to the Group fulfilling its purpose and remain an important part of our business model. In the first half of 2022, we originated £274m of funded lifetime mortgages (H1 21: £248m, up 11%).

GROWTH AND INNOVATION

We are in an exciting growth phase for the Group. A significant portion of that growth will come from completing more transactions in the larger, above £250m segment of the DB De-risking market, aided by the optionality of

further DB partnering. These are by their nature more intermittent transactions and more weighted towards the second half of the year. In July we completed our largest ever single transaction at £484m.

At the smaller end of the DB market we have developed a streamlined quotation service which delivers monthly updated quotes to small and mid-sized schemes and is now integrated into over 100 pension schemes. Through this service, since 2018, we have completed 40 transactions, cumulatively adding up to £1.2bn of premium.

In the second half of 2021 we used our intellectual property to positively disrupt the lifetime mortgage market. By asking customers questions about their medical conditions and lifestyle factors we've found a way to provide a tailored solution for each customer. And we've estimated that around six-in-ten customers will get a better deal than if they didn't disclose this information. A better deal means they will get a lower interest rate, or for those that need to, be able to borrow a higher amount. Using medical underwriting in this way can provide customers with thousands of pounds of additional value. We've made excellent progress helping financial intermediaries to adopt this new approach and over one in three of the quotation requests we received in the first half of 2022 used medical underwriting. This trend continues to advance higher.

We started deploying our unique digital advice service, Destination Retirement, into the workplace during the first half of 2022. We have successfully implemented the service into over 30 employers and have a growing pipeline of further workplace and other clients.

OUR PURPOSE AND SUSTAINABILITY

Just has a strong purpose: we help people achieve a better later life. We help our customers achieve security, certainty and peace of mind.

We achieve our goals responsibly and are committed to a sustainable strategy that protects our communities and the planet we live on. I am very proud that over the last two years we have reduced our operational carbon intensity per employee by 85%, but the most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our £23bn investments portfolio. We are committed to an intermediate step that our investment portfolio will halve its emissions by 2030¹ and will be carbon net zero by 2050, in line with the Association of British Insurers climate change roadmap. We continue to diversify our investments, including additional green and social assets.

In the first six months of the year, we originated £92m of eligible green and social assets in accordance with our Sustainable Bond Framework, and expect to complete our total £575m green and sustainability bond investment commitments by the end of the year.

CUSTOMERS

We have ambitious targets to continuously improve the customer experience we deliver and are investing to enhance our digital capabilities. For our business partners, this will make Just easier to do business with and provide our customers with more options to engage with us. The successful implementation of our digital LTM quotation service has resulted in over 90% of quotations now being issued through this automated solution providing an improved and more efficient service.

COLLEAGUES

Delivering outstanding customer service and our growth strategy is underpinned by our passionate people making a difference to the lives of those around them. As well as being focused on delivering our strategy, our people understand the importance of 'how' they go about their daily activities which must always be led by the right behaviours, summed up as the Just Way. We have continued to develop our leadership and broader people manager capabilities, underpinned by an adaptive and open mindset which drives a culture of high performance.

Our approach to hybrid working continues to evolve as we recognise the critical role regular office working plays in building and maintaining relationships between colleagues. It helps to preserve many positive aspects of the culture we've built at Just, enables colleagues to support and learn from one other, improves collaboration and accelerates innovation.

We have continued to maintain excellent levels of employee engagement, with a key priority to build a diverse and inclusive workforce. As well as publishing our gender pay gap report, we shared our ethnicity pay gap, alongside action to address any imbalances and under-representation of diverse groups at senior levels. During the summer we will be joined by a number of interns as part of our commitment to the 10,000 Black Interns programme and have also become signatories to the Association of British Insurers (ABI) Making Flexible Work Charter.

FINANCIAL PERFORMANCE

Underlying operating profit increased by 15% in the first six months of 2022, helped by improved in-force returns and lower financing costs. We are confident that we will meet or exceed our target to deliver 15% growth in underlying operating profits, per annum, on average over the medium term.

Our interest rate hedging programme has successfully protected our solvency capital position during the years of falling interest rates. The continued rise in interest rates in 2022 has resulted in an economic loss, which means we have an overall IFRS loss after tax of £226m for the first six months of 2022. During the period, we have adjusted and reduced the level of interest rate hedging in place to move closer to an economically neutral position.

The strength and resilience of our capital position and our ability to produce underlying capital generation allows us to be capital self-sufficient. We are being disciplined in our pricing and risk selection, both on the asset and liability side, to ensure we write low-strain, profitable new business. This means we can fund our growth ambitions, reward shareholders with a growing dividend and maintain a high buffer of capital in what are uncertain times. In the first six months of 2022, we delivered £31m of underlying organic capital generation, helped by a continued outperformance on new business capital strain at 1.3% of premium (H1 21: 1.9%), with most of the full year capital budget still available to be deployed into the opportunities available in the second half.

We will pay an interim dividend of 0.5p per share, in line with our stated policy. During a period of macroeconomic uncertainty and market volatility, our balance sheet has shown resilience and the Solvency II capital coverage ratio has strengthened even further to 184% at 30 June 2022, from 164% at the end of 2021.

IN CONCLUSION

We've exceeded the promises we made during the last 3 years by being innovative, focused and disciplined. As we move our focus to delivering our profit pledge, these same behaviours will be critical. We're very optimistic, and excited about our future.

Our DB capability is increasing, the investment portfolio is expanding and diversifying and we are confident in delivering profitable growth from a vibrant DB market. We believe this is a winning formula and one which will ensure we fulfil our purpose to help people achieve a better later life.

DAVID RICHARDSON

Group Chief Executive Officer

1 The baseline for the reduction of 50% was set in 2019.

Business Review

FULFILLING OUR POTENTIAL

The Group operates in attractive markets which have strong structural growth drivers and we are well placed to take advantage of these growth opportunities by leveraging our strong capabilities, brand and reputation. We will continue to innovate, risk select and price with discipline, ensuring our business model delivers long-term value for customers and shareholders.

The Business Review presents the results of the Group for the six months ended 30 June 2022, including IFRS and Solvency II information.

The business continues to benefit from the strong positive progress achieved in previous years, in particular, a transformed, lower capital intensity new business model, combined with a strengthened and increasingly resilient capital base. The cost base has been right-sized over the past three years and we are continuing to keep cost discipline across the business as we invest to enable the business to scale efficiently. We continue to diversify the asset portfolio backing our customer commitments - both across investment sectors and geographies, and by sourcing an increasing proportion of illiquids in line with our investment strategy.

Momentum in the DB business continues to build with a pipeline of over £5bn small, medium and large active quotations. We expect a very busy second half of 2022, with our strong pricing discipline during the first half, boosting the capital budget available for deployment over the remainder of the year. Rising interest rates have a positive effect on the DB market, helping to close scheme funding deficits, and hence accelerating when they will be in a position to come to market, which leads to a very positive outlook into 2023.

In July, we closed our largest DB transaction to date at £484m, and have reinsured the investment as well as longevity risks on approximately half of this scheme with an external partner. As a result, allowing for the upfront origination fee received from our partner, this transaction was marginally capital generative for Just. This capital light transaction is a great example of our ability to innovate, increasing our participation in the £250m-£1bn transaction size segment, where we have an untapped opportunity, and using capital efficiently to generate shareholder value. This type of transaction is repeatable, scalable and provides optionality to the business going forward, with employee benefit consultants (“EBC”) supportive as external capital increases market capacity.

For the first six months of the year, the underlying operating profit was £74m (H1 21: £64m), with July’s DB partner transaction expected to boost this by £24m. Retirement Income sales of £879m were 3% lower than H1 21, impacted by a 14% decline in GI/L/Care volumes, and with higher interest rates reducing the size of DB transactions on a like for like basis. New business profit was £68m, with new business margin slightly reduced at 7.8% (H1 21: 8.1%) including a continued strong proportion of DB deferred business (H1 22: 54% of DB sales, H2 21: 50%, H1 21: 8%), which is more capital efficient but has a lower upfront new business profit than pensioner in payment business. Adding the new business profit from the July DB partner transaction would boost new business margin to 8.4%¹, exceeding our 8%+ new business margin target.

The significant rise, of c.140bps, in long term interest rates over the first half of 2022 has led to IFRS losses of £341m from hedges used to protect the Solvency II balance sheet. Other economic variances included a negative from widening credit spreads (£102m) offset by positive property experience (£34m) with these leading to an overall loss after tax for the first six months of £226m. We have actively hedged the solvency position since 2018, which led to profits when rates fell in 2019/2020 and losses as rates have risen over the past 18 months – with the cumulative position since 2018 a net loss (pre-tax), significantly less at £57m. We have actively reduced our level of interest rate hedging as the capital position has continued to strengthen over the past six months, which has substantially reduced the sensitivity of the IFRS balance sheet to future interest rate movements. Looking forward, we expect the economic environment to remain uncertain reflecting geopolitical and other macro-economic concerns such as inflation. The key sensitivities of the Group’s capital and financial position to future economic and demographic factors are set out below and in notes 7 and 10 of these financial statements.

Recognising the strengthened financial position of the Group, we re-commenced dividends and paid a £10m distribution to shareholders in May.

Underlying organic capital generation for the first half of 2022 was robust at £31m (H1 21: £25m) as the capital strain from writing new business reduced to £11m or 1.3% of premium (H1 21: £17m and 1.9% of premium). This low new business strain, well within our up to 2.5% target reflects strong pricing discipline and risk selection, including a healthy proportion of low capital strain DB deferred business within the sales mix.

Organic capital generation contributed towards further substantial strengthening of the Group's Solvency II capital position, driven principally by the rise in long term risk free rates during the period, which reduces the Group's SCR and risk margin. During the first six months of the year, the Solvency II capital coverage ratio increased by 20 percentage points to 184%² (31 December 2021: 164%²). Rising inflation and widening credit spreads have had limited impact on the Group's solvency, with the property sensitivity now much reduced following completion of our property related management actions, earlier this year. Since the onset of the pandemic, we have demonstrated the resilience of our balance sheet, and continue to closely monitor and prudently manage our risks, including interest rates, inflation, currency, residential property and credit.

Over H2 22 and early 2023 as legislation is finalised within the Financial Services and Markets bill we expect further clarification from HM Treasury following its commitment to reform Solvency II and introduce a new Regulatory Framework for financial services following the UK's exit from the European Union. It is likely that the reform will include a significant reduction in the risk margin, and measures to widen eligibility criteria for matching adjustment assets, such as callable bonds or assets with a construction phase where the commencement of cashflows is not exactly certain. Together with other industry leaders we are putting forward proposals to ensure any adjustments made to the fundamental spread or deduction for credit risk, for the buy and hold assets we use to back our customer commitments, are consistent with delivering HM Treasury's stated objectives.

At this time, the outlook for the economy continues to evolve, as the world learns to live with COVID-19, supply chain disruptions, and energy supply uncertainty associated with the conflict in Ukraine. Inflation, the pace of central bank tightening to combat rising prices and the associated effect on slowing the economy continues to be the dominant economic theme in 2022. We expect these macro forces to have a negligible effect on the Group's business model, with active hedging to protect the Solvency II capital position, and tailwinds from higher interest rates to increase demand for our DB products. We have a strong, stable and resilient capital base and a low strain business model that is generating consistent capital returns on an underlying basis to fund our ambitious growth plans, whilst also paying a shareholder dividend that is expected to grow over time.

¹ The retirement income sales included in this new business margin has been calculated based on the July DB partnering premium after deducting the DB partners share.

² These figures include the estimated impact of a TMTP recalculation. For 31 December 2021, the TMTP was recalculated excluding the contribution from the LTMs that was sold on 22 February 2022.

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

Within the Business Review, the Group has presented a number of alternative performance measures ("APMs"), which are used in addition to IFRS statutory performance measures. The Board believes that the use of APMs gives a more representative view of the underlying performance of the Group. The APMs used by the Group are: return on equity, Retirement Income sales, underlying organic capital generation, new business operating profit, adjusted operating profit before tax, underlying operating profit, management expenses, organic capital generation, in-force operating profit, adjusted operating profit after attributed tax, adjusted earnings and adjusted earnings per share. Further information on our APMs can be found in the glossary, together with a reference to where the APM has been reconciled to the nearest statutory equivalent.

The Board has also adopted a number of key performance indicators ("KPIs"), which include certain APMs, and are considered to give an understanding of the Group's underlying performance drivers. KPIs are regularly reviewed against the Group's strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress. During the second half of 2021, the Group introduced two new KPIs, return on equity and underlying operating profit, and discontinued the use of organic capital generation as a KPI. In addition, the return on equity (target 10%) and adjusted earnings per share calculations have been updated to be consistent with the 15% medium term growth metric, based on underlying operating profit. These changes reflect the Group's focus on profitable and sustainable growth, and provide a balance of KPIs across profit, sales, expenses, capital and net assets. The Group's KPIs are discussed in more detail on the following pages.

The Group's KPIs are shown below:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Change %
Return on equity ¹	6.2%	5.0%	1.2pp
Retirement Income sales ¹	879	909	(3)
Underlying organic capital generation ¹	31	25	24
New business operating profit ¹	68	74	(7)
Adjusted operating profit before tax ¹	63	90	(30)
Underlying operating profit ¹	74	64	15
IFRS loss before tax	(296)	(87)	(241)
Management expenses ¹	71	70	1

	30 June 2022 £m	31 December 2021 £m	Change
Solvency II capital coverage ratio ²	184%	164%	+20pp
IFRS net assets	2,197	2,440	(10)%

¹ Alternative performance measure, see glossary for definition. The return on equity (target 10%) calculation has been updated to be consistent with the 15% medium term growth metric, based on annualised underlying operating profit.

² These figures include the estimated impact of a TMTP recalculation. For 31 December 2021, the TMTP was recalculated excluding the contribution from the LTMs that were sold on 22 February 2022.

RETURN ON EQUITY

The return on equity in the six months to 30 June 2022 was 6.2% (30 June 2021: 5.0%), using annualised underlying operating profit after attributed tax of £120m (30 June 2021: £104m) arising on average tangible net assets of £1,898m (30 June 2021: £2,047m). The 1.2pp movement was driven by increased underlying operating profit. Tangible net assets are reconciled to IFRS total equity as follows:

	30 June 2022 £m	30 June 2021 £m
IFRS total equity	2,197	2,412
Less intangible assets	(111)	(125)
Less tax on amortised intangible assets	17	19
Less equity attributable to Tier 1 noteholders	(322)	(294)
Tangible net assets	1,781	2,012
Return on equity %	6.2%	5.0%

UNDERLYING OPERATING PROFIT AND ADJUSTED OPERATING PROFIT

Underlying operating profit is the core performance metric on which we have based our 15% growth target, per annum, on average, over the medium term. Underlying operating profit captures the performance and running costs of the business including interest on the capital structure, but excludes operating experience and assumption changes, which by their nature are unpredictable and can vary substantially from period to period. For the first six months of 2022, Underlying operating profit grew by 15% to £74m, which is solid progress towards our target, despite timing differences in relation to DB transactions.

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Change %
New business operating profit	68	74	(7)
In-force operating profit	54	44	22
Other Group companies' operating results	(7)	(8)	(13)
Development expenditure	(4)	(3)	33
Finance costs	(37)	(43)	(12)
Underlying operating profit	74	64	15
Operating experience and assumption changes	(11)	26	(141)
Adjusted operating profit before tax¹	63	90	(30)

¹ See reconciliation to IFRS profit before tax further in this Business Review.

NEW BUSINESS OPERATING PROFIT

New business operating profit decreased by 7% to £68m for the six months ended 30 June 2022 (six months ended 30 June 2021: £74m), driven by a 3% fall in Retirement Income sales to £879m (six months ended 30 June 2021: £909m). The new business margin achieved on Retirement Income sales during the period was slightly lower at 7.8% (six months ended 30 June 2021: 8.1%), with the sales mix including an increase of DB deferred business (in line with the second half of 2021).

MANAGEMENT EXPENSES

Management expenses have increased by 1% to £71m for the six months ended 30 June 2022 (six months ended 30 June 2021: £70m). Following the end of a formal three year cost reduction programme in 2021, management expenses continued to be contained. We maintain a sharp focus on cost control, with selective investment in the business, such as the Investments and DB functions as we continue to build in-house capability to write larger DB transactions on a more frequent basis. Overall, premium and business growth is expected to outpace costs, thus further improving operational leverage.

IN-FORCE OPERATING PROFIT

In-force operating profit increased by 22% to £54m for the six months ended 30 June 2022 (six months ended 30 June 2021: £44m). Aside from the positive impact of credit spread widening, the Group's in-force operating profit also benefited from a growing in-force book of business and the impact of rising rates boosting returns on surplus assets.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £7m in the six months ended 30 June 2022 (six months ended 30 June 2021: loss of £8m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

DEVELOPMENT EXPENDITURE

Development expenditure of £4m for the six months ended 30 June 2022 (six months ended 30 June 2021 £3m), mainly relates to product development, proposition enhancement and new initiatives, for example, the Destination Retirement proposition. It also includes preparations for the new insurance accounting standard IFRS 17 and distribution improvements such as online capability and digital access.

FINANCE COSTS

Finance costs have decreased by 12% to £37m for the six months ended 30 June 2022 (six months ended 30 June 2021: £43m). These include the coupon on the Group's Restricted Tier 1 notes, as well as the interest payable on the Group's Tier 2 and Tier 3 notes. The decrease for the period is due to the opportunistic refinancing in September 2021 of the 2019-issued Restricted Tier 1 bond, with a new £325m Sustainability Restricted Tier 1 bond. This discrete bond refinancing reduces the interest costs on the RT1 component of the capital structure by £12m pre-tax per annum, while also lengthening the bond maturity, with a six month call option available from March 2031.

During the first half of 2022, the Group entered into a new five year revolving credit facility, with improved commercial terms. The facility has increased from £200m to £300m, with flexibility for this to grow as the balance sheet expands over time.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

The Group continues to actively assess the potential impact of COVID-19 on longer term mortality. The long-term impact of the pandemic on the population, including the health of those who have recovered from the disease, the future efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes is difficult to accurately assess at present. The Group continues to allow for future trends in mortality using the CMI 2019 mortality improvement tables. There were no changes to the Group's long term mortality and other assumptions at 30 June 2022, and we will carry out a full basis review as usual in December 2022. We expect to increasingly consider and incorporate COVID-19 experience data and medical understanding into our pricing and reserving assumptions, as it becomes available. Sensitivity analysis is shown in notes 17 and 23, which sets out the impact on the IFRS results from changes to key assumptions, including mortality and property.

Overall, a negative operating experience of £11m was reported in the first six months of 2022 (six months ended 30 June 2021: positive £26m). The negative experience variance was driven by increased early redemptions within our LTM book, above our redemption assumption as customers took advantage of the competitive rates on offer to refinance before interest rates rise further, thus reducing their interest roll-up. The early redemption experience and minor negative modelling adjustments were offset by £6m of positive annuitant mortality experience.

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax, was £63m (six months ended 30 June 2021: £90m). Adjusted operating profit before tax is the sum of Underlying operating profit and Operating experience and assumption changes. The 15% increase in underlying operating profit was offset by negative operating experience as mentioned above, whereas, in the comparative period, we reported a £26m positive operating experience.

On a statutory IFRS basis, the Restricted Tier 1 coupon is accounted for as a distribution of capital, consistent with the classification of the Restricted Tier 1 notes as equity, but the coupon is included as a finance cost on an adjusted operating profit basis.

RETIREMENT INCOME SALES

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Change %
Defined Benefit De-risking Solutions (“DB”)	574	555	3
Guaranteed Income for Life Solutions (“GifL”) and Care Plans (“CP”)	305	354	(14)
Retirement Income sales	879	909	(3)

The structural growth drivers that underpin our markets are unchanged, and the 3% fall in Retirement Income sales for the first six months of 2022 to £879m (six months ended 30 June 2021: £909m) was predominantly due to lower GifL sales.

In early 2021, we expanded our proposition in the DB de-risking market to meet fully the needs of schemes and trustees by adding DB deferred capability, which enabled us to double our access to the over £2tn DB market opportunity. Scheme funding levels across the industry have improved, and more schemes are able to afford full scheme de-risking and buyout as opposed to pensioner only de-risking. We expect this trend to continue. Rising interest rates also improve scheme funding levels, meaning that more schemes will commence the process to be “transaction ready” and hence bring business forward into the 2023 and medium term pipeline. Our efforts in 2021 were recognised by being named “Risk Management Provider of the Year” at the Pensions Age awards in February 2022.

DB sales were £574m, an increase of 3%. Activity levels were ahead of the comparable period as we closed 14 transactions, however average case size was smaller (six months ended 30 June 2021: 9 transactions, 2021 as a whole: 29 transactions) as the majority of transactions were under £100m, including repeat business. In the first six months of 2022, DB deferred was 54% of DB sales (six months ended 30 June 2021: 8% of DB sales, 2021 as a whole: 38% of DB sales). The near term actively quoting pipeline is over £5bn, and we expect a very busy second half with multiple £100m-£1bn opportunities coming to market. We closed our largest transaction to date in July, a £484m scheme completed in conjunction with a new reinsurance partner.

Hymans Robertson estimate that the DB market was £10-£12bn in the six months ended 30 June 2022 (six months ended 30 June 2021: £7bn) and they predict c.£25bn of business will transact in the second half (H2 21: £21bn), driven by an increased number of large deals. At the start of the year, Willis Towers Watson had predicted a £40bn buy-in/buy-out market in 2022, but the long-term growth opportunity is very substantial with Lane Clark Peacock (“LCP”) forecasting up to £650bn of DB buy-in and buy-out transactions over the decade to 2030, as funding deficits in the largest schemes are closed.

GifL sales fell by 14% to £284m for the six months to 30 June 2022 (six months ended 30 June 2021: £330m), primarily due to lower case sizes as pension pots have decreased in value from investment losses resulting from global stock and bond markets falls during the period. Economic uncertainty has demonstrated to customers the importance and security of a guaranteed income. Customer rates have increased as risk free rates rose over H1, however, customers may be postponing their decisions as they wait for further increases. We also experienced increased competition in the first half of 2022, as the overall GifL market fell, but maintained pricing discipline and using our insight to select the most profitable risks. We are investing further in our distribution capability, with online applications expected to be launched by the end of the year. Care sales at £22m in the six months ended 30 June 2022 (six months ended 30 June 2021: £24m) were subdued and remain impacted by customer behaviour changes post pandemic, in addition to uncertainty relating to proposed government initiatives on health and social care funding.

OTHER NEW BUSINESS SALES

Internally funded lifetime mortgage advances for the first six months of 2022 were £274m (six months ended 30 June 2021: £248m), an increase of 11%, with these in part matching increased back book LTM redemptions. Our target LTM backing ratio for new business remains at or below 20% (2021 as a whole: 18%). In Q2 22, the market began to re-price, and LTM spreads have widened, but remain below historical levels, albeit still higher than the spreads available on other illiquid assets.

We continue to be selective in the mortgages we originate, as we use our market insight and distribution to target certain sub-segments of the market. During 2021, we introduced medical underwriting across the entire lifetime mortgage range and also signed an exclusive distribution agreement with Saga, both of which are contributing to increasing volumes within the mix. Increased investment in LTM digital capabilities and proposition has been well received by financial advisers.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on underlying operating profit after attributed tax) has increased to 5.8 pence for the current period from 5.0 pence for the 6 months ended 30 June 2021.

	Six months ended 30 June 2022	Six months ended 30 June 2021
Adjusted earnings (£m)	60	52
Weighted average number of shares (million)	1,036	1,033
Adjusted EPS ¹ (pence)	5.8	5.0

¹ Alternative performance measure, see glossary for definition. The adjusted earning calculation has been updated to be consistent with the 15% medium term growth metric, based on underlying operating profit.

EARNINGS PER SHARE

	Six months ended 30 June 2022	Six months ended 30 June 2021
Earnings (£m)	(233)	(81)
Weighted average number of shares (million)	1,036	1,033
EPS (pence)	(22.5)	(7.8)

RECONCILIATION OF ADJUSTED OPERATING PROFIT TO STATUTORY IFRS RESULTS

The tables on the following pages present the Group's results on a statutory IFRS basis.

	Six months ended 30 June 2022	Six months ended 30 June 2021
	£m	£m
Adjusted operating profit before tax	63	90
Non-recurring and project expenditure	(6)	(8)
Investment and economic losses	(353)	(174)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	9	14
Amortisation of acquired intangibles	(9)	(9)
IFRS loss before tax	(296)	(87)

NON-RECURRING AND PROJECT EXPENDITURE

Non-recurring and project expenditure was £6m for the first six months of 2022 (six months ended 30 June 2021: £8m). This included the transformation of business processes and increasing efficiency by investing in automation and new systems, which will lead to long-term cost and control benefits. This also includes the support for the planned movement of PLACL from standard formula onto the Group internal model, subject to regulatory approval and timing.

INVESTMENT AND ECONOMIC (LOSSES)/PROFITS

	Six months ended 30 June 2022	Six months ended 30 June 2021
	£m	£m
Change in interest rates	(341)	(274)
(Wider)/narrower Credit spreads	(102)	47
Property growth experience	34	42
Other	56	11
Investment and economic (losses)/profits	(353)	(174)

Investment and economic losses for the six months ended 30 June 2022 were £353m (six months ended 30 June 2021: £174m loss). Losses from the increase in risk-free rates during the period contributed £341m. The Group takes an active approach to hedging its interest rate exposure. In the second half of 2021 and through 2022, as

rates rose and our solvency position strengthened, we have adjusted our interest rate hedging to a more economically neutral position. Our revised approach is to better balance hedging of the solvency position whilst minimising the IFRS impact, should rates continue to rise. As noted above, the cumulative net interest rate loss from our hedging of the Solvency II balance sheet since 2018 has been a net loss (pre-tax) of £57m.

Other notable economic variances include wider credit spreads (loss of £102m) offset by a refinement of LPI curve methodology (£28m) and positive property growth experience (£34m)¹. There were no corporate bond defaults within our portfolio. The Group has no direct exposure to Russian investments and its indirect exposure, such as through investments in global issuers with interests in Russia, is not assessed as material at the current time.

¹ Insurance liabilities for inflation-linked products and inflation-linked assets require an assumption for future expectations of inflation. These assumptions are derived using a mark to model basis. This represents a change in approach since 31 December 2021 which utilised market prices that are not actively traded.

Further details and sensitivities are given in notes 7 and 10 of the financial statements.

AMORTISATION OF ACQUIRED INTANGIBLES

Amortisation of acquired intangibles for the first six months of 2022 were £9m (six months ended 30 June 2021: £9m), these mainly relates to the acquired in-force business asset relating to Partnership Assurance Group plc, which is being amortised over ten years in line with the expected run-off of the in-force business.

CAPITAL MANAGEMENT

The Group's capital coverage ratio was estimated to be 184% at 30 June 2022, including a recalculation of transitional measures on technical provisions ("TMTP") (31 December 2021: 164%). The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's KPIs.

	30 June 2022 £m	31 December 2021 £m
Own funds	2,743	3,004
Solvency Capital Requirement	(1,494)	(1,836)
Excess own funds	1,249	1,168
Solvency coverage ratio¹	184%	164%

¹ These figures include the estimated TMTP recalculation. For 31 December 2021, the TMTP was recalculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

The Group has approval to apply the matching adjustment and TMTP in its calculation of technical provisions and uses a combination of an internal model and the standard formula to calculate its Group Solvency Capital Requirement ("SCR").

MOVEMENT IN EXCESS OWN FUNDS¹

The table below analyses the movement in excess own funds, in the six months to 30 June 2022.

	At 30 June 2022 ² £m	At 30 June 2021 £m
(Not covered by PwC's independent review opinion)		
Excess own funds at 1 January	1,168	1,076
Operating		
In-force surplus net of TMTP amortisation	87	95
New business strain	(11)	(17)
Finance cost	(32)	(35)
Group and other costs	(13)	(18)
Underlying organic capital generation	31	25
Management actions and other items	2	18
Total organic capital generation²	33	43
Non-operating		
Dividend	(10)	-
Regulatory changes	-	1
Economic movements	58	(27)
Excess own funds	1,249	1,093

¹ All figures are net of tax and includes a notional recalculation of TMTP where applicable.

² Organic capital generation includes surplus from in-force, new business strain, overrun and other expenses, interest and other operating items. It excludes economic variances, regulatory changes, dividends and capital issuance.

UNDERLYING ORGANIC CAPITAL GENERATION

In the first six months of 2022, we have delivered £31m of underlying organic capital generation (six months ended 30 June 2021: £25m). The business is delivering sufficient ongoing capital generation to support decisions on the deployment of capital between supporting further profitable growth, providing returns to our capital providers and further investment in the strategic growth of the business.

Underlying organic capital generation has benefitted from the ongoing focus across the business on minimising new business capital strain. In the first six months of 2022, new business strain fell by £6m to £11m, which represents 1.3% of new business premium (six months ended 30 June 2021: 1.9%). This outperformance was driven by continued pricing discipline and risk selection, together with a continuing trend of an increasing proportion of DB deferred business within the sales mix. Capital light DB deferred business represented 54% of total DB sales during the period (six months ended 30 June 2021: 8%, six month period to 31 December 2021: 50%, 2021 as a whole: 38%). Due to our careful management in the first half, most of the 2022 new business capital strain budget remains available for deployment in the second half of 2022, when we expect to take advantage of the multiple small, medium and large DB opportunities in our over £5bn actively quoting pipeline to grow shareholder value.

In-force surplus after TMTP amortisation was down 8% to £87m, primarily due to higher interest rates which reduces the amount of capital available (via lower SCR, risk margin and EVT net of TMTP) to release and also the effect of the three LTM portfolio sales. Group and other costs including development, non-recurring and non-life costs were £13m (six months ended 30 June 2021: £18m) with H1 2021 including the new business expense overrun which was eliminated by the end of 2021. Finance costs at £32m were lower reflecting a reduced coupon on the RT1 debt, after the opportunistic early re-financing of that debt in September 2021, while Management actions and other items contributed £2m to the capital surplus, leading to a total of £33m from organic capital generation. Organic capital generation added 2% to the capital coverage ratio.

NON-OPERATING ITEMS

Property value movements led to a £24m positive due to actual property price growth of c.4% (compared to our six monthly 1.65% long term growth assumption) on our individually updated portfolio. Other economic movements included a negative £6m from higher interest rates. However, this interest rate movement also led to a strengthening of the capital coverage ratio by 12 percentage points, with asset trading and various positive other economic variances adding a further 7%. This includes a lower than anticipated impact from the third LTM portfolio sale as we quickly reinvested the proceeds in other illiquid assets. The benefit from credit migration during the year was £3m, as credit conditions remained benign. In 2022, the Group recommenced a shareholder dividend, which cost £10m.

ESTIMATED GROUP SOLVENCY II SENSITIVITIES¹

The property sensitivity has remained stable at 12% (31 December 2021: 11%, proforma taking into account the third LTM portfolio sale completed in February 2022, and a peak of 20% on 30 June 2019). We expect that by maintaining a reduced LTM backing ratio of c.20% or below on new business, that we will contain the Solvency II sensitivity to house prices to at or below this level over time. The credit quality step downgrade sensitivity has increased due to credit spreads widening during the period, which increases the cost of trading the 20% of our credit portfolio assumed to be downgraded back to their original credit rating. This is a severe stress requiring an immediate and significant downgrade in credit quality for 20% of the credit portfolio, and does not allow for the positive impact from credit portfolio management during a time of stress.

Sensitivities to economic and other key metrics are shown in the table below.

	At 30 June 2022 %	At 30 June 2022 £m
Solvency coverage ratio/excess own funds at 30 June 2022 ²	184	1,249
-50 bps fall in interest rates (with TMTP recalculation)	(7)	(27)
+50bps increase in interest rates (with TMTP recalculation)	9	12
+100 bps credit spreads	1	(19)
Credit quality step downgrade ³	(17)	(256)
+10% LTM early redemption	1	18
-10% property values (with TMTP recalculation) ⁴	(12)	(158)
-5% mortality	(12)	(163)

1 In all sensitivities the Effective Value Test ("EVT") deferral rate is allowed to change subject to the minimum deferral rate floor of 0.50% as at 30 June 2022 (0.50% as at 31 December 2021) except for the property sensitivity where the deferral rate is maintained at the level consistent with base balance sheet.

2 Sensitivities are applied to the reported capital position which includes a TMTP recalculation.

3 Credit migration stress covers the cost of an immediate big letter downgrade (e.g. AAA to AA or A to BBB) on 20% of all assets where the capital treatment depends on a credit rating (including corporate bonds, ground rents/income strips; but lifetime mortgage senior notes are excluded). Downgraded assets are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet date.

4 After application of NNEG hedges.

RECONCILIATION OF IFRS EQUITY TO SOLVENCY II OWN FUNDS

	30 June 2022 £m	31 December 2021 £m
(Not covered by PwC's independent review opinion)		
Shareholders' net equity on IFRS basis	2,197	2,440
Goodwill	(34)	(34)
Intangibles	(77)	(86)
Solvency II risk margin	(518)	(759)
Solvency II TMTP ¹	1,079	1,657
Other valuation differences and impact on deferred tax	(537)	(987)
Ineligible items	(85)	(3)
Subordinated debt	725	781
Group adjustments	(7)	(5)
Solvency II own funds¹	2,743	3,004
Solvency II SCR¹	(1,494)	(1,836)
Solvency II excess own funds¹	1,249	1,168

¹ These figures allow for an estimated TMTP recalculation as at 30 June 2022. The 31 December 2021 figures include the impact of the biennial reset of TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from LTMs that have been sold on 22 February 2022.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below presents the Condensed consolidated statement of comprehensive income for the Group.

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Gross premiums written	880	909
Reinsurance premiums ceded	(12)	(11)
Net premium revenue	868	898
Net investment (expense)/income	(3,139)	(659)
Fee and commission income	6	8
Total (expense)/revenue	(2,265)	247
Net claims paid	(601)	(560)
Net change in insurance liabilities	2,757	412
Net change in investment contract liabilities	–	–
Acquisition costs	(26)	(24)
Other operating expenses	(94)	(93)
Finance costs	(67)	(69)
Total claims and expenses	1,969	(334)
Loss before tax	(296)	(87)
Income tax	70	17
Loss after tax	(226)	(70)

Gross premiums written

Gross premiums written for the six months to 30 June 2022 were £880m, a decrease of 3% (six months ended 30 June 2021: £909m). As discussed above, this reflects lower Retirement Income new business premiums, primarily due to a 14% reduction in GfL business.

Net investment income/(expense)

Net investment income/(expense) increased to an expense of £3,139m (six months ended 30 June 2021: £659m expense). The main components of net investment income/(expense) are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. There has been an increase in risk-free rates during the period, which has resulted in unrealised losses in relation to assets held at fair value. We closely match our assets and liabilities, hence fluctuations in interest rates will cause similar movements on both sides of the IFRS balance sheet. We also actively monitor and hedge interest rate exposure to reduce the effect of interest rate movements on the Solvency II capital position, whilst seeking to minimise the IFRS impact on the balance sheet for the cost of this hedging.

Net claims paid

Net claims paid increased to £601m, (six months ended 30 June 2021: £560m) reflecting the continuing growth of the in-force book.

Change in insurance liabilities

Change in insurance liabilities was £2,757m for the current period (six months ended 30 June 2021: £412m). The decrease is principally due to an increase in the valuation interest rate due to the rise in risk-free rates noted above.

Acquisition costs

Acquisition costs have increased to £26m (six months ended 30 June 2021: £24m), and include the 11% increase in LTM origination to pre-fund DB and GifL business volumes in the second half of the year.

Other operating expenses

Other operating expenses are broadly stable at £94m in the current period and are in line with £93m for the six months ended 30 June 2021.

A reconciliation between Other operating expenses and Management expenses is included below:

	Six months ended 30 June 2022	Six months ended 30 June 2021
	£m	£m
Other operating expenses	94	93
Investment expenses and charges	(10)	(8)
Reassurance management fees	(4)	(4)
Amortisation of acquired intangible assets	(9)	(9)
Other costs	–	(2)
Management expenses	71	70

Finance costs

The Group's overall finance costs decreased to £67m (six months to 30 June 2021: £69m). Note that the coupon on the Group's Restricted Tier 1 notes is recognised as a capital distribution directly within equity and not within finance costs.

Income tax

Income tax for the period ended 30 June 2022 was a credit of £70m (six months ended 2021: credit of £17m). The effective tax rate of 23.6% (2021: 19.2%) is 4.6% higher than the standard 19% corporation tax rate. This is due to the current year's losses being carried forward at 25% as opposed to the current tax rate of 19% resulting in a tax effected rate change adjustment.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below presents selected items from the Condensed consolidated statement of financial position. The information below is extracted from the statutory consolidated statement of financial position.

	30 June 2022	31 December 2021
	£m	£m
Assets		
Financial investments	22,789	24,682
Reinsurance assets	2,372	2,808
Other assets	1,216	858
Total assets	26,377	28,348
Share capital and share premium	199	199
Other reserves	948	948
Accumulated profit and other adjustments	730	973
Total equity attributable to ordinary shareholders of Just Group plc	1,877	2,120
Tier 1 notes	322	322
Non-controlling interest	(2)	(2)
Total equity	2,197	2,440
Liabilities		
Insurance liabilities	18,653	21,813
Reinsurance liabilities	259	275
Other financial liabilities	4,307	2,866
Insurance and other payables	120	93
Other liabilities	841	861
Total liabilities	24,180	25,908
Total equity and liabilities	26,377	28,348

Financial investments

During the period, financial investments decreased by £2bn to £22.8bn (2021: £24.7bn). Accommodative central bank and fiscal stimulus during 2021 led to credit spread narrowing, however, in 2022, various government asset purchase programmes in response to the pandemic are being gradually unwound. At the same time, central banks continue to raise base rates from their historical low levels to counteract the effect of inflation. The effect of credit spread widening and increases in risk-free rates during the period, both of which reduce the value of the assets was partially offset by investment of the Group's new business premiums. The credit quality of the corporate bond portfolio remains resilient, with 52% of the Group's corporate bond and gilts portfolio rated A or above (31 December 2021: 54%), with a reduction due to lower Government investments (see below). Our diversified portfolio continues to grow and is well balanced across a range of industry sectors and geographies.

Credit rating agencies have maintained a cautious approach similar to 2021. We continue to position the portfolio with a defensive bias, and year to date have experienced ratings stability as 6% of the Group's bond portfolio was upgraded, offset by 5% being downgraded. The Group continues to have very limited exposure to those sectors that are most sensitive to structural change or macroeconomic conditions, such as auto manufacturers, consumer (cyclical) and basic materials. The BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications and technology, and infrastructure. The Group has selectively added to its consumer (staples), utilities, and infrastructure investments, with some rotational changes as in particular we reduced BBB exposure to industrials, auto manufacturers and energy.

In the first six months of the year, we originated £466m of other illiquid assets, and are targeting over £1bn for the full year (2021: £615m), in addition to lifetime mortgages. Entering 2022, Government investments were elevated as the Group temporarily invested excess cash, which was further added to by the third LTM portfolio sale in February. Excess gilts will continue to be recycled into other corporate bonds and illiquid assets during 2022 as opportunities arise.

At 30 June 2022, the Group had ample liquidity. We continue to prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, while monitoring and adjusting an extensive interest rate hedging programme. As previously mentioned, our interest rate hedging has been gradually reduced to provide a better balance between solvency protection and IFRS cost, in particular as rates rise.

The loan-to-value ratio of the mortgage portfolio was 35.6% (31 December 2021: 36.1%), reflecting continued strength and resilience across our geographically diversified portfolio, which offsets the interest roll-up. Lifetime mortgages at £5.9bn represent 26% of total financial investments after completion of the third and final LTM portfolio sale in February. In total, the Group has disposed of £1.6bn of lifetime mortgages as part of our objective to reduce the sensitivity of the capital position to house price movements, which at a 12% capital coverage ratio impact for an immediate 10% fall in UK house prices is at a level we are comfortable with. At the present time, further portfolio sales are not envisaged as the sensitivity is expected to be contained around 10% through a new business backing ratio of less than 20%. Elevated levels of early redemptions during the period as customers refinanced to lower rates have also decreased the amount of LTMs on our balance sheet, but has funded other investment opportunities, thus accelerating our portfolio diversification.

Other illiquid assets and environmental, social and governance investing

To achieve its optimal mix of assets backing new business, and to further diversify its investments, the Group originates other illiquid assets including infrastructure, real estate investments and private placements. Income producing real estate investments such as ground rents and income strips are typically much longer duration and the cashflow profile is very beneficial to match DB deferred liabilities. To date, Just has invested £3.0bn in other illiquid assets, representing 13.2% of the total financial investments portfolio (31 December 2021: 12.3%). We anticipate that the upcoming Solvency II reform will broaden the matching adjustment eligibility criteria, which will create opportunities to invest in line with the Government's various agendas including increased investment in infrastructure, science and research and decarbonising the economy. Many of the other illiquids are invested in a range of ESG assets including renewable energy, social housing and local authority loans. In the first six months of 2022, we have invested a further £92m in eligible green and social assets, and are on track to complete our total £575m green and social asset allocation commitment by the end of the year. The latest Green/Sustainability bond allocation report is available on <https://www.justgroupplc.co.uk/investors/esg>.

The following table provides a breakdown by credit rating of financial investments, including privately rated investments allocated to the appropriate rating.

	30 June 2022 £m	30 June 2022 %	31 December 2021 £m	31 December 2021 %
AAA ¹	2,080	9	2,448	10
AA ¹ and gilts	2,378	10	3,194	13
A ²	5,452	24	4,384	18
BBB	6,217	27	6,500	26
BB or below	374	2	388	1
Unrated	441	2	414	2
Lifetime mortgages	5,897	26	7,423	30
Total²	22,839	100	24,751	100

1 Includes units held in liquidity funds.

2 Includes investment in trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

The sector analysis of the Group's financial investments portfolio is shown below and continues to be well diversified across a variety of industry sectors.

	30 June 2022 £m	30 June 2022 %	31 December 2021 £m	31 December 2021 %
Basic materials	223	1.0	264	1.1
Communications and technology	1,258	5.5	1,430	5.8
Auto manufacturers	272	1.2	319	1.3
Consumer (staples including healthcare)	1,108	4.8	1,174	4.7
Consumer (cyclical)	174	0.8	187	0.7
Energy	553	2.4	633	2.6
Banks	1,189	5.2	1,192	4.8
Insurance	702	3.1	845	3.4
Financial – other	390	1.7	481	1.9
Real estate including REITs	667	2.9	661	2.7
Government	1,652	7.2	2,415	9.7
Industrial	684	3.0	920	3.7
Utilities	2,214	9.7	2,302	9.3
Commercial mortgages	616	2.7	678	2.7
Ground rents ¹	288	1.3	263	1.1
Infrastructure	1,531	6.7	1,474	6.0
Other	46	0.2	38	0.2
Corporate / government bond total	13,567	59.4	15,276	61.7
Lifetime mortgages	5,897	25.8	7,423	30.0
Liquidity funds	959	4.2	1,311	5.3
Derivatives and collateral	2,416 ²	10.6	741	3.0
Total¹	22,839	100.0	24,751	100.0

1 Includes direct ground rents and also an investment in a property unit trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

2 Derivative assets have increased primarily due to an increased number of positions as part of our dynamic interest rate hedging strategy. Interest rate swap assets have increased by £811.9m to £981.8m. Compensating increases in Interest rate swap liability positions means that our overall interest rate swap exposure is limited to a net liability £21.8m (YE 2021: net asset £125.0m). In accordance with accounting standards these derivatives are not offset.

Reinsurance assets and liabilities

Reinsurance assets decreased to £2.4bn at 30 June 2022 (31 December 2021: £2.8bn), and are declining as the insurance liabilities to which they relate to run-off and increases in the discount rate. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties. Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements.

Other assets

Other assets increased to £1.2bn at 30 June 2022 (31 December 2021: £0.9bn). These assets mainly comprise cash and intangible assets. The Group holds significant amounts of assets in cash, so as to protect against liquidity stresses.

Insurance liabilities

Insurance liabilities decreased to £18.7bn at 30 June 2022 (31 December 2021: £21.8bn). The decrease in liabilities arose as new business premiums written was offset by an increase to the valuation rate of interest and policyholder payments over the period.

Other financial liabilities

Other financial liabilities increased to £4.3bn at 30 June 2022 (31 December 2021: £2.9bn). These liabilities mainly relate to collateral deposits received from reinsurers, together with derivative liabilities and other cash collateral received. The increase from the prior year relates to higher amounts of derivatives and collateral, given the market volatility.

Other liabilities

Other liability balances decreased to £841m at 30 June 2022 (31 December 2021: £861m) due to the reductions in the deferred tax liability and accruals.

IFRS net assets

The Group's total equity at 30 June 2022 was £2.2bn, compared to £2.4bn at 31 December 2021. Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021. Including the negative effects of Solvency II interest rate hedging on the IFRS results, total equity attributable to ordinary shareholders decreased from £2,120m to £1,877m resulting in net asset value ("NAV") per ordinary share of 181p (2021: 204p).

DIVIDENDS

The Board has declared an interim dividend of 0.5p (£5m). This is in line with our stated policy for the interim dividend to be one-third of the equivalent prior year full year dividend of 1.5p. In the near term, we expect to deploy the majority of capital we generate to support the new business available to us in the DB and GfL markets, whilst supporting an ongoing sustainable dividend, which we would expect to grow over time.

ANDY PARSONS

Group Chief Financial Officer

RISK MANAGEMENT

The Group's enterprise-wide risk management strategy is to enable all colleagues to take more effective business decisions through a better understanding of risk.

PURPOSE

The Group risk management framework supports management in making decisions that balance the competing risks and rewards. This allows them to generate value for shareholders, deliver appropriate outcomes for customers and provide confidence to other stakeholders. Our risk management processes are designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

Our risk framework, owned by the Board, covers all aspects involved in the successful management of risk, including governance, reporting and policies. Our appetite for different types of risk is embedded across the business to create a culture of confident risk-taking. The framework is continually developed to reflect our risk environment and emerging best practice. Over the past year, it has been enhanced to facilitate the identification, assessment and reporting of risks arising from climate change ("climate risk"), with risk category definitions updated to integrate climate risk aspects. A high-level qualitative climate risk appetite has been added to the Group's existing high-level appetites, which include reputation and capital, recognising the importance of climate risk. Group policies have been updated to draw out any climate specific considerations for risk management.

RISK EVALUATION AND REPORTING

We evaluate our principal and emerging risks and decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces reports to provide assurance that material risks in the business are being appropriately mitigated. The Risk function, led by the Group Chief Risk Officer ("GCRO"), challenges the management team on the effectiveness of its risk evaluation and mitigation. The GCRO provides the Group Risk and Compliance Committee ("GRCC") with his independent assessment of the principal and emerging risks to the business.

Financial risk modelling is used to assess the amount of each risk type against our capital risk appetite. This modelling is principally aligned to our regulatory capital metrics. The results of the modelling allow the Board to understand the risks included in the Solvency Capital Requirement ("SCR") and how they translate into regulatory capital needs. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

The associated policies govern the exposure of the Group to a range of risks, including climate risk, and define the risk management activities to ensure these risks remain within appetite.

Quantification of the financial impact of climate risk is subject to significant uncertainty. Risks arising from the transition risk to a lower carbon economy are heavily dependent on government policy developments and social responses to policy. Just's initial focus has therefore been on the implementation of strategies to reduce the likely exposure to this risk. Just will continue to adapt its view of climate risk as more data and methodologies emerge.

The aggregate exposure to climate risk is assessed against existing risk appetites, with climate risk a factor to be considered in the management of these risks. Risk appetite tolerances will be reviewed as further stress-testing results become available.

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") process embeds comprehensive risk reviews into our Group management activities. Our annual ORSA report is a key part of our business risk management cycle. It summarises work done through the year on business model and strategic risks, tests the business in a variety of quantitative scenarios and integrates findings from recovery and run-off analysis. The report provides an opinion on the viability and sustainability of the Group and thus informs strategic decision making. Updates are prepared each quarter, including factors such as key risk limit consumption as well as operational and market risk developments, to keep the Board apprised of the Group's evolving risk profile.

Reporting on climate risk is being integrated into the Group's regular reporting processes to its Risk Committees, including the Group ORSA. Reporting will evolve as quantification of risk exposures develops and further key risk indicators ("KRIs") are identified.

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC PRIORITIES

- 1 Improve our capital position
- 2 Transform how we work
- 3 Get closer to our customers and partners
- 4 Generate growth in new markets
- 5 Be proud to work at Just

Risk	Description and impact	Mitigation and management action
<p>Risk A Risks from the economic and political environment</p> <p>Strategic priorities 1, 3, 4, 5</p> <p>Change in the period Increasing</p> <p>Risk outlook No change/stable</p>	<p>The premiums paid by the Group's customers are invested to enable benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities the Group holds and on the income the Group receives. A deterioration in the economic environment could impact the availability and attractiveness of certain securities and increase the risk of credit downgrades and defaults in our asset portfolio.</p> <p>A fall in residential property values could reduce the amounts received from lifetime mortgage redemptions and may affect the relative attractiveness of the LTM product to customers. The regulatory capital needed to support the possible shortfall on the future redemption of lifetime mortgages also increases if property values drop. Conversely, significant rises in property values could increase the incidence of early mortgage redemptions, leading to a receipt of cash flows sooner than anticipated with the consequential reinvestment risk.</p> <p>It seems likely that the Bank of England will maintain negative real interest rates as a policy tool. The effect that this will have on customer behaviour or on the market for credit investments or lifetime mortgages is unclear.</p> <p>Most defined benefit pension schemes link member benefits to inflation through indexation to a limited extent. As the Group's defined benefit de-risking business volumes grow, its gross exposure to inflation risk increases.</p> <p>The Group maintains the view taken in mid-2021 that volatility in markets would increase as inflation took hold with higher rates and wider spreads. The ongoing conflict in Ukraine is expected to continue to impact energy prices and increases our expectations of price inflation in the near term and inflation in the labour market. The resolution of the conflict may have limited implications for a number of the investments in our investment portfolio.</p>	<p>Economic conditions are actively monitored, and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans. The Group's strategy is to buy and hold investment grade assets in its portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is managed by a combination of Just's internal investment team and specialist external fund managers, overseen by Just's own credit specialists, executing a diversified investment strategy in assets within concentration risk limits.</p> <p>Improved returns are sought by increasing the types, geographies, industry sectors and classes of assets into which the Group invests. This creates exposures to foreign exchange risk, which is controlled using derivative instruments. Derivative instruments are also used to reduce exposures to interest rate volatility. The counterparty exposure arising from transacting in these instruments is mitigated by collateral arrangements and managed to avoid concentration exposures wherever practical.</p> <p>For lifetime mortgages, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial loan-to-value ratio, supported by product design features and limiting specific property types and exposure in each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations. While the Group's capital models accommodate negative interest rates, there is no historical data to validate the behaviour of the economy in such an environment.</p> <p>The Group manages its exposure to inflation risk using hedges and index-linked securities. The Group monitors inflationary pressures, including energy prices, and other factors that may have implications for our investments.</p> <p>Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due.</p> <p>There can be some short-term volatility in the Group's liquidity position, a consequence of its derivative hedging. Regular cash flow forecasts predict liquidity levels over both the short-term and long-term and stress tests help us determine the required liquidity to hold. The Group monitors market conditions to ensure appropriate liquid resources are held at all times to cover extreme stresses such as those seen in March 2020. The Group's liquidity requirements have been met over the past year and forecasting indicates that this position can reasonably be expected to continue for both investments and business operations.</p>

Risk	Description and impact	Mitigation and management action
Risk A continued	<p>Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity is also a risk to any need that the Group may have to raise capital or refinance existing debt.</p> <p>Just's asset and derivative counterparties have climate risk exposure which may impact their creditworthiness in due course.</p>	<p>The monitoring of climate risk exposures of counterparties is an evolving area as climate disclosures and regulatory expectations are developing. Assessing such exposure includes consideration of climate risk disclosures, alongside any associated public reporting and the actions of credit rating agencies and where appropriate regulators.</p>
Risk B Risks from regulatory changes and supervision	<p>The financial services industry continues to see a high level of regulatory activity and regulatory supervision. This is shown in the Business Plans of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").</p> <p>The Treasury is undertaking a review of the future regulatory framework in the UK post-Brexit. This covers the general regulatory framework and roles of the UK regulators as well as a review focused on adapting Solvency II to fit the UK insurance market. The Treasury's consultation is seeking a positive impact on capital levels for life insurers; however the accompanying PRA Discussion Paper on the proposals published in April 2022 do not achieve this for annuity writers and instead reduce capital and introduce greater volatility to the Solvency II balance sheets.</p> <p>The PRA required firms to have fully implemented their plans for identifying and managing the financial risks from climate change by the end of 2021. The PRA are now actively supervising firms' adherence to this. Additionally, the PRA is considering how the capital framework should be adjusted to take account of climate-related financial risks.</p> <p>The FCA have published proposals for a Consumer Duty Principle which states that "a firm must act to deliver good outcomes for retail clients." The Principle is supported by cross-cutting rules, which develop and clarify the Consumer Principle's overarching expectations of firm's conduct and set out how it should apply in practice. There is also a set of rules and guidance that set more detailed expectations for firm's conduct in relation to four specific outcomes for the key elements of the firm-customer relationship.</p> <p>The change in accounting standard to IFRS 17, due to be implemented in 2023, will produce a different profit recognition profile to which market participants will take time to adjust.</p> <p>The risk of a negative impact on the Group's capital position from broader financial services regulatory change is not limited to the matters described in the paragraphs above.</p>	<p>Just monitors and assesses regulatory developments on an ongoing basis. We seek to actively participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any changes required effectively, and deliver better outcomes for our customers and competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allowing for contingencies should outcomes differ from our expectations. The Group also keeps under review the possible need for capital management actions, such as reducing new business volumes.</p> <p>Just is reviewing the potential implications of the Treasury review of Solvency II and the PRA's proposed implementation of the changes and is seeking to engage and influence the shape of this new regulation through industry bodies and directly with the Treasury.</p> <p>We have identified the potential impacts of climate change on the Group's risks. The Group's risk management framework has been developed to accommodate and report on climate risks and make appropriate disclosures in line with TCFD recommendations. Climate and environmental considerations have been embedded in the Group's governance and decision making, as stated in the ORSA.</p> <p>Just is reviewing the extent to which it meets the FCA's clarified expectations in the Consumer Duty proposals to identify any enhancements needed to further demonstrate the delivery of good outcomes to our customers.</p> <p>We will continue to educate investors on the changes resulting from IFRS 17 ahead of full implementation.</p>
Strategic priorities 1, 3, 4, 5		
Change in the period No change/stable		
Risk outlook No change/stable		

Risk	Description and impact	Mitigation and management action
Risk C Risks to the Group's brand and reputation Strategic priorities 1, 2, 3, 4, 5 Change in the period No change/stable Risk outlook Increasing	<p>Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we aim to conduct our business and treat our customers and wider stakeholder groups.</p> <p>The Group's reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. This could include, for example, failing to achieve the goals we have set for enhancing our sustainability framework and contributing to global efforts to reduce climate change risk. Increasing customer awareness of sustainability risks may raise the standards the Group is required to meet.</p> <p>The Group's reputation could also be threatened by external risks such as a cyber attack, a data protection breach, or regulatory enforcement action. Such regulatory action could result directly from the Group's actions or through contagion from other companies in the sectors in which we operate.</p> <p>Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.</p>	<p>The Group actively seeks to differentiate its business from competitors by investing in brand enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity.</p> <p>Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainability targets aiming for our operations to be carbon net zero by 2025 and for emissions from our investment portfolio and supply chain to be net zero by 2050, with a 50% reduction in these emissions by 2030. Performance against these targets will be carefully monitored and reported.</p> <p>Protecting the personal data of our customers and colleagues remains a key priority. This is achieved by continued investment in information security technologies, and through Group-wide embedded policies and governance controls. We take care to ensure that all data subjects can exercise their rights under GDPR, such as the ability to make subject access requests to obtain the data we hold about them and exercise the right to be forgotten.</p>

Risk	Description and impact	Mitigation and management action
Risk D Risks from our pricing and reinsurance Strategic priorities 1, 3, 4 Change in the period No change/stable Risk outlook No change/stable	<p>Writing long-term defined benefit de-risking, Guaranteed Income for Life and lifetime mortgage business requires a range of assumptions to be made based on historical experience, current data and future expectations, for customers' longevity, withdrawal rates, corporate bond yields, interest and inflation rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches.</p> <p>Experience may differ materially from the Group's assumptions, requiring them to be recalibrated in future. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.</p> <p>As part of its overall risk mitigation and capital management strategy, the Group purchases reinsurance from a number of reinsurance providers to cover a significant proportion of its longevity risk exposure. The terms on which the Group can obtain reinsurance continue to be an important part of its competitiveness and profitability as the business expands. Use of reinsurance creates a counterparty default risk exposure in the unlikely event of the failure of the reinsurance provider.</p> <p>Just's reinsurance counterparties have climate risk exposures, which may impact their creditworthiness in due course.</p>	<p>Mortality rates are largely derived using historical experience. The Group has the benefit of its extensive underwritten mortality data, as well as external mortality datasets, in setting base longevity assumptions. Experience is regularly monitored to ensure consistency with expected levels of mortality. If there are material differences between assumptions and emerging experience, bases are modified appropriately.</p> <p>Assumptions relating to future longevity are based on our analysis of trends and the combined effect of possible drivers of future change. This analysis includes the potential impact (both direct and indirect) of COVID-19, and of material developments related to climate risk, on the longevity of customers. We expect to consider evolving COVID-19 experience data and medical understanding in future pricing and reserving assumptions. Given the lack of clarity around the potential impact of climate risk on longevity, no explicit allowance is currently made for these in our assumptions.</p> <p>The Group performs due diligence on our reinsurance partners. The Group manages its exposure to reinsurers on an ongoing basis within the Group's risk appetite limit, with the maximum exposure to individual counterparties being subject to limits set by the Group Board. This exposure is partially mitigated through the posting of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group.</p> <p>The Group measures its counterparty exposure as the change in its Solvency II capital coverage ratio from a default of each individual counterparty combined with simultaneous longevity and market stresses. The measures used include the change immediately upon default and after allowing for management actions such as re-establishing reinsurance cover.</p> <p>Potential increased counterparty risk exposure for the reinsurer due to climate risk is at present difficult to assess due to the diverse nature of the reinsurers' business models but should become clearer over time.</p>

Risk	Description and impact	Mitigation and management action
<p>Risk E Risks arising from operational processes and IT systems</p> <p>Strategic priorities 1, 2, 3, 4, 5</p> <p>Change in the period No change/stable</p> <p>Risk outlook No change/stable</p>	<p>The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, managing its investments, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems or the third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business and ability to serve its customers as well as harm its reputation.</p> <p>Large organisations continue to be targeted for cyber crime. This includes attacks by state-sponsored actors on national infrastructure as well as criminal attacks on particular organisations that hold customers' personal details. The Group is exposed to the effects of indirect and direct attacks and these could affect customer confidence, or lead to financial losses.</p>	<p>The Group maintains a system of internal control, with associated policies and operational procedures, to ensure its processes operate with a low level of risk of failure. A review of the controls framework is being carried out to ensure it remains appropriate for the current and future business. Lessons learnt when processes do not operate as planned are used to drive improvements. The Group also defines clear expectations of the standards we expect of all colleagues.</p> <p>As described above, protecting our customers and their data remains a key priority, while maintaining a resilient framework on our existing, well-established operational resilience management and disaster recovery capabilities.</p> <p>Programmes of work are underway to deliver further resilience benefits to the Group. Enhancements to network architecture, data centre upgrades and data management technologies will improve data security and Group resilience overall. We are on track to achieve key milestones throughout 2022 and beyond that enable the security and continuity of IT services.</p> <p>Management and security tools have been added to the Group email system to identify and resist malicious attacks. The telephony system builds security and resilience into all contact points with our customers and partners. A specialist Security Operations Centre monitors all Group externally facing infrastructure and services, providing real-time threat analysis, incident management and response capabilities.</p> <p>The Group continues to invest in strategic technologies, internal controls and our people to protect and maintain our multi-layered approach to information security and resilience.</p>
<p>Risk F Risks from our chosen market environment</p> <p>Strategic priorities 1, 2, 3, 4</p> <p>Change in the period No change/stable</p> <p>Risk outlook No change/stable</p>	<p>The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital.</p> <p>Our chosen market of helping people approaching and in-retirement is rightly highly regulated. While we maintain strong controls across our services, we could fail to meet these ever increasing standards impacting our ability to deliver to our core purpose of helping people achieve a better later life. Likewise, customer needs and expectations continue to evolve and change in profile, and we may not optimise our professional services offering and distribution models to suit their requirements. Failures in these areas would raise the risk of losing one or more of our key partners on whom we rely for customer introductions.</p> <p>Competitive pressure within both lifetime mortgage and guaranteed income markets is strong. Providers continue to seek to control distribution in both markets potentially reducing market access.</p>	<p>The Group offers a range of retirement options for customers, allowing it to remain agile in this changing environment, and flexes its offerings in response to market dynamics. Our approach to legislative change in our markets is to participate actively and engage with policymakers.</p> <p>We are well placed to adapt to changing customer and distributor demands, supported by our brand promise, innovation credentials, digital expertise and financial strength.</p> <p>The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.</p> <p>Demand from scheme trustees for defined benefit de-risking solutions is expected to continue to grow, mitigating the impacts on Just of increased market competition.</p>

Risk	Description and impact	Mitigation and management action
Risk F continued	<p>Political and economic uncertainty may impact market growth due to consumers deferring retirement decisions. In the event of a significant fall in property values, consumer appetite for equity release may be affected.</p> <p>Climate risk could affect Just Group's financial risks due to its exposure to residential property through its lifetime mortgage portfolio and through its corporate bond and illiquid investment portfolio.</p> <p>For lifetime mortgages:</p> <p>(i) transition risk – government policy changes may impact the value of residential properties, such as through the introduction of minimum energy performance requirements at the time of sale;</p> <p>(ii) physical risks – such as increased flooding, resulting from severe rainfall, or more widespread subsidence, due to extended droughts, may affect the value of properties not seen as having such an exposure at present.</p> <p>For corporate bond and illiquid investment portfolios, the impact of climate risk on assets or business models may affect the ability of corporate bond issuers and commercial borrowers to service their liabilities. The yields available from corporate bonds may also be affected by any litigation or reputational risks associated with the issuers' environmental policies or adherence to emissions targets.</p> <p>The increased consideration of sustainability in investment decisions may restrict investment choice and the yields available; it may also create new opportunities to invest in assets that are perceived to be more sustainable.</p>	<p>The automated advice service Destination Retirement is a strategic response by the distribution business to address changing needs in the retirement market. This service is targeted at people approaching or in retirement with modest pension savings who may be unable to afford traditional financial advice.</p> <p>Competitive pressures are being addressed through product development, to increase customer appeal and access new market segments, revised distribution arrangements and investment to meet distributors' digital and service needs.</p> <p>We continue to develop stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and equity release portfolios. Proposed Government policy on the energy performance of residential properties is being monitored.</p> <p>Risks arising from flooding, coastal erosion and subsidence are taken into account in lifetime mortgage lending decisions. The lending policy will remain under review in light of climate risk and adjustments will be made as required.</p> <p>Just has enhanced its approach to ESG in its investment strategy as set out in its Responsible Investment Framework. This has resulted in the environmental credentials of bonds and illiquid investments being considered when new premium income is invested.</p>

The Group's strategic priorities are explained in more detail on pages 16 and 17 of the Just Group plc Annual Report and Accounts 2021.

Statement of Directors' responsibilities

Each of the Directors of the Company confirms that to the best of their knowledge:

- the Condensed consolidated financial statements have been prepared in accordance with UK-adopted IAS 34: Interim financial reporting, as adopted by the UK Endorsement Board;
- the interim results statement includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7, namely important events that have occurred during the period and their impact on the Condensed consolidated financial statements, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the Condensed consolidated financial statements taken as a whole for the remaining six months of the financial period; and
- the interim results statement includes a fair review of material related party transactions and any material changes in the related party transactions described in the last annual report as required by Disclosure and Transparency Rule 4.2.8.

By order of the Board:

DAVID RICHARDSON

Group Chief Executive Officer

8 August 2022

Independent review report to Just Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Just Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Just Group plc for the six month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Just Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
8 August 2022

Condensed consolidated statement of comprehensive income for the period ended 30 June 2022

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Gross premiums written	2	880.1	909.6	2,676.1
Reinsurance premiums ceded		(12.1)	(11.2)	(23.3)
Net premium revenue		868.0	898.4	2,652.8
Net investment (expense)/income		(3,139.3)	(659.4)	(130.3)
Fee and commission income		6.3	8.0	15.6
Total revenue		(2,265.0)	247.0	2,538.1
Gross claims paid		(718.8)	(682.0)	(1,381.3)
Reinsurers' share of claims paid		117.2	122.1	239.9
Net claims paid		(601.6)	(559.9)	(1,141.4)
Change in insurance liabilities:				
Gross amount		3,177.0	622.4	(706.7)
Reinsurers' share		(419.7)	(210.6)	(332.0)
Net change in insurance liabilities		2,757.3	411.8	(1,038.7)
Change in investment contract liabilities		0.4	0.1	(0.8)
Acquisition costs		(26.8)	(24.3)	(48.6)
Other operating expenses		(93.8)	(92.8)	(193.2)
Finance costs		(66.6)	(68.7)	(136.8)
Total claims and expenses		1,968.9	(333.8)	(2,559.5)
Loss before tax		(296.1)	(86.8)	(21.4)
Income tax	3	69.7	16.7	5.6
Loss for the period		(226.4)	(70.1)	(15.8)
Other comprehensive income/(loss):				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of land and buildings		(0.2)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		0.9	0.2	(0.6)
Other comprehensive income/(loss) for the period, net of income tax		0.7	0.2	(0.6)
Total comprehensive (loss)/income for the period		(225.7)	(69.9)	(16.4)
Profit attributable to:				
Equity holders of Just Group plc		(226.1)	(69.6)	(15.0)
Non-controlling interest		(0.3)	(0.5)	(0.8)
(Loss)/profit for the period		(226.4)	(70.1)	(15.8)
Total comprehensive (loss)/income attributable to:				
Equity holders of Just Group plc		(225.4)	(69.4)	(15.6)
Non-controlling interest		(0.3)	(0.5)	(0.8)
Total comprehensive (loss)/income for the period		(225.7)	(69.9)	(16.4)
Basic earnings per share (pence)	4	(22.51)	(7.84)	(3.42)
Diluted earnings per share (pence)	4	(22.51)	(7.84)	(3.42)

The notes are an integral part of these financial statements.

Condensed consolidated statement of changes in equity for the period ended 30 June 2022

Six months ended 30 June 2022	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Tier 1 notes £m	Total owners' equity ² £m	Non-controlling interest £m	Total £m
At 1 January 2022	103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	322.4	2,441.9	(1.9)	2,440.0
Loss for the period	-	-	-	-	-	-	(226.1)	-	(226.1)	(0.3)	(226.4)
Other comprehensive income for the period, net of income tax	-	-	-	-	(0.2)	-	0.9	-	0.7	-	0.7
Total comprehensive loss for the period	-	-	-	-	(0.2)	-	(225.2)	-	(225.4)	(0.3)	(225.7)
Contributions and distributions											
Shares issued	-	0.1	-	-	-	-	-	-	0.1	-	0.1
Dividends	-	-	-	-	-	-	(10.4)	-	(10.4)	-	(10.4)
Interest paid on Tier 1 notes (net of tax)	-	-	-	-	-	-	(7.0)	-	(7.0)	-	(7.0)
Share-based payments	-	-	-	-	-	0.6	(0.4)	-	0.2	-	0.2
Total contributions and distributions	-	0.1	-	-	-	0.6	(17.8)	-	(17.1)	-	(17.1)
At 30 June 2022	103.9	94.7	348.4	597.1	2.6	(3.7)	734.0	322.4	2,199.4	(2.2)	2,197.2
Year ended 31 December 2021	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Tier 1 notes £m	Total owners' equity ² £m	Non-controlling interest £m	Total £m
At 1 January 2021	103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	294.0	2,492.3	(1.9)	2,490.4
Loss for the year	-	-	-	-	-	-	(15.0)	-	(15.0)	(0.8)	(15.8)
Other comprehensive loss for the year, net of income tax	-	-	-	-	(0.5)	-	(0.1)	-	(0.6)	-	(0.6)
Total comprehensive loss for the year	-	-	-	-	(0.5)	-	(15.1)	-	(15.6)	(0.8)	(16.4)
Contributions and distributions											
Shares issued	0.1	0.1	-	-	-	-	-	-	0.2	-	0.2
Tier 1 notes issued (net of costs)	-	-	-	-	-	-	-	322.4	322.4	-	322.4
Tier 1 notes redeemed	-	-	-	-	-	-	(47.0)	(294.0)	(341.0)	-	(341.0)
Dividends	-	-	-	-	-	-	-	-	-	-	-
Interest paid on Tier 1 notes	-	-	-	-	-	-	(20.4)	-	(20.4)	-	(20.4)
Share-based payments	-	-	-	-	-	1.1	3.7	-	4.8	-	4.8
Total contributions and distributions	0.1	0.1	-	-	-	1.1	(63.7)	28.4	(34.0)	-	(34.0)
Changes in ownership interest											
Acquisition of non-controlling interest	-	-	-	-	-	-	(0.8)	-	(0.8)	0.8	-
Total changes in ownership interests	-	-	-	-	-	-	(0.8)	-	(0.8)	0.8	-
At 31 December 2021	103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	322.4	2,441.9	(1.9)	2,440.0
Six months ended 30 June 2021	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Tier 1 notes £m	Total owners' equity ² £m	Non-controlling interest £m	Total £m
At 1 January 2021	103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	294.0	2,492.3	(1.9)	2,490.4
Loss for the period	-	-	-	-	-	-	(69.6)	-	(69.6)	(0.5)	(70.1)
Other comprehensive income for the period, net of income tax	-	-	-	-	-	-	0.2	-	0.2	-	0.2
Total comprehensive loss for the period	-	-	-	-	-	-	(69.4)	-	(69.4)	(0.5)	(69.9)
Contributions and distributions											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Interest paid on Tier 1 notes (net of tax)	-	-	-	-	-	-	(11.4)	-	(11.4)	-	(11.4)
Share-based payments	-	-	-	-	-	1.0	1.5	-	2.5	-	2.5
Total contributions and distributions	-	-	-	-	-	1.0	(9.9)	-	(8.9)	-	(8.9)
At 30 June 2021	103.8	94.5	348.4	597.1	3.3	(4.4)	977.3	294.0	2,414.0	(2.4)	2,411.6

¹ Includes currency translation reserve.

² Total equity attributable to owners of Just Group plc has been restated to include Tier 1 notes, which were previously presented separately within total equity.

Condensed consolidated statement of financial position as at 30 June 2022

	Note	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
Assets				
Intangible assets		111.3	119.7	124.7
Property, plant and equipment		12.7	14.2	19.4
Investment property		50.1	69.6	–
Financial investments	6	22,788.6	24,681.7	23,174.5
Reinsurance assets	10	2,372.4	2,808.2	2,913.3
Deferred tax assets		66.8	–	17.1
Current tax assets		14.1	30.2	15.7
Prepayments and accrued income		34.2	75.6	30.7
Insurance and other receivables		381.8	35.4	288.5
Cash available on demand		544.4	510.2	768.8
Assets classified as held for sale		–	3.1	–
Total assets		26,376.4	28,347.9	27,352.7
Equity				
Share capital	8	103.9	103.9	103.8
Share premium	8	94.7	94.6	94.5
Reorganisation reserve		348.4	348.4	348.4
Merger reserve	8	597.1	597.1	597.1
Revaluation reserve		2.6	2.8	3.3
Shares held by trusts		(3.7)	(4.3)	(4.4)
Accumulated profit		734.0	977.0	977.3
Total equity attributable to shareholders of Just Group plc		1,877.0	2,119.5	2,120.0
Tier 1 notes	9	322.4	322.4	294.0
Total equity attributable to owners of Just Group plc¹		2,199.4	2,441.9	2,414.0
Non-controlling interest		(2.2)	(1.9)	(2.4)
Total equity		2,197.2	2,440.0	2,411.6
Liabilities				
Insurance liabilities	10	18,652.7	21,812.9	20,498.8
Reinsurance liabilities	10	258.6	274.7	258.4
Investment contract liabilities		29.8	33.6	38.5
Loans and borrowings	11	774.7	774.3	774.0
Lease liabilities		2.0	3.9	5.8
Other financial liabilities	12	4,307.4	2,865.6	2,855.0
Deferred tax liabilities		–	5.3	9.0
Other provisions		0.8	1.2	0.6
Accruals and deferred income		33.0	43.1	33.8
Insurance and other payables		120.2	93.3	467.2
Total liabilities		24,179.2	25,907.9	24,941.1
Total equity and liabilities		26,376.4	28,347.9	27,352.7

1 Total equity attributable to owners of Just Group plc has been restated to include Tier 1 notes, which were previously presented separately within total equity.

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 8 August 2022 and were signed on its behalf by:

ANDY PARSONS

Director

Condensed consolidated statement of cash flows for the period ended 30 June 2022

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Cash flows from operating activities				
(Loss)/profit before tax		(296.1)	(86.8)	(21.4)
Property revaluation loss through profit and loss		–	–	–
Depreciation of property, plant and equipment		1.7	2.1	4.2
Impairment of property, plant and equipment		–	–	0.3
Amortisation of intangible assets		9.2	10.0	20.4
Impairment of intangible assets		–	–	–
Share-based payments		(0.5)	2.5	4.8
Interest income		(309.5)	(345.9)	(572.1)
Interest expense		66.4	68.7	136.8
Realised and unrealised losses/(gains) on financial investments		2,668.1	361.6	(1,103.8)
Decrease in reinsurance assets		419.7	210.6	332.0
Decrease/(increase) in prepayments and accrued income		41.4	43.6	(1.3)
Increase in insurance and other receivables		(346.6)	(256.7)	(3.8)
(Decrease)/increase in insurance liabilities		(3,160.2)	(619.6)	694.5
Decrease in investment contract liabilities		(3.8)	(4.3)	(9.2)
(Decrease)/increase in deposits received from reinsurers		(334.7)	(172.6)	(270.3)
(Decrease)/increase in accruals and deferred income		(9.9)	(19.9)	(10.8)
Increase in insurance and other payables		26.9	375.6	1.7
Increase/(decrease) in other creditors		787.2	4.3	(60.4)
Interest received		192.0	203.1	337.8
Interest paid		(37.7)	(39.9)	(78.7)
Taxation paid		16.0	(12.7)	(12.7)
Net cash (outflow)/inflow from operating activities		(270.4)	(276.3)	(612.0)
Cash flows from investing activities				
Additions to internally generated intangible assets		(0.8)	(1.2)	(6.6)
Acquisition of property and equipment		2.9	(0.4)	(0.7)
Acquisition of subsidiaries		–	–	(70.6)
Acquisition of non-controlling interest		–	–	–
Net cash outflow from investing activities		2.1	(1.6)	(77.9)
Cash flows from financing activities				
Issue of ordinary share capital (net of costs)	8	0.1	–	0.2
Proceeds from issue of Tier 1 notes (net of costs)	9	–	–	321.8
Redemption of Tier 1 notes (including costs)	9	–	–	(350.6)
(Decrease)/increase in borrowings (net of costs)		–	–	–
Dividends paid	5	(10.4)	–	–
Coupon paid on Tier 1 notes	5	(8.7)	(14.1)	(25.2)
Interest paid on borrowings		(28.4)	(28.3)	(56.7)
Payment of lease liabilities – principal		(1.9)	(1.6)	(3.6)
Payment of lease liabilities – interest		–	(0.1)	(0.1)
Net cash (outflow)/inflow from financing activities		(49.3)	(44.1)	(114.2)
Net (decrease)/increase in cash and cash equivalents		(317.6)	(322.0)	(804.1)
Cash and cash equivalents at start of period		1,820.7	2,624.8	2,624.8
Cash and cash equivalents at end of period		1,503.1	2,302.8	1,820.7
Cash available on demand		544.4	768.8	510.2
Units in liquidity funds		958.7	1,534.0	1,310.5
Cash and cash equivalents at end of period		1,503.1	2,302.8	1,820.7

The notes are an integral part of these financial statements.

Notes to the Condensed consolidated financial statements

1. BASIS OF PREPARATION

These Condensed interim financial statements comprise the Condensed consolidated financial statements of Just Group plc (“the Company”) and its subsidiaries, together referred to as “the Group”, as at, and for the six-month period ended, 30 June 2022.

These Condensed interim financial statements have been prepared on the basis of the policies set out in the 2021 Annual Report and Accounts and in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting”, as adopted by the UK Endorsement Board and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

These Condensed interim financial statements need to be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2021 which were prepared in accordance with the Companies Act 2006, including application of International Accounting Standards and other disclosure requirements, and International Financial Reporting Standards (“IFRS”) as adopted pursuant to Regulations (EC) No 1606/2002 as it applies in the European Union.

These Condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The results for the year ended and position as at 31 December 2021 have been taken from the Group’s 2021 Annual Report and Accounts, which was approved by the Board of Directors on 9 March 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was (i) unqualified, (ii) did not contain any statement under section 498 (2) or (3) of the Companies Act 2006, and (iii) did not contain an emphasis of matter paragraph. The results for the six-month period ended 30 June 2021 have been taken from the Group’s Interim Results for the six months to 30 June 2021.

i) Going concern

A detailed going concern assessment has been undertaken and having completed this assessment, the Directors are satisfied that the Group has adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date of this report and that there is no material uncertainty in relation to going concern. Accordingly, they continue to adopt the going concern basis in preparing the Condensed interim financial statements.

This assessment includes the consideration of the Group’s business plan approved by the Board; the projected liquidity position of the Company and the Group, impacts of economic stresses, the current financing arrangements and contingent liabilities and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business. In addition, a risk assessment has been carried out on the potential impacts on the Group of the on-going conflict in the Ukraine. The conflict is not expected to have any direct impacts on the Group’s operations and underwriting results. The Group has no direct exposure to Russian investments and its indirect exposure, such as through investments in global issuers with interests in Russia, is not assessed as material at the current time.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II Framework directive as adopted by the Prudential Regulation Authority (“PRA”) in the UK, and to measure and monitor its capital resources on this basis. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due. They are required to maintain eligible capital, or “Own Funds”, in excess of the value of their Solvency Capital Requirements (“SCR”). The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests, over the next years’ time horizon, of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk, and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

The resilience of the solvency capital position has been tested under a range of adverse scenarios, before and after management actions within the Group’s control, which considers the possible impacts on the Group’s business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall in excess of 40%. Eligible own funds exceeded the minimum capital requirements in all stressed scenarios described above.

Furthermore, the Directors note that in a scenario where the Group ceases to write new business the going concern basis would continue to be applicable while the Group continued to service in-force policies.

The Directors’ assessment concluded that it remains appropriate to value assets and liabilities on the assumption that there are adequate resources to continue in business and meet obligations as they fall due for the foreseeable

future, being at least 12 months from the date of signing this report. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

ii) Significant accounting policies

The Group applies UK-adopted IFRS. The accounting policies adopted in the preparation of these interim Condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

A number of amended standards became applicable from 1 January 2022. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to accounting standards.

The following new accounting standards and amendments to existing accounting standards in issue have not yet been adopted by the Group.

- IFRS 9, Financial Instruments (effective 1 January 2018).

Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 for eligible insurers. Just continues to defer IFRS 9.

If the Group had adopted IFRS 9 it would continue to classify financial assets at fair value through profit or loss. Therefore, under IFRS 9 all financial assets would continue to be recognised at fair value through profit or loss and the fair value at 30 June 2022 would be unchanged at £22,788.6m. As well as financial assets, the Group also holds Insurance and other receivables and Cash and cash equivalent assets, with contractual terms that give rise to cash flows on specified dates; the fair value of these investments is considered to be materially consistent with their carrying value.

- IFRS 17, Insurance Contracts (effective 1 January 2023, endorsed in May 2022).

IFRS 17 was initially issued in May 2017 and was subsequently amended in June 2020 and December 2021. In May 2022 the UK Endorsement Board endorsed the standard including the amendments. The amendments aimed to assist entities implementing the standard and to provide relief from accounting mismatches in comparative information impacted by adoption of IFRS 9 and IFRS 17. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005.

IFRS 17 provides a comprehensive revision of the accounting for insurance contracts including their valuation, income statement presentation and disclosure. The main impact of the standard applicable to annuities is the deferment of premium revenues and expenses on the balance sheet within a "contractual service margin" ("CSM") account instead of recognition at point of sale under IFRS 4. The CSM is then recognised in the profit or loss account over the life of contracts. The presentation of insurance revenue in the statement of comprehensive income will be based on the concept of insurance services provided in the period rather than the value of premiums as presented under IFRS 4. The standard also requires an explicit allowance for non-financial risk instead of the prudence margins held on an implicit basis under IFRS 4.

Given the long-term nature of the Group's business, the impact of IFRS 17 on the measurement and presentation of insurance contracts in the Group's statutory reporting is expected to be significant. The transition requirements of IFRS 17 include three approaches: retrospective, modified retrospective and fair value approach. Although the impact is not known or reasonably estimatable, there is expected to be a reduction in equity on transition as a result of the deferment of premium revenues and expenses on the balance sheet within the CSM.

The Group initiated a project in 2017 to develop measurement and reporting systems and processes which will apply to all of the Group's insurance business. The requirements of the new standard are complex and will require fundamental changes to accounts reporting systems and processes as well as the application of significant judgement. A steering committee chaired by the Group Chief Financial Officer provides oversight and strategic direction, a technical committee provides governance over the technical interpretation and accounting policies selected, with delivery of the project managed within the Group's broader Finance Transformation Programme. The Group has made progress in preparation for the implementation of the Standard including significant work performed on the required system developments and changes to existing processes.

The Group has participated actively in relevant industry consultations and forums to date. Following the IASB interpretation Committee decision on the approach to recognising CSM for annuities-in-payment in July 2022, the most significant matter that is subject to ongoing debate by the industry and external auditors is the approach to the pattern of recognition of the CSM where multiple services are provided. Other interpretation matters will continue to be debated by the industry in advance of the implementation of the standard on 1 January 2023.

2. SEGMENTAL REPORTING

Segmental analysis

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans and Protection – and invests the premiums received from these contracts in debt and other fixed income securities, gilts, liquidity funds and lifetime mortgage advances.

The professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

The Group operates in one material geographical segment which is the United Kingdom.

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the long-term nature of the products. Underlying operating profit represents a combination of both the profit generated from new business written in the period and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience where different from that assumed at the start of the period and the impacts of changes to future operating assumptions applied in the period are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of acquisition costs. Profits arising from the in-force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, and corporate bond defaults.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, non-recurring and project expenditure, since these items arise outside the normal course of business in the year. Adjusted operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes, including on surplus assets and on assets assumed to back new business, and gains and losses on the revaluation of land and buildings, are also disclosed outside adjusted operating profit.

Segmental reporting and reconciliation to financial information

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business operating profit	68.4	–	68.4	73.7	–	73.7
In-force operating profit	52.7	1.4	54.1	43.3	1.2	44.5
Other Group companies' operating results	–	(7.0)	(7.0)	–	(8.0)	(8.0)
Development expenditure	(2.6)	(1.7)	(4.3)	(2.2)	(1.0)	(3.2)
Reinsurance and financing costs	(44.4)	6.8	(37.6)	(44.3)	1.5	(42.8)
Underlying operating profit	74.1	(0.5)	73.6	70.5	(6.3)	64.2
Operating experience and assumption changes	(10.8)	–	(10.8)	26.1	–	26.1
Adjusted operating profit/(loss) before tax	63.3	(0.5)	62.8	96.6	(6.3)	90.3
Non-recurring and project expenditure	(5.6)	(0.2)	(5.8)	(7.4)	(0.9)	(8.3)
Investment and economic (losses)/profits	(353.6)	0.8	(352.8)	(172.7)	(1.2)	(173.9)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	14.0	(5.3)	8.7	14.1	–	14.1
Loss before amortisation costs and tax	(281.9)	(5.2)	(287.1)	(69.4)	(8.4)	(77.8)
Amortisation of acquired intangibles	–	(9.0)	(9.0)	–	(9.0)	(9.0)
Loss before tax	(281.9)	(14.2)	(296.1)	(69.4)	(17.4)	(86.8)

	Year ended 31 December 2021		
	Insurance £m	Other £m	Total £m
New business operating profit	224.7	–	224.7
In-force operating profit	87.3	2.7	90.0
Other Group companies' operating results	–	(15.1)	(15.1)
Development expenditure	(4.2)	(2.6)	(6.8)
Reinsurance and financing costs	(89.1)	6.0	(83.1)
Underlying operating profit	218.7	(9.0)	209.7
Operating experience and assumption changes	28.0	–	28.0
Adjusted operating profit/(loss) before tax	246.7	(9.0)	237.7
Non-recurring and project expenditure	(14.8)	(0.2)	(15.0)
Investment and economic profits/(losses)	(248.6)	(2.6)	(251.2)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	28.1	(3.0)	25.1
Profit/(loss) before amortisation costs and tax	11.4	(14.8)	(3.4)
Amortisation of acquired intangibles	–	(18.0)	(18.0)
Profit/(loss) before tax	11.4	(32.8)	(21.4)

Additional analysis of segmental profit or loss

Revenue (other than fee and commission income presented in the disaggregation of fee and commission income below), depreciation of property, plant and equipment, and amortisation of intangible assets (other than amortisation of acquired intangibles presented in the table above) are materially all allocated to the insurance segment. The interest adjustment in respect of Tier 1 notes in the other segment represents the difference between interest charged to the insurance segment in respect of Tier 1 notes and interest incurred by the Group in respect of Tier 1 notes.

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's gross premiums written, as shown in the Condensed consolidated statement of comprehensive income, is analysed by product below:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Defined Benefit De-risking Solutions ("DB")	573.6	554.7	1,934.6
Guaranteed Income for Life contracts ("GIfl")	283.8	330.3	688.2
Care Plans ("CP")	21.7	23.5	51.1
Protection	1.0	1.1	2.2
Gross premiums written	880.1	909.6	2,676.1

Drawdown and Lifetime Mortgage ("LTM") products are accounted for as investment contracts and financial investments respectively in the statement of financial position. An analysis of the amounts advanced during the period for these products is shown below:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
LTM loans advanced	284.9	275.5	528.2
Drawdown deposits	2.7	1.1	1.1

Reconciliation of gross premiums written to Retirement Income sales

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Gross premiums written	880.1	909.6	2,676.1
Protection sales not included in Retirement Income sales	(1.0)	(1.1)	(2.2)
Retirement Income sales	879.1	908.5	2,673.9

Disaggregation of fee and commission income

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
Product/service						
GIfl commission	–	3.1	3.1	–	2.9	2.9
LTM commission	–	0.4	0.4	–	0.6	0.6
Other	1.1	1.7	2.8	2.7	1.8	4.5
	1.1	5.2	6.3	2.7	5.3	8.0
Timing of revenue recognition						
Products transferred at point in time	1.1	4.9	6.0	2.7	5.1	7.8
Products and services transferred over time	–	0.3	0.3	–	0.2	0.2
Revenue from contracts with customers	1.1	5.2	6.3	2.7	5.3	8.0

	Year ended 31 December 2021		
	Insurance £m	Other £m	Total £m
Product/service			
GIfl commission	–	6.1	6.1
LTM commission	–	2.0	2.0
Other	3.9	3.6	7.5
	3.9	11.7	15.6
Timing of revenue recognition			
Products transferred at point in time	3.9	11.4	15.3
Products and services transferred over time	–	0.3	0.3
Revenue from contracts with customers	3.9	11.7	15.6

All revenue from contracts with customers is from the UK.

3. INCOME TAX

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Current taxation			
Current year	1.7	–	0.8
Adjustments in respect of prior periods	–	(0.1)	(0.4)
Total current tax	1.7	(0.1)	0.4
Deferred taxation			
Origination and reversal of temporary differences	0.2	(2.8)	(5.7)
Deferred tax on current period loss at 19%	(55.7)	(14.4)	–
Adjustments in respect of prior periods	–	–	–
Rate change	(15.9)	0.6	(0.3)
Total deferred tax	(71.4)	(16.6)	(6.0)
Total income tax recognised in profit or loss	(69.7)	(16.7)	(5.6)

The deferred tax on current period loss is based on the current tax rate of 19%. On 3 March 2021, the government announced an increase in the rate of corporation tax rate to 25% from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax balances are recognised at the rate in which they are expected to be realised. The net deferred tax asset includes £15.9m associated with the impact of the future increase in the tax rate to 25% from 2023.

The deferred tax assets and liabilities at 30 June 2022 have been calculated based on the rate at which they are expected to reverse.

Reconciliation of total income tax to the applicable tax rate

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
(Loss)/profit on ordinary activities before tax	(296.1)	(86.8)	(21.4)
Income tax at 19% (2021: 19%)	(56.3)	(16.5)	(4.1)
Effects of:			
Expenses not deductible for tax purposes	0.8	0.4	1.0
Rate change	(15.9)	0.6	(0.3)
Unrecognised deferred tax asset	0.1	0.4	0.1
Adjustments in respect of prior periods	1.2	(0.1)	(0.4)
Other	0.4	(1.5)	(1.9)
Total income tax recognised in profit or loss	(69.7)	(16.7)	(5.6)

Income tax recognised directly in equity

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Current taxation			
Relief on Tier 1 interest	(1.7)	(2.7)	(4.8)
Relief on cost of redeeming RT1	–	–	(9.6)
Other	–	–	(0.6)
Total current tax	(1.7)	(2.7)	(15.0)
Deferred taxation			
Relief in respect of share-based payments	(0.7)	–	–
Total deferred tax	(0.7)	–	–
Total income tax recognised directly in equity	(2.4)	(2.7)	(15.0)

4. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding, and by the diluted weighted average number of ordinary shares potentially outstanding at the end of the period. The weighted-average number of ordinary shares excludes shares held by the Employee Benefit Trust on behalf of the Company to satisfy future exercises of employee share scheme awards.

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Earnings £m	Weighted average number of shares million	Earnings per share pence	Earnings £m	Weighted average number of shares million	Earnings per share pence
(Loss)/profit attributable to equity holders of Just Group plc	(226.1)	–	–	(69.6)	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	(7.0)	–	–	(11.4)	–	–
(Loss)/profit attributable to ordinary equity holders of Just Group plc (basic)	(233.1)	1,035.7	(22.51)	(81.0)	1,033.0	(7.84)
Effect of potentially dilutive share options ¹	–	–	–	–	–	–
Diluted	(233.1)	1,035.7	(22.51)	(81.0)	1,033.0	(7.84)

¹ The weighted-average number of share options for the six months ended 30 June 2022 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 22.2 million share options.

	Year ended 31 December 2021		
	Earnings £m	Weighted average number of shares million	Earnings per share pence
Loss attributable to equity holders of Just Group plc	(15.0)	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	(20.4)	–	–
Loss attributable to ordinary equity holders of Just Group plc (basic)	(35.4)	1,033.7	(3.42)
Effect of potentially dilutive share options	–	–	–
Diluted	(35.4)	1,033.7	(3.42)

5. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid were as follows:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Final dividend			
Final dividend in respect of prior year end	10.4	–	–
Total dividends paid	10.4	–	–
Coupon payments in respect of Tier 1 notes ¹	8.7	14.1	25.2
Total distributions to equity holders in the period	19.1	14.1	25.2

¹ Coupon payments on Tier 1 notes are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

In addition to the amounts recognised in the Interim financial statements above, subsequent to 30 June 2022, the Directors approved an interim dividend for 2022 of 0.5 pence per ordinary share (2021: nil), amounting to £5m (2021: £nil) in total, which will be paid on 2 September 2022.

6. FINANCIAL INVESTMENTS

All of the Group's financial investments are measured at fair value through the profit or loss, and are either designated as such on initial recognition or, in the case of derivative financial assets, classified as held for trading.

	Fair value			Cost		
	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
Units in liquidity funds	958.7	1,310.5	1,534.0	958.7	1,310.5	1,534.0
Investment funds	370.1	301.8	265.9	361.5	290.5	260.7
Debt securities and other fixed income securities	11,183.7	12,924.0	10,996.2	11,889.7	12,141.7	10,189.4
Deposits with credit institutions	750.5	52.9	95.3	750.5	52.9	95.3
Loans secured by residential mortgages	5,897.3	7,422.8	7,893.1	4,202.1	4,328.7	4,625.1
Loans secured by commercial mortgages	616.0	677.8	663.6	650.9	686.3	655.3
Loans secured by ground rents	236.6	189.7	121.6	438.9	185.9	121.6
Infrastructure loans	968.8	993.1	971.0	996.8	858.0	855.7
Other loans	126.8	117.9	116.0	124.5	115.0	113.8
Derivative financial assets	1,680.1	691.2	517.8	–	–	–
Total	22,788.6	24,681.7	23,174.5	20,373.6	19,969.5	18,450.9

The majority of investments included in debt securities and other fixed income securities are listed investments.

Units in liquidity funds comprise wholly of units in funds which invest in very short dated liquid assets.

Deposits with credit institutions with a carrying value of £750.5m (31 December 2021: £52.9m / 30 June 2021: £95.3m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

7. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

This note explains the methodology for valuing the Groups financial assets and liabilities measured at fair value, including financial investments, and provides disclosures in accordance with IFRS13, Fair value measurement, including an analysis of such assets and liabilities categorised in a fair value hierarchy based on market observability of valuation inputs.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

All level 1 and 2 assets continue to have pricing available from actively quoted prices or observable market data.

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and
- market-corroborated inputs.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models cannot be used to validate broker/asset manager prices as the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

Debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes are classified as Level 2.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, infrastructure loans, private placement debt securities, investment funds, investment contract liabilities, and deposits received from reinsurers. Other than freehold land and buildings there are no non-recurring fair value measurements as at 30 June 2022 (2021: nil).

Analysis of assets and liabilities held at fair value according to fair value hierarchy

	30 June 2022				31 December 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value through profit or loss								
Investment property	–	–	50.1	50.1	–	–	69.6	69.6
Units in liquidity funds	953.7	5.0	–	958.7	1,304.9	5.6	–	1,310.5
Investment funds	55.0	64.8	250.3	370.1	–	68.5	233.3	301.8
Debt securities and other fixed income securities	3,291.4	6,507.6	1,384.7	11,183.7	4,302.5	7,172.0	1,449.5	12,924.0
Deposits with credit institutions	735.8	14.7	–	750.5	50.3	2.6	–	52.9
Loans secured by residential mortgages	–	–	5,897.3	5,897.3	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	–	–	616.0	616.0	–	–	677.8	677.8
Loans secured by ground rents	–	–	236.6	236.6	–	–	189.7	189.7
Infrastructure loans	–	–	968.8	968.8	–	–	993.1	993.1
Other loans	–	14.5	112.3	126.8	15.6	12.6	89.7	117.9
Derivative financial assets	–	1,680.1	–	1,680.1	–	682.7	8.5	691.2
Assets classified as held for sale	–	–	–	–	–	–	3.1	3.1
Total financial assets	5,035.9	8,286.7	9,516.1	22,838.7	5,673.3	7,944.0	11,137.1	24,754.4
Liabilities held at fair value								
Investment contract liabilities	–	–	29.8	29.8	–	–	33.6	33.6
Derivative financial liabilities	–	2,008.4	9.0	2,017.4	–	386.1	8.6	394.7
Obligations for repayment of cash collateral received	459.1	20.9	–	480.0	311.7	14.5	–	326.2
Deposits received from reinsurers	–	–	1,810.0	1,810.0	–	–	2,144.7	2,144.7
Other financial liabilities								
Fair value of loans and borrowings at amortised cost	–	822.9	–	822.9	–	936.8	–	936.8
Total financial liabilities	459.1	2,852.2	1,848.8	5,160.1	311.7	1,337.4	2,186.9	3,836.0

	30 June 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value through profit or loss				
Units in liquidity funds	1,528.8	5.2	–	1,534.0
Investment funds	–	71.9	194.0	265.9
Debt securities and other fixed income securities	684.6	8,999.3	1,312.3	10,996.2
Deposits with credit institutions	93.8	1.5	–	95.3
Loans secured by residential mortgages	–	–	7,893.1	7,893.1
Loans secured by commercial mortgages	–	–	663.6	663.6
Loans secured by ground rents	–	–	121.6	121.6
Infrastructure loans	–	–	971.0	971.0
Other loans	20.5	12.6	82.9	116.0
Derivative financial assets	–	515.6	2.2	517.8
Total financial assets	2,327.7	9,606.1	11,240.7	23,174.5
Liabilities held at fair value				
Investment contract liabilities	–	–	38.5	38.5
Derivative financial liabilities	–	362.2	8.5	370.7
Obligations for repayment of cash collateral received	232.0	9.9	–	241.9
Deposits received from reinsurers	–	–	2,242.4	2,242.4
Other financial liabilities				
Loans and borrowings at amortised cost	–	800.5	–	800.5
Total financial liabilities	232.0	1,172.6	2,289.4	3,694.0

Level 3 assets and liabilities measured at fair value

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

Six months ended 30 June 2022	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra- structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2022	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)	(2,144.7)
Purchases/advances/ deposits	49.5	126.6	284.9	47.8	112.9	150.1	–	–	(2.7)	–	(0.6)
Transfers from Level 2	–	–	–	–	–	–	–	–	–	–	–
Sales/redemptions/ payments	–	(41.7)	(253.6)	(83.5)	(9.4)	(11.3)	(12.8)	–	6.1	–	97.9
Disposal of a portfolio of LTMs ¹	–	–	(750.8)	–	–	–	–	–	–	–	–
Recognised in profit or loss in net investment income											
Realised gains and losses	–	–	87.9	–	–	–	–	–	–	–	–
Unrealised gains and losses	(32.5)	(151.5)	(963.0)	(26.1)	(56.6)	(163.9)	35.4	(8.5)	–	(0.4)	275.1
Interest accrued	–	1.8	69.1	–	–	0.8	–	–	–	–	(37.7)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	0.4	–	–
At 30 June 2022	250.3	1,384.7	5,897.3	616.0	236.6	968.8	112.3	0.0	(29.8)	(9.0)	(1,810.0)

¹ In February 2022 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £750.8m. The transaction is part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

Year ended	Investment funds	Debt securities and other fixed income securities	Loans secured by residential mortgages	Loans secured by commercial mortgages	Loans secured by ground rents	Infrastructure loans	Other loans	Derivative financial assets	Investment contract liabilities	Derivative financial liabilities	Deposits received from reinsurers
31 December 2021	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2021	139.0	1,256.8	8,261.1	592.1	114.9	945.0	66.1	3.6	(42.8)	(3.3)	(2,415.0)
Purchases/advances/deposits	84.9	281.4	528.2	169.0	72.4	79.1	46.1	-	(1.1)	-	(1.2)
Transfers from Level 2	-	49.9	-	-	-	-	-	-	-	-	-
Sales/redemptions/payments	-	(87.9)	(508.9)	(49.4)	-	(17.7)	-	-	11.1	-	202.9
Disposal of a portfolio of LTMs ¹	-	-	(508.8)	-	-	-	-	-	-	-	-
Recognised in profit or loss in net investment income											
Realised gains and losses	-	-	169.1	-	-	-	-	-	-	-	-
Unrealised gains and losses	9.4	(37.6)	(722.8)	(34.6)	2.4	(13.4)	(22.5)	4.9	-	(5.3)	147.3
Interest accrued	-	(13.1)	204.9	0.7	-	0.1	-	-	-	-	(78.7)
Change in fair value of liabilities recognised in profit or loss	-	-	-	-	-	-	-	-	(0.8)	-	-
At 31 December 2021	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)	(2,144.7)

¹ In August 2021 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £508.8m. The transaction is part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

Six months ended	Investment funds	Debt securities and other fixed income securities	Loans secured by residential mortgages	Loans secured by commercial mortgages	Loans secured by ground rents	Infrastructure loans	Other loans	Derivative financial assets	Investment contract liabilities	Derivative financial liabilities	Deposits received from reinsurers
30 June 2021	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2021	139.0	1,256.8	8,261.1	592.1	114.9	945.0	66.1	3.6	(42.8)	(3.3)	(2,415.0)
Purchases/advances/deposits	60.1	125.2	275.5	123.5	8.2	67.5	18.0	-	(1.1)	-	(0.6)
Sales/redemptions/payments	(5.8)	-	(272.1)	(34.9)	-	(8.4)	-	-	5.3	-	102.6
Recognised in profit or loss in net investment income											
Realised gains and losses	-	-	86.8	-	-	-	-	-	-	-	-
Unrealised gains and losses ¹	0.7	(59.4)	(592.9)	(18.5)	(1.5)	(33.4)	(1.2)	(1.4)	-	(5.2)	110.6
Interest accrued	-	(10.3)	134.7	1.4	-	0.3	-	-	-	-	(40.0)
Change in fair value of liabilities recognised in profit or loss	-	-	-	-	-	-	-	-	0.1	-	-
At 30 June 2021	194.0	1,312.3	7,893.1	663.6	121.6	971.0	82.9	2.2	(38.5)	(8.5)	(2,242.4)

¹ Includes £971.0m of infrastructure loans.

For Level 1 and Level 2 assets and liabilities measured at fair value, unrealised losses during the period were £386.4m and £1,790.0m respectively (year ended 31 December 2021: losses of £32.1m and £131.4m respectively/ period ended 30 June 2021: losses of £23.1m and £297.7m respectively).

Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity. There have not been any significant impacts to these investments in relation to COVID-19, global, political and other economic factors.

Principal assumptions underlying the calculation of investment funds classified as Level 3

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 7.0% (31 December 2021 and 30 June 2021: 7.0%).

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of investment funds is determined by reference to the movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2022	(10.6)
31 December 2021	(8.9)
30 June 2021	(4.9)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are private placement bonds and asset-backed securities. Such securities are valued using discounted cash flow analyses. The impact of COVID-19 has been taken into account in the assessment of the future cash flows default risk at 30 June 2022. Due to the nature of these assets and the sectors in which they operate, the Group has assessed that there is not any significant impact from COVID-19 on the valuation at 30 June 2022.

Principal assumptions underlying the calculation of the debt securities and other fixed income securities classified as Level 3

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of private placement bonds are similar to the rest of the Group's bond portfolio.

Sensitivity analysis

Reasonably possible alternative assumptions for upon observable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Debt securities and other fixed income securities net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2022	(109.6)
31 December 2021	(124.6)
30 June 2021	(109.0)

Derivative financial assets and liabilities

Derivative financial assets and liabilities classified as Level 3 are the put options on property index (also referred to as NNEG hedges). The value of each NNEG hedge is made up of premiums payable to the counterparty less expected claims back from the option where losses are made. The expected claims are calculated through the Black-Scholes framework, with parameters set such that at outset the fair value of the NNEG hedge is zero.

Principal assumptions underlying the calculation of the derivative financial assets and liabilities classified as Level 3

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets and liabilities. As described above, these assumptions are set at outset such that the fair value of the NNEG hedge is zero. The Group has assessed the possible impact of COVID-19 and economic uncertainty on current property assumptions. Details of the matters considered in relation to property assumptions at 30 June 2022 are noted in the section on Loans secured by residential mortgages further below. The future property price volatility assumption used in the fair value calculation of derivative financial assets and liabilities is unchanged at 11% (31 December 2021: 11%). This assumption is based upon property price index volatility only, consistent with protection provided by the underlying derivatives. Property growth assumptions used in the fair value calculation of derivative financial assets and liabilities have remained unchanged from 31 December 2021, consistent with the equivalent assumptions on loans secured by residential mortgages as noted below. The impact on derivative financial assets and liabilities from changes to property assumptions are noted in the sensitivity analysis below.

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets and liabilities. The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
Derivative financial assets				
30 June 2022	(3.0)	8.7	8.7	3.9
31 December 2021	(4.6)	10.4	10.6	4.4
30 June 2021	(4.4)	18.5	18.1	8.6
Derivative financial liabilities				
30 June 2022	(2.6)	10.8	9.8	5.3
31 December 2021	(4.1)	13.4	12.5	6.2
30 June 2021	(1.2)	5.8	6.1	2.5

Loans secured by residential mortgages

Methodology and judgement underlying the calculation of loans secured by residential mortgages

The valuation of loans secured by residential mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the NNEG. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the NNEG, the amount recoverable by the Group on eligible termination of mortgages is generally capped at the net sale proceeds of the property. A key judgement is with regard to the calculation approach used. We have used the Black 76 variant of the Black-Scholes option pricing model in conjunction with an approach using best estimate future house price growth assumptions. There has been significant academic and market debate concerning the valuation of no-negative equity guarantees in recent years, including proposals to use risk-free based methods rather than best estimate assumptions to project future house price growth. We continue to actively monitor this debate. In the absence of any widely supported alternative approach, we have continued in line with the common industry practice to value no-negative equity guarantees using best estimate assumptions.

The best estimate assumptions used include future property growth and future property price volatility.

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The sales of the portfolios of Just LTMs in 2020, 2021 and 2022 represented market prices specific to the characteristics of the underlying portfolios of loans sold. In particular, loan rates, loan-to-value and customer age. This was considered insufficient to affect the judgement of the methodology and assumptions underlying the discounted cash flow approach used to value individual loans in the remaining portfolio. The methodology and assumptions used would be reconsidered if any information is obtained from future portfolio sales that is relevant and applicable to the remaining portfolio.

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the items set out below. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determines the yield on this asset. This yield is used for the purpose of setting valuation discount rates on the liabilities supported, as described in note 10.

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.0% (31 December 2021: 4.2% / 30 June 2021: 3.9%). Inflation rates are generated using 15 year inflation rate models.

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2019 model for mortality improvements for 2020 onwards and have been applied by the Group since 2020. These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience. The Group has considered the possible impact of the COVID-19 pandemic on its mortality assumptions,

but has kept these unchanged at 30 June 2022. Further details of the matters considered in relation to mortality assumptions at 30 June 2022 are set out in note 10.

Property prices

The approach in place at 30 June 2022, which is the same as at 31 December 2021, is to calculate the value of a property by taking the latest Automated Valuation Model “AVM” result, or latest surveyor value if more recent, indexing this to the balance sheet date using Nationwide UK house price indices and then making a further allowance for property dilapidation since the last revaluation date.

Although the COVID-19 pandemic has had a very significant impact on the UK economy since 2020, the UK property market has exhibited strong growth over the period. The current level of price indices has been driven by high demand and a shortage of supply. While this imbalance may reduce, our view is that current market prices are sustainable and appropriate for valuation of the properties.

The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages. The sensitivity of loans secured by mortgages to a fall in property prices is included in the table of sensitivities below.

Future property price

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK consumer price inflation, “CPI”, plus an allowance for the expectation of house price growth above CPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.3% (31 December 2021: 3.3% / 30 June 2021: 3.3%), with a volatility assumption of 13% per annum (31 December 2021: 13% / 30 June 2021 13%). The setting of these assumptions includes consideration of future long and short-term forecasts, the Group’s historical experience, benchmarking data, and future uncertainties including the possible impact of Brexit on the UK property market. As noted above, the Group has considered the uncertainties in relation to the property market as a result of the COVID-19 pandemic. House price growth over the first half of 2022 has been strong, and there has been an increase in market-implied RPI and CPI inflation expectations too. However, the impact of the pandemic on long-term property prices is uncertain at the current time without consensus that the pandemic will alter the long-term prospects of the housing market. In light of this the future house price growth and property volatility assumptions have been maintained at the same level as assumed at 31 December 2021. The sensitivity of loans secured by mortgages to changes in future property price growth, and to future property price volatility, are included in the table of sensitivities below.

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group’s recent analyses. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (31 December 2021: between 0.5% and 4.1% / 30 June 2021: between 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (31 December 2021: between 0.6% and 6.8% / 30 June 2021: between 0.6% and 6.8%). No changes are assumed with regard to the COVID-19 experience. In the prior period, a separate provision for potential higher short-term experience arising from additional remortgaging activity was also allowed for. No adjustment has been applied to this provision in the current reporting period.

Liquidity premium

The liquidity premium at initial recognition is set such that the fair value of each loan is equal to the face value of the loan. The liquidity premium partly reflects the illiquidity of the loan and also spreads the recognition of profit over the lifetime of the loan. Once calculated, the liquidity premium remains unchanged at future valuations except when further advances are taken out. In this situation, the single liquidity premium to apply to that loan is recalculated allowing for all advances. Historically the liquidity premium has been set relative to LIBOR swap rates. Following the discontinuance of LIBOR from the end of 2021, SONIA has been adopted as the risk free index. The liquidity premium at 31 December 2021 was adjusted such that the fair value of the loan was unchanged before and after this change in index. The average liquidity premium for loans held within JRL is 3.23% (31 December 2021: 3.04% / 30 June 2021: 2.87%) and for loans held within PLACL is 3.47% (31 December 2021: 3.51% / 30 June 2021: 3.19%). These average rates are relative to the risk free index used in each period. The movement over the period observed in both JRL and PLACL is therefore a function of the liquidity premiums on new loan originations compared to the liquidity premiums on those policies which have redeemed or have been included in a portfolio sale over the period, both in reference to the average spread on the back book of business.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by residential mortgages net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
30 June 2022	(5.6)	16.2	(89.5)	(63.3)	(41.2)	4.3¹	(62.2)
31 December 2021	(6.5)	22.7	(114.6)	(82.3)	(53.2)	(5.2)	(78.0)
30 June 2021	(5.7)	31.6	(119.1)	(88.4)	(56.7)	(14.6)	(84.2)

¹ Interest rates have risen over both 2021 and 2022, impacting the magnitude and direction of this sensitivity.

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality such an occurrence is unlikely due to correlation between the assumptions and other factors. It should be noted that some of these sensitivities are non-linear and larger or smaller impacts should not be simply interpolated or extrapolated from these results. For example, the impact from a 5% fall in property prices would be slightly less than half of that disclosed in the table above.

The sensitivities above only consider the impact of the change in these assumptions on the fair value of the asset. Some of these sensitivities would also impact the yield on this asset and hence the valuation discount rate used to determine liabilities. For some of these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 10.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty.

Loans secured by commercial mortgages

Loans secured by commercial mortgages are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumption underlying the calculation of loans secured by commercial mortgages

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 30 June 2022, with no significant impacts noted to fair values.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of commercial mortgages is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2022	(20.3)
31 December 2021	(25.0)
30 June 2021 ¹	(26.9)

¹ The 2021 sensitivities for loans secured by commercial mortgages, have been updated to provide a more granular disclosure level, which aligns to the investment categorises applied at 31 December 2021.

Loans secured by ground rents

Loans secured by ground rents are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumption underlying the calculation of loans secured by ground rents

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by ground rents are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 30 June 2022, with no significant impacts noted to fair values.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of ground rents is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by ground rents net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2022	(60.2)
31 December 2021	(59.2)
30 June 2021	(28.1)

Infrastructure loans

Infrastructure loans classified as Level 3 are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of infrastructure loans classified as Level 3

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 infrastructure loans are derived from the assumptions for the Group's bond portfolio. Due to the nature of these assets and the sectors in which they operate, being primarily local authorities, renewable energy generation and housing associations sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 30 June 2022.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of infrastructure loans is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Infrastructure loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2022	(87.9)
31 December 2021	(96.6)
30 June 2021	(95.6)

Other loans

Other loans classified as Level 3 are mainly commodity trade finance loans. These are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of other loans classified as Level 3

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 loans are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on expected defaults has been taken into account in the calculation of fair value at 30 June 2022, with no significant impacts noted to fair values.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of other loans to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Other loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2022	(1.1)
31 December 2021	(0.9)
30 June 2021 ¹	(1.0)

1 The 2021 sensitivities for other loans, have been updated to provide a more granular disclosure level, which aligns to the investment categorises applied at 31 December 2021.

Investment contract liabilities

Investment contracts are valued using an internal model and determined on a policy-by-policy basis using a prospective valuation of future retirement income benefit and expense cash flows.

Principal assumptions underlying the calculation of investment contract liabilities

Valuation discount rates

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities. The discount rate used for the fixed term annuity product treated as investment business is 4.45% (31 December 2021: 2.73% / 30 June 2021: 2.85%).

Sensitivity analysis

The sensitivity of fair value to changes in the discount rate assumptions in respect of investment contract liabilities is not material.

Deposits received from reinsurers

Deposits from reinsurers which have been unbundled from their reinsurance contract and recognised at fair value through profit or loss are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

Principal assumptions underlying the calculation of deposits received from reinsurers

Discount rate

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 4.61% and 2.36% respectively (31 December 2021: 2.87% and 1.03% respectively / 30 June 2021: 2.70% and 0.67% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread derived from the assets hypothecated to back these liabilities. A credit spread of 263bps (31 December 2021: 219bps / 30 June 2021: 204bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the liabilities (see note 12(b)). The Group has estimated the impact on fair value to changes to these inputs as follows:

Deposits received from reinsurers net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
30 June 2022	(68.6)	(192.3)
31 December 2021	(72.4)	(196.1)
30 June 2021	(70.5)	(182.8)

8. SHARE CAPITAL

The allotted, issued and fully paid ordinary share capital of Just Group plc at 30 June 2022 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2022	1,038,537,044	103.9	94.6	597.1	795.6
In respect of employee share schemes	16,589	–	0.1	–	0.1
At 30 June 2022	1,038,553,633	103.9	94.7	597.1	795.7
At 1 January 2021	1,038,128,556	103.8	94.5	597.1	795.4
In respect of employee share schemes	408,488	0.1	0.1	–	0.2
At 31 December 2021	1,038,537,044	103.9	94.6	597.1	795.6
At 1 January 2021	1,038,128,556	103.8	94.5	597.1	795.4
In respect of employee share schemes	115,018	–	–	–	–
At 30 June 2021	1,038,243,574	103.8	94.5	597.1	795.4

The merger reserve is the result of a placing of 94,012,782 ordinary shares in 2019 and the acquisition of 100% of the equity of Partnership Assurance Group plc in 2016. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the new ordinary shares issued. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. The merger reserve recognised represents the premium over the nominal value of the shares issued. Consideration for the acquisition of the equity shares of Partnership Assurance Group plc consisted of a new issue of shares in the Company. Accordingly, merger relief under section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. The merger reserve recognised represents the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

9. TIER 1 NOTES

	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
At start period	322.4	294.0	294.0
Issued in the year	–	325.0	–
Issue costs, net of tax	–	(2.6)	–
Redeemed in the year	–	(294.0)	–
At end of period	322.4	322.4	294.0

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £2.6m, net of tax, and concurrently redeemed its £300m 9.375% perpetual restricted Tier 1 contingent convertible notes issued in 2019 (£294.0m net of issue costs, net of tax) at a cost of £341.0m, net of tax. The loss on redemption of the 2019 notes of £47.0m (net of tax) has been recognised directly in equity.

During the period, interest of £8.7m was paid to holders of the 2021 notes, (31 December 2021: £25.2m on the 2019 notes). The 2021 notes bear interest on the principal amount up to 30 September 2031 (the first reset date) at the rate of 5.0% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the notes semi-annually in arrears on 30 March and 30 September each year which commenced on 30 March 2022.

The Group has the option to cancel the coupon payment at its discretion and cancellation of the coupon payment becomes mandatory upon non-compliance with the solvency capital requirement or minimum capital requirement or where the Group has insufficient distributable items. Cancelled coupon payments do not accumulate or become payable at a later date and do not constitute a default. In the event of non-compliance with specific solvency requirements, the conversion of the Tier 1 notes into Ordinary Shares could be triggered.

The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity.

10. INSURANCE CONTRACTS AND RELATED REINSURANCE

	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
Gross insurance liabilities	18,652.7	21,812.9	20,498.8
Net reinsurance assets	(2,113.8)	(2,533.5)	(2,654.9)
Net insurance liabilities	16,538.9	19,279.4	17,843.9

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

Principal assumptions underlying the calculation of insurance contracts

The principal assumptions underlying the calculation of insurance contracts are explained below. This includes any areas sensitive to COVID-19 effects or other economic downturn.

Mortality assumptions

The COVID-19 pandemic has had a significant effect on mortality rates. There were particularly high rates in the spring of 2020 and early part of 2021 which contributed significantly to positive mortality experience variances in the respective reporting periods.

Over the second half of 2021 there was a more modest but sustained elevation of mortality rates, whereas rates over the first half of 2022 have been closer to expected levels, for the UK population overall. The extent to which mortality rates may be elevated in future, as a result of the pandemic, is subject to considerable uncertainty.

The Group considers that it is still too early to judge the longer-term impact of COVID-19 on mortality and therefore no explicit allowance for the pandemic has been included in future mortality assumptions at 30 June 2022. Moreover, mortality assumptions for each future year have been maintained at the same level as assumed at 31 December 2021. The Group will continue to follow closely the actual impact of COVID-19 on mortality and to analyse potential direct and indirect future impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers. The Group will consider the conclusions of such analysis, alongside assessment of other factors influencing mortality trends, in maintaining its assumptions under regular review.

Valuation discount rates

Valuation discount rate assumptions are set by considering the yields on the assets allocated to back the liabilities. The yields on lifetime mortgage assets are derived using the assumptions described in note 7 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating. Economic uncertainty relating to the Russian/Ukraine conflict, supply chain issues and inflation increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread widening and hence we have maintained the same methodology at 30 June 2022. The considerations around COVID-19 and macro-economic factors for property prices affecting the NNEG are as described in note 7.

Valuation discount rates – gross liabilities	30 June 2022 %	31 December 2021 %	30 June 2021 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	4.45	2.73	2.85
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	4.61	2.87	2.70
Defined Benefit (JRL)	4.45	2.73	2.85
Defined Benefit (PLACL)	4.61	2.87	2.70
Other annuity products (PLACL)	2.36	1.03	0.67
Term and whole of life products (PLACL)	2.38	1.03	0.75

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (including gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and NNEG from LTMs was 68bps in JRL and 65bps in PLACL (31 December 2021: 64bps and 63bps respectively).

Movements

The following movements have occurred in the insurance contract balances during the period.

	Six months ended 30 June 2022			Year ended 31 December 2021		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
At start of period	21,812.9	(2,533.5)	19,279.4	21,118.4	(2,865.5)	18,252.9
Change due to new premiums	750.6	7.9	758.5	2,298.1	33.8	2,331.9
Change due to new claims	(752.7)	112.6	(640.1)	(1,478.1)	239.0	(1,239.1)
Unwinding of discount	298.5	(35.4)	263.1	488.8	(62.1)	426.7
Changes in economic assumptions	(3,470.0)	344.0	(3,126.0)	(595.1)	135.4	(459.7)
Changes in non-economic assumptions	-	-	-	(9.8)	-	(9.8)
Other movements	13.4	(9.4)	4.0	(9.4)	(14.1)	(23.5)
At end of period	18,652.7	(2,113.8)	16,538.9	21,812.9	(2,533.5)	19,279.4

	Six months ended 30 June 2021		
	Gross £m	Reinsurance £m	Net £m
At start of period	21,118.4	(2,865.5)	18,252.9
Change due to new premiums	775.6	7.6	783.2
Change due to new claims	(743.1)	125.8	(617.3)
Unwinding of discount	243.4	(31.5)	211.9
Changes in economic assumptions	(890.7)	110.4	(780.3)
Other movements	(4.8)	(1.7)	(6.5)
At end of period	20,498.8	(2,654.9)	17,843.9

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

Effect of changes in assumptions and estimates during the period

Economic assumption changes

The principal economic assumption changes impacting the movement in insurance liabilities during the period relate to discount rates and inflation.

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads and cash flows arising on backing assets held over the course of the year. The movement of the discount rate includes purchases to support new business and trading for risk management purposes. For the period to 30 June 2022, changes in discount rates resulted in a net reduction of insurance liabilities £3,117m (year to 31 December 2021: reduction of £813m / six months to 30 June 2021: reduction of £953m) which was largely due to increases in the risk free rate and changes to the backing asset portfolio, including as a consequence of the LTM portfolio sale during 2022.

Inflation

Insurance liabilities for inflation-linked products, most notably Defined Benefit business and expenses on all products are impacted by changes in future expectations of RPI, CPI and earnings inflation. For the period to 30 June 2022 changes in inflation, driven by a rise in market-implied expectations of future RPI and CPI inflation, resulted in a net increase of insurance liabilities of £16m (year to 31 December 2021: £348m / six months to 30 June 2021: £171m). This includes an impact of £28m in respect of a change in approach since 31 December 2021 to the derivation of the annuity escalation curves required for RPI, LPI and CPI linked liabilities, to using a mark to model basis instead of the existing approach which utilises market prices that are not actively traded.

Sensitivity analysis

The Group has estimated the impact on profit before tax for the year in relation to insurance contracts and related reinsurance from reasonably possible changes in key assumptions relating to financial assets and to liabilities. The sensitivities capture the liability impacts arising from the impact on the yields of the assets backing liabilities in each sensitivity. The impact of changes in the value of assets and liabilities has been shown separately to aid the comparison with the change in value of assets for the relevant sensitivities in note 7. To further assist with this comparison, any impact on reinsurance assets has also been included within the liabilities line item.

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. The analysis has been prepared for a change in each variable with

other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot necessarily be interpolated or extrapolated from these results. The extent of non-linearity grows as the severity of any sensitivity is increased. For example, in the specific scenario of property price falls, the impact on IFRS profit before tax from a 5% fall in property prices would be slightly less than half of that disclosed in the table below. Furthermore, in the specific scenario of a mortality reduction, a smaller fall than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The sensitivities below cover the changes on all assets and liabilities from the given stress. The impact on liabilities includes the net effect of the impact on reinsurance assets and liabilities. The impact of these sensitivities on IFRS net equity is the impact on profit before tax as set out in the table below less tax at the current tax rate.

The reduction in interest rate sensitivity is due to the change in the interest rate hedging position.

Impact on profit before tax (£m)

	Interest rates +1%	Interest rates -1%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Credit defaults +10bps
30 June 2022						
Assets	(1,796.7)	2,139.1	17.2	(70.0)	(44.7)	-
Liabilities	1,614.9	(1,894.0)	(126.2)	(58.7)	(40.1)	(140.8)
Total	(181.8)	245.1	(109.0)	(128.7)	(84.8)	(140.8)
31 December 2021						
Assets	(2,602.0)	3,118.9	23.8	(90.8)	(59.2)	-
Liabilities	2,076.3	(2,492.5)	(140.6)	(67.7)	(67.7)	(151.6)
Total	(525.7)	626.4	(116.8)	(158.5)	(126.9)	(151.6)
30 June 2021						
Assets	(2,265.5)	2,718.0	32.6	(94.8)	(64.2)	-
Liabilities	1,839.3	(2,196.1)	(138.9)	(64.1)	(60.3)	(121.1)
Total	(426.2)	521.9	(106.3)	(158.9)	(124.5)	(121.1)

11. LOANS AND BORROWINGS

	Carrying value			Fair Value		
	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m	30 June 2022 £m	31 December 2021 £m	30 June 2021 ¹ £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	249.3	249.2	249.2	278.7	323.5	335.0
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	122.3	122.2	122.0	145.1	165.6	165.3
£250m 7.0% 10.5 year subordinated debt 2013 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	248.5	248.4	248.3	252.0	287.2	294.0
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	154.6	154.5	154.5	147.1	160.5	165.3
Total loans and borrowings	774.7	774.3	774.0	822.9	936.8	959.6

¹ The fair value disclosed for loans and borrowings for June 2021 has been restated to correct the basis on which the fair value was determined. This resulted in a change across all loans from £800.5m to £959.6m.

The Group has replaced the existing revolving credit facility with a new and undrawn revolving credit facility of up to £300m for general corporate and working capital purposes available until 13 June 2025. Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.00% and 1.50% per annum depending on the Group's unsecured issuer rating provided by any of Fitch, S&P and Moody's.

12. OTHER FINANCIAL LIABILITIES

The Group has other financial liabilities which are measured at fair value through profit or loss:

	Note	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
Fair value through profit or loss				
Derivative financial liabilities	(a)	2,017.4	394.7	370.7
Obligations for repayment of cash collateral received	(a)	480.0	326.2	241.9
Deposits received from reinsurers	(b)	1,810.0	2,144.7	2,242.4
Total other financial liabilities		4,307.4	2,865.6	2,855.0

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

Derivative financial liabilities and obligations for repayment of cash collateral received are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

(b) Deposits received from reinsurers

Deposits received from reinsurers are unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: measurement and recognition. Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, inflation and foreign exchange risk.

	30 June 2022			31 December 2021		
	Asset fair value £m	Liability fair value £m	Notional amount £m	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Derivatives						
Foreign currency swaps	359.7	837.1	11,328.0	243.4	247.2	8,069.4
Interest rate swaps	981.8	1,003.6	13,865.5	169.9	44.9	9,117.7
Inflation swaps	336.1	148.0	4,803.5	261.8	92.5	4,580.0
Forward swap	0.3	17.6	318.5	1.8	3.4	213.9
Total return swaps	2.2	2.2	–	5.8	5.8	–
Put options on property index (NNEG hedges)	–	8.9	705.0	8.5	0.9	705.0
Total	1,680.1	2,017.4	31,020.5	691.2	394.7	22,686.0

	30 June 2021		
	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Derivatives			
Foreign currency swaps	243.8	197.6	6,947.7
Interest rate swaps	189.5	33.8	6,500.8
Inflation swaps	73.4	123.5	3,306.3
Forward swaps	2.6	0.9	202.1
Total return swaps	6.3	6.3	–
Put option on property index (NNEG hedge)	2.2	8.6	770.0
Total	517.8	370.7	17,726.9

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss. The significant increase in the interest rate swaps is due to changes in the hedging position.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 30 June 2022, the Company had pledged collateral of £843.8m (31 December 2021: £61.3m / 30 June 2021: £120.4m) and had received cash collateral of £480.0m (31 December 2021: £326.2m / 30 June 2021: £241.9m).

Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Movement in fair value of derivative instruments	(633.8)	(135.9)	9.2
Realised losses on interest rate swaps closed	45.9	47.8	120.5
Total amounts recognised in profit or loss	(587.9)	(88.1)	129.7

14. FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The writing of long-term insurance contracts exposes the Group to insurance risk. The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten GIfl are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used to match some of the liabilities arising from the sale of GIfl and DB business. In the event that early repayments in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cash flows will be received later than had originally been anticipated. In addition, a general increase in longevity would have the effect of increasing the total amount repayable, which would increase the LTV ratio and could increase the risk of failing to be repaid in full as a consequence of the no-negative equity guarantee. There is also morbidity risk exposure as the contract ends when the customer moves into long-term care.

Management of insurance risk

Underpinning the management of insurance risk are:

- the development and use of medical information including Prognosis™ for both pricing and reserving to provide detailed insight into longevity risk;
- adherence to approved underwriting requirements;
- controls around the development of suitable products and their pricing;
- review and approval of assumptions used by the Board;
- regular monitoring and analysis of actual experience;
- use of reinsurance to minimise volatility of capital requirement and profit; and
- monitoring of expense levels.

Concentrations of insurance risk

Concentration of insurance risk comes from improving longevity. Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates. Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk. Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement

Income products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, Retirement Income product monies are invested to match the asset and liability cash flows as closely as practicable. In practice, it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

Just has several EUR denominated bonds that have coupons linked to EURIBOR, which are hedged into fixed GBP coupons. If EURIBOR were no longer produced, there is a risk that the bond coupons would not match the swap EUR leg payments. In mitigation, Just would restructure the related cross currency asset swap to match the new coupon rate.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group's strategy is to actively monitor and hedge the interest rate risk to reduce the effect to its Solvency II balance sheet exposure; whilst seeking to minimise the cost of this hedging on an IFRS basis.

The Group's main exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps.

(ii) Property risk

The Group's exposure to property risk arises from indirect exposure to the UK residential property market through the provision of lifetime mortgages. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption. Demand may also reduce for lifetime mortgage products through reducing consumers' propensity to borrow and by reducing the amount they are able to borrow due to reductions in property values and the impact on loan-to-value limits.

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third party valuations are undertaken on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed. Further mitigation is through management of the volume of lifetime mortgages, including disposals, in the portfolio in line with the Group's LTM backing ratio target, and the establishment of the NNEG hedges. The Group has managed its property risk exposure in the period via a reduction in the LTM backing ratio and an additional LTM portfolio sale.

A sensitivity analysis of the impact of residential property price movements is included in note 7 and note 10. These notes also discuss the Group's consideration of the impact of COVID-19 on property assumptions at 30 June 2022.

The Group is also exposed to commercial property risk indirectly through the investment in loans secured by commercial mortgages. A substantial decline or sustained underperformance in the commercial property market would impact credit spreads on such assets and increase the risk of default. Mitigation of such risk is covered by the credit risk section below.

(iii) Inflation risk

Inflation risk is the risk of fluctuations in the value of, or income from, specific assets or liabilities or both in combination, arising from relative or absolute changes in inflation or in the volatility of inflation.

Exposure to long term inflation occurs in relation to the Group's own management expenses and its matching of index-linked Retirement Income products. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the long term inflation risk associated with its index-linked Retirement Income products.

(iv) Currency risk

Currency risk arises from fluctuations in the value of, or income from, assets denominated in foreign currencies, from relative or absolute changes in foreign exchange rates or in the volatility of exchange rates.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. The Group invests in fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolio. All material Group liabilities are in sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to eliminate the foreign exchange exposure as far as possible.

(c) Credit risk

Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

Credit risk exposures arise from:

- Holding fixed income investments where the main risks are default and market risk. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a "hold to maturity" strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 13).
- Reinsurance – reinsurance is used to manage longevity risk and to fund new business but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement and/or through robust collateral engagements or recapture plans.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk for loans secured by residential mortgages has been considered within "property risk" above.

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 30 June 2022, 31 December 2021 and 30 June 2021:

	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
30 June 2022								
Investment property	–	–	–	50.1	–	–	–	50.1
Units in liquidity funds	–	953.7	–	–	–	5.0	–	958.7
Investment funds	–	–	55.1	–	–	–	315.0	370.1
Debt securities and other fixed income securities	271.6	811.8	1,740.5	3,055.0	4,965.9	338.9	–	11,183.7
Deposits with credit institutions	–	–	–	696.6	39.2	14.7	–	750.5
Loans secured by residential mortgages	–	–	–	–	–	–	5,897.3	5,897.3
Loans secured by commercial mortgages	–	–	–	–	–	–	616.0	616.0
Loans secured by ground rents	–	–	–	(51.0)	–	–	287.6	236.6
Infrastructure loans	–	74.5	128.5	148.4	603.3	14.1	–	968.8
Other loans	–	–	–	–	–	14.7	112.1	126.8
Derivative financial assets	–	–	–	1,197.8	482.3	–	–	1,680.1
Reinsurance	–	–	214.7	250.0	5.1	–	0.5	470.3
Insurance and other receivables	–	–	–	–	–	–	381.8	381.8
Total	271.6	1,840.0	2,138.8	5,346.9	6,095.8	387.4	7,610.3	23,690.8

	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
31 December 2021								
Investment property	-	-	-	69.6	-	-	-	69.6
Units in liquidity funds	-	1,304.9	-	-	-	5.6	-	1,310.5
Investment funds	-	-	-	-	-	-	301.8	301.8
Debt securities and other fixed income securities	741.8	894.0	2,132.3	3,279.7	5,554.2	322.0	-	12,924.0
Deposits with credit institutions	-	-	-	11.1	39.2	2.6	-	52.9
Loans secured by residential mortgages	-	-	-	-	-	-	7,422.8	7,422.8
Loans secured by commercial mortgages	-	-	-	-	-	-	677.8	677.8
Loans secured by ground rents	-	-	-	-	-	-	189.7	189.7
Infrastructure loans	-	82.4	116.6	180.9	567.5	45.7	-	993.1
Other loans	-	-	-	-	-	12.5	105.4	117.9
Derivative financial assets	-	-	0.3	519.3	171.6	-	-	691.2
Reinsurance	-	-	214.7	277.0	5.1	-	0.5	497.3
Insurance and other receivables	-	-	-	-	-	-	35.4	35.4
Total	741.8	2,281.3	2,463.9	4,337.6	6,337.6	388.4	8,733.4	25,284.0
30 June 2021								
Units in liquidity funds	-	1,528.8	-	-	-	5.2	-	1,534.0
Investment funds	-	-	-	-	-	-	265.9	265.9
Debt securities and other fixed income securities	185.5	753.7	1,609.8	2,907.0	5,177.2	363.0	-	10,996.2
Deposits with credit institutions	-	-	-	54.6	39.2	1.5	-	95.3
Loans secured by residential mortgages	-	-	-	-	-	-	7,893.1	7,893.1
Loans secured by commercial mortgages	-	-	-	-	-	-	663.6	663.6
Loans secured by ground rents	-	-	-	-	-	-	121.6	121.6
Infrastructure loans	-	70.9	116.3	178.4	548.0	57.4	-	971.0
Other loans	-	12.6	-	-	-	-	103.4	116.0
Derivative financial assets	-	-	-	394.1	123.7	-	-	517.8
Reinsurance	-	-	255.9	289.5	6.2	-	0.5	552.1
Insurance and other receivables	-	-	-	-	-	-	288.5	288.5
Total	185.5	2,366.0	1,982.0	3,823.6	5,894.3	427.1	9,336.6	24,015.1

There are no financial assets that are either past due or impaired.

The credit rating for Cash available on demand at 30 June 2022 was between a range of AA and BB (31 December 2021 and 30 June 2021: between a range of AA and BB).

The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

(d) Liquidity risk

The investment of cash received from Retirement Income sales in corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

Liquidity risk is the risk of loss because the Group, although solvent, either does not have sufficient financial resources available to it in order to meet its obligations as they fall due, or can secure them only at excessive cost.

Exposure to liquidity risk arises from:

- deterioration in the external environment caused by economic shocks, regulatory changes, reputational damage, or an economic shock resulting from the COVID-19 pandemic or from Brexit;
- needing to realise assets to meet liabilities during stressed market conditions;
- increasing cash flow volatility in the short-term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- needing to support liquidity requirements for day-to-day operations;
- ensuring financial support can be provided across the Group; and
- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. The Group's short-term liquidity requirements are predominantly funded by advance Retirement Income premium payments, investment coupon receipts, and bond principal repayments out of which contractual

payments need to be made. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

The cash flow characteristics of the lifetime mortgages are reversed when compared with Retirement Income products, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them individually.

Cash flow forecasts over the short, medium and long term are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required. Cash flow forecasts include an assessment of the impact of a 1-in-200 year event on the Group's liquidity and increasing the minimum cash and cash equivalent levels to cover enhanced stresses. Derivative stresses have been revised to take into account the market volatility caused by COVID-19, and focus on the worst observed movements over the last 40 years, in shorter periods up to and including one month.

15. CAPITAL

Group capital position

The Group's estimated capital surplus position at 30 June 2022 was as follows:

	30 June 2022 ¹ £m	31 December 2021 ² £m
Capital resources		
Eligible Own funds	2,743	3,004
Solvency Capital Requirement	(1,494) ³	(1,836)
Excess own funds	1,249³	1,168
Solvency coverage ratio	184%³	164%

¹ Estimated regulatory position.

² This is the reported regulatory position as included in the Group's Solvency and Financial Condition Report as at 31 December 2021.

³ Not covered by PwC independent review opinion.

Further information on the Group's Solvency II position, including a reconciliation between the regulatory capital position to the reported capital surplus, is included in the Business Review. This information is not covered by the PwC independent review opinion.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II Framework directive as adopted by the Prudential Regulation Authority ("PRA") in the UK, and to measure and monitor its capital resources on this basis. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due. They are required to maintain eligible capital, or "Own Funds", in excess of the value of their Solvency Capital Requirements ("SCR"). The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests over the next one year time horizon of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

The capital requirement for Just Group plc is calculated using a partial internal model. Just Retirement Limited ("JRL") uses a full internal model and Partnership Life Assurance Company Limited ("PLACL") capital is calculated using the standard formula.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- JRL and PLACL – authorised by the PRA and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the first half of the year.

Capital management

The Group's objectives when managing capital for all subsidiaries are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory expectations;
- to safeguard the Group's ability to continue as a going concern, and to continue to write new business;
- to ensure that in all reasonably foreseeable circumstances, the Group is able to fulfil its commitment over the short term and long term to pay policyholders' benefits;
- to continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk; and
- to generate capital from in-force business, excluding economic variances, management actions, and dividends, that is c.£36m greater than new business strain.

The Group regularly assesses a wide range of actions to improve the capital position and resilience of the business.

To improve resilience, we have significantly reduced the property risk exposure related to LTMs by selling three blocks of LTMs and transacting three no-negative equity guarantee ("NNEG") hedges since 2018.

In managing its capital, the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

EVT Compliance

Following on from PRA approval of JRL's Internal Model in December 2021, which was developed to meet regulatory expectations in respect of the Effective Value Test ("EVT"), we are planning to apply to the PRA to approve further developments to our internal model to refine our credit risk model and have future plans to bring PLACL onto the internal model.

At 30 June 2022, Just passed the PRA EVT with a buffer of 2.3% (not reviewed by PwC) over the current minimum deferment rate of 0.5% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2021, the buffer was 0.75% (unaudited) compared to the minimum deferment rate of 0.5%. The buffer increased significantly in H1 2022, primarily due to the increase in long-term risk-free rates. If risk-free rates stay at current levels, it is likely that the PRA would increase the minimum deferment rate when it is reviewed in September 2022. This would lead to a reduction in the buffer. There is uncertainty in the level of increase in minimum deferment rate but we expect to have sufficient headroom.

Regulatory developments

In April 2022, the government and the PRA launched a consultation on potential reforms to Solvency II. In line with the PRA Quantitative Impact Study conducted in 2021, the key features targeted for reform, that are relevant for the Group, are the risk margin and the matching adjustment. We are engaged with the consultations and, as proposals for reform become more certain, we will assess the potential impacts for the Group. For further details see Risk A, risks from regulatory changes and supervision in the Principal risks and uncertainties section.

16. RELATED PARTIES

The nature of the related party transactions of the Group has not changed from those described in the Group's annual report and accounts for the year ended 31 December 2021.

There were no transactions with related parties during the six months ended 30 June 2022 which have had a material effect on the results or financial position of the Group.

17. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2022, the Directors approved an interim dividend for 2022 of 0.5 pence per ordinary share (2021: nil), amounting to £5m (2021: £nil) in total, which will be paid on 2 September 2022.

There are no other material post balance sheet events that have taken place between 30 June 2022 and the date of this report.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is not covered by the PwC independent review opinion on pages 27 and 28.

FINANCIAL INVESTMENTS CREDIT RATINGS

The sector analysis of the Group's financial investments portfolio by credit rating is shown below:

Unaudited	Total £m	%	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m
Basic materials	223	1.0	–	5	92	121	5	–
Communications and technology	1,258	5.5	107	161	183	774	33	–
Auto manufacturers	272	1.2	–	–	247	25	–	–
Consumer (staples including healthcare)	1,108	4.8	140	263	230	358	19	98
Consumer (cyclical)	174	0.7	–	4	15	129	–	26
Energy	553	2.4	–	188	114	161	90	–
Banks	1,189	5.2	36	93	434	371	208	47
Insurance	702	3.1	18	160	141	383	–	–
Financial – other	390	1.7	96	89	59	41	12	93
Real estate including REITs	667	2.9	36	22	261	306	32	10
Government	1,652	7.2	378	922	166	186	–	–
Industrial	684	3.00	–	69	90	410	19	96
Utilities	2,214	9.7	–	90	779	1,335	10	–
Commercial mortgages	616	2.7	69	174	256	116	1	–
Ground rent	288	1.3	171	8	98	11	–	–
Infrastructure loans	1,531	6.8	74	130	341	970	12	4
Other	46	0.2	–	–	46	–	–	–
Corporate/government bond total	13,567	59.4	1,125	2,378	3,552	5,697	441	374
Lifetime mortgages	5,897	25.8						
Liquidity funds	959	4.2						
Derivatives and collateral	2,416	10.6						
Total	22,839	100.00						

GLOSSARY

Acquisition costs – comprise the direct costs (such as commissions) of obtaining new business.

Adjusted earnings per share (adjusted EPS) – an APM, this measures earnings per share based on underlying operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by dividing underlying operating profit after attributed tax by the weighted average number of shares in issue by the Group for the period. For remuneration purposes (see Directors' Remuneration Report), the measure is calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit after attributed tax – the adjusted operating profit before tax APM reduced for the standard tax rate.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer-term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost saving initiatives, investment and economic profits and amortisation and impairment costs of acquired intangible assets. In addition, it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the Tier 1 notes are treated as equity rather than debt in the IFRS financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

Alternative performance measure ("APM") – in addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures within this report. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Amortisation and impairment of acquired intangibles – relate to the amortisation of the Group's intangible assets arising on consolidation, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Group plc (formerly Just Retirement Group plc).

Auto-enrolment – new legal duties being phased in that require employers to automatically enrol workers into a workplace pension.

Buy-in – an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out – an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown – a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan ("CP") – a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

Change in insurance liabilities – represents the difference between the year-on-year change in the carrying value of the Group's insurance liabilities and the year-on-year change in the carrying value of the Group's reinsurance assets including the effect of the impact of reinsurance recaptures.

Combined Group/Just Group – following completion of the merger with Partnership Assurance Group plc, Just Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

Defined benefit deferred ("DB deferred") business – the part of DB de-risking transactions that relates to deferred members of a pension scheme. These members have accrued benefits in the pension scheme but have not retired yet.

Defined benefit de-risking partnering ("DB partnering") – a DB de-risking transaction in which a reinsurer has provided reinsurance in respect of the asset and liability side risks associated with one of our DB Buy-in transactions.

Defined benefit ("DB") pension scheme – a pension scheme, usually backed or sponsored by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme – a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking – an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure – captures costs relating to the development of new products and new initiatives, and is included within adjusted operating profit.

Drawdown (in reference to Just Group sales or products) – collective term for Flexible Pension Plan and Capped Drawdown.

Employee benefits consultant – an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff, including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release – products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it – see Lifetime mortgage.

Finance costs – represent interest payable on reinsurance deposits and financing and the interest on the Group's Tier 2 and Tier 3 debt.

Flexi-access drawdown – the option introduced in April 2015 for DC pension savers who have taken tax-free cash to take a taxable income directly from their remaining pension with no limit on withdrawals.

Gross premiums written – total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Guidance – see Pensions Wise.

Guaranteed Income for life (“GIfl”) – retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a “joint-life” basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GIfl solutions.

IFRS net assets – one of the Group's KPIs, representing the assets attributable to equity holders.

IFRS profit before tax – one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit – an APM capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Investment and economic profits – reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, and the actual returns earned. Investment and economic profits also reflect the impact of assumption changes in future expected risk-free rates, corporate bond defaults and house price inflation and volatility.

Key performance indicators (“KPIs”) – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Return on Equity, Solvency II capital coverage ratio, Underlying organic capital generation, Retirement Income sales, New business operating profit, Underlying operating profit, Management expenses, Adjusted operating profit, IFRS profit before tax and IFRS net assets.

Lifetime mortgage (“LTM”) – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the homeowner has passed away or moved into long-term care.

LTM notes – structured assets issued by a wholly owned special purpose entity, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

Management expenses – an APM and one of the Group's KPIs, and are business as usual costs incurred in running the business, including all operational overheads. Management expenses are other operating expenses excluding investment expenses and charges; reassurance management fees which are largely driven by strategic decisions; amortisation of acquired intangible assets relating to merger and acquisition activity; and other costs impacted by external factors. Management expenses are reconciled to IFRS other operating expenses in the Business Review.

Medical underwriting – the process of evaluating an individual's current health, medical history and lifestyle factors, such as smoking, when pricing an insurance contract.

Net asset value (“NAV”) – IFRS total equity, net of tax, and excluding equity attributable to Tier 1 noteholders.

Net claims paid – represents the total payments due to policyholders during the accounting period, less the reinsurers' share of such claims which are payable back to the Group under the terms of the reinsurance treaties.

Net investment income – comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives.

Net premium revenue – represents the sum of gross premiums written and reinsurance recapture, less reinsurance premium ceded.

New business margin – the new business operating profit divided by Retirement Income sales. It provides a measure of the profitability of Retirement Income sales.

New business operating profit – an APM and one of the Group’s KPIs, representing the profit generated from new business written in the year after allowing for the establishment of prudent reserves and for acquisition expenses. New business operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

New business strain – represents the capital strain on new business written in the year after allowing for acquisition expense allowances and the establishment of Solvency II technical provisions and solvency capital requirements.

No-negative equity guarantee (“NNEG”) hedge – a derivative instrument designed to mitigate the impact of changes in property growth rates on both the regulatory and IFRS balance sheets arising from the guarantees on lifetime mortgages provided by the Group which restrict the repayment amounts to the net sales proceeds of the property on which the loan is secured.

Non-recurring and project expenditure – includes any one-off regulatory, project and development costs. This line item does not include acquisition integration, or acquisition transaction costs, which are shown as separate line items.

Operating experience and assumption changes – captures the impact of the actual operating experience differing from that assumed at the start of the period, plus the impact of changes to future operating assumptions applied during the period. It also includes the impact of any expense reserve movements, and other sundry operating items.

Organic capital generation/(consumption) – an APM and calculated in the same way as underlying organic capital generation/(consumption), but includes impact of management actions and other operating items.

Other Group companies’ operating results – the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

Other operating expenses – represent the Group’s operational overheads, including personnel expenses, investment expenses and charges, depreciation of equipment, reinsurance fees, operating leases, amortisation of intangibles, and other expenses incurred in running the Group’s operations.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms – the UK Government’s pension reforms, implemented in April 2015.

Pensions Wise – the free and impartial service introduced in April 2015 to provide “Guaranteed Guidance” to defined contribution pension savers considering taking money from their pensions.

Prognosis™ – a next generation underwriting system, which is based on individual mortality curves derived from Just Group’s own data collected since its launch in 2004.

Regulated financial advice – personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

Reinsurance and finance costs – the interest on subordinated debt, bank loans and reinsurance financing, together with reinsurance fees incurred.

Retail sales (in reference to Just Group sales or products) – collective term for GifL and Care Plan.

Retirement Income sales (in reference to Just Group sales or products) – an APM and one of the Group’s KPIs and a collective term for GifL, DB and Care Plan. Retirement Income sales are reconciled to IFRS gross premiums in note 2 to the condensed consolidated financial statements.

Return on equity – an APM and one of the Group’s KPIs. Return on equity is annualised underlying operating profit after attributed tax for the period divided by the average tangible net asset value for the period. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

Secure Lifetime Income (“SLI”) – a tax efficient solution for individuals who want the security of knowing they will receive a guaranteed income for life and the flexibility to make changes in the early years of the plan.

Solvency II – an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio – one of the Group’s KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Tangible net asset value – IFRS total equity excluding goodwill and other intangible assets, net of tax, and excluding equity attributable to Tier 1 noteholders.

Trustees – individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme’s members.

Underlying operating profit – an APM and one of the Group’s KPIs. Underlying profit is calculated in the same way as adjusted operating profit before tax but excludes operating experience and assumption changes. Underlying operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Underlying organic capital generation/(consumption) – an APM and one of the Group’s KPIs. Underlying organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, generated from ongoing business activities, and includes surplus from in-force, net of new business strain, cost overruns and other expenses and debt interest. It excludes economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items. The Board believes that this measure provides good insight into the ongoing capital sustainability of the business. Underlying organic capital generation/(consumption) is reconciled to Solvency II excess own funds, and Solvency II excess own funds is reconciled to shareholders’ net equity on an IFRS basis in the Business Review.