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NEWS RELEASE

12 August 2021

JUST GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

SUSTAINABLE GROWTH AND IMPROVING CAPITAL GENERATION

Just Group plc (the "Group", "Just") announces its results for the six months ended 30 June 2021.

Key Points: Sustainable growth and improving capital generation

Sustainable growth

- **Retirement Income sales for H1 21 up 22% to £909m** (H1 20: £745m)**.** Defined Benefit De-risking ("DB") sales were up 21% during the period and retail sales were up 24%.
- **Low new business strain of 1.9%** (down from 3.2% in H1 20) through continued attention to pricing discipline.
- **New sustainability targets.** Operations to be carbon neutral by 2025. Investments to be carbon neutral by 2050, with a 50% reduction target by 2030.

Improving capital generation

- **Underlying organic capital generation of £25m[1,2],** a strong improvement from £3m in H1 20, with organic capital generation of £43m[1,3] (H1 20: £145m).
- **Improved capital coverage ratio of 160%**[4] (31 December 2020: 156%)**.** Organic capital generation has contributed 2 percentage points increase to the ratio. The estimated impact of expected model changes and the anticipated sale of an LTM portfolio, after the period end, would reduce the 30 June 2021 ratio by c.2 percentage points to a pro forma 158%.

Key Points: IFRS and operating performance

- **Adjusted operating profit[1] was 47% higher at £90m** (H1 20: £62m), as higher new business profit and favourable experience variances more than offset a reduction from in-force returns.
- **IFRS loss before tax was £87m** (H1 20: profit £305m) as interest rate rises led to economic losses of £174m (H1 20: gains of £244m), which offset the growth in adjusted operating profit.
- **Tangible net assets per share[1] 192p** (31 December 2020: 199p).

David Richardson, Group Chief Executive Officer, said:

"This is a strong set of results which build on our landmark achievement in 2020 of becoming capital self-sufficient. New business premiums, operating profits and underlying capital generation have improved significantly on the previous year. Our business performance has been transformed over the past couple of years and we are now delivering organic, sustainable growth.

Just has a clear, compelling purpose: we help people achieve a better later life. The solid foundations we've established will enable us to help more customers to reach that goal. We are today further strengthening our sustainability credentials by introducing our new carbon net zero commitment, which builds on the excellent progress already made to reduce the carbon intensity of our business.

The fundamental drivers in our core markets are strong. We are confident in our outlook as we deliver sustainable and profitable growth across the Group. This growth will be achieved alongside our commitment to doing business the Just way, in upholding the highest standards and meeting our environmental, social and governance commitments."

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] Underlying organic capital generation/(consumption) is organic capital generation/(consumption), but excludes other operating items.

[3] Organic capital generation/(consumption) includes surplus from in-force, new business strain, cost overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated transitional measures for technical provisions ("TMTP") amortisation and capital raising or repayment.

[4] This figure is an estimate and allows for a notional recalculation of TMTP as at 30 June 2021 and 31 December 2020, and at 30 June 2021 the estimated impact of the adoption of the interest rate benchmark SONIA.

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A presentation for analysts who have registered will take place via a live webcast at 11:00am.

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

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Forward-looking statements disclaimer:

This announcement in relation to Just Group plc and its subsidiaries (the "Group") 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 conditions, performance, results, strategy and/or objectives.

Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, on assumptions and assessments made by the Group in light of its experience and its perception of historical trends, current conditions, future developments and other factors which the Group 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 arising from the Coronavirus (COVID-19) outbreak or other infectious diseases); 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 Group 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 within this announcement. 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 or change any of the forward-looking statements contained within this announcement or any other forward-looking statements it may make (whether as a result of new information, future events or otherwise), except as may be required by law. Past performance is not an indicator of future results. The results of 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.

Group Chief Executive Officer's Statement

INTRODUCTION

In the first six months of 2021 we have built on our landmark achievement in 2020 of becoming capital self-sufficient. We have increased our growth ambitions, demonstrated our commitment to delivering a sustainable capital model and introduced environmental sustainability goals. This ensures we fulfil our purpose to help people achieve a better later life. I am very pleased to present my Chief Executive Officer's Statement for the first six months of 2021.

OUR PURPOSE AND SUSTAINABILITY

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

After becoming the first UK insurer to issue a Green Bond in 2020, during the first six months of 2021 we have further strengthened our broader sustainability credentials by introducing our new carbon net zero commitment.

Firstly we are aiming for our operations to be net carbon neutral by 2025. I am very proud that over the last three years we have reduced our operational carbon intensity per employee by 86% and that we have achieved by far the lowest intensity amongst life insurance companies operating in the FTSE 350. However there is still considerably more work to do over the next few years to reach our goal of carbon net zero.

Secondly we have made a commitment that our investment portfolio will be carbon net zero by 2050, and by 2030 we will have reduced our emissions on the portfolio by 50%. The most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our investment portfolio. We will be working closely with our network of investment managers to enable us to achieve our interim 2030 target and ultimate goal of net zero by 2050.

SUSTAINABLE GROWTH

Our priority in 2019 and 2020 was to deliver a sustainable capital model and achieve capital self-sufficiency. During 2021 we are building on this success to deliver sustainable growth.

Over the first six months of the year I am pleased to report that we have increased Retirement Income sales by 22% to £909m and we have achieved this whilst improving both our underlying capital generation and our Solvency II capital coverage ratio.

Just Group's Defined Benefit De-risking sales were up 21% to £555m (H1 2020: £460m) in what was a relatively quiet market. The defined benefit de-risking market has been very resilient throughout the pandemic and we expect 2021 to be another year where the second half will be busier than the first half, with an encouraging pipeline of business already evident for the second half of the year, which gives us confidence that DB sales for the full year will exceed the level in 2020.

The retail market was more affected by the pandemic. We have therefore been particularly pleased by the return to growth of our retail business, which recorded sales of £354m, 24% higher than the first half of 2020 (H1 2020: £285m, and 11% higher than the pre-pandemic figure for the first six months of 2019).

We have been selective in the risks we have accepted, delivering sales growth and a reduction in new business strain to 1.9%. Our disciplined approach ensures we deliver sustainable, profitable growth.

GROWTH AND INNOVATION

We participate in attractive segments of the retirement markets that provide long-term structural growth opportunities and our disciplined approach has achieved high levels of return on the capital we invest in those markets. In the first half of 2021 we have built further on the foundations we laid in 2020.

We have expanded our proposition in the defined benefit de-risking market to fully meet the needs of deferred members of pension schemes. This will significantly expand our addressable market as more schemes can afford to purchase buy-out solutions for their members.

In the retail market we are incubating a portfolio of innovative solutions to positively disrupt the market, deliver better outcomes for customers and provide long term growth opportunities for Just.

We are developing and securing new opportunities to connect our highly innovative retail Secure Lifetime Income solution to modern investment platforms used by regulated financial advisers to help their clients develop decumulation strategies that meet their needs.

We are building a pipeline of workplace installations for our pioneering automated financial advice service Destination Retirement to guide and support the millions of middle Britain customers who need help to structure their financial plans for life after work.

We have introduced a small pilot to help people to finance their domiciliary care by structuring insurance and lending products to provide solutions to a growing group of consumers who require new sources of secure long term income to provide peace of mind in later life.

CAPITAL

The strength of our overall capital position, the resilience of that capital position and our ability to improve our underlying capital generation remain extremely important metrics for us. We are pleased to report a Solvency II capital coverage ratio at 30 June 2021 of 160% (estimated, post notional TMTP recalculation and the adoption of the interest rate benchmark SONIA) up from 156% at the end 2020. The estimated impact of expected model changes[1] and the anticipated sale of an LTM portfolio[2] in the coming months would reduce the 30 June 2021 ratio by c.2 percentage points to a pro forma 158%. As we said at the full year results announcement in March, we continue to be comfortable with this level of capital coverage. We plan further management actions to reduce the sensitivity of our Solvency II capital coverage ratio to movements in property values. We will further reduce our balance sheet exposure to UK property by undertaking portfolio sales and increasing the level of no-negative equity guarantee hedging ("NNEG"). We note that the UK property market has continued to perform well in 2021. We hedge to protect our solvency position against interest rate, inflation rate and exchange rate risks and have demonstrated the robustness of our balance sheet over the last eighteen months.

Increasing our underlying organic capital generation is a key focus for the whole leadership team. We have a commitment to at least double our 2020 underlying capital generation of £18m by 2022. We have taken rapid strides towards that goal already by surpassing the level of capital generation over the whole of 2020 in the first six months of 2021 – achieving £25m. This has been possible through continued focus on costs and through strong control of the capital consumption of the new business that we write.

[1] A major model change application process is underway with the PRA, refer to note 14 for further details.

[2] Anticipated sale of a portfolio totalling over £475m, refer to note 16 for further details.

CUSTOMERS

The needs of our customers are forefront when setting our goals. Many of our customers are in vulnerable groups and so we are proud that we have maintained the delivery of all the Group's services to customers during the disruption caused by the pandemic. In addition, we made a number of changes to our products and services to help support our customers through this difficult period where many household services have been impacted by the pandemic.

COLLEAGUES AND CULTURE

Protecting the welfare of our colleagues across the Group and ensuring the delivery of critical services to customers have been clear priorities driving our response to the pandemic. We are very aware of the challenges colleagues face when working from home and particularly for those with additional caring responsibilities.

We are rightly proud of our award-winning service, and of our strong social purpose, which together deliver a "Just" experience to our customers. Our colleagues are at the heart of this and I am grateful for the immense contribution they make to our business and for the way they have adapted so positively and with such agility to our new way of working during the pandemic.

Building a diverse workforce and strengthening our inclusive culture is a key priority for Just. It's the right thing to do and it helps us to succeed, innovate and better serve our customers. We are on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by 2023. We are signatories to the Race at Work Charter and support the 10,000 Black Interns programme.

We are looking forward to welcoming our colleagues back to our offices in the second half of 2021 and we are adopting a carefully planned and safe return. In future, we expect to adopt a hybrid working model and we have made material changes to the format and functionality of our offices by accelerating our modern workplace programme. Our offices will be used far more to facilitate collaboration activity across our teams as our colleagues choose to work flexibly between home and office.

In January 2021 we took part in the annual Best Companies survey and as a result of this focus, we were delighted to achieve our highest level of employee engagement since first participating in the survey in 2009. We have been accredited as a 2 star organisation which represents outstanding levels of engagement and was a 7% increase in our Best Companies score in comparison to 2019.

FINANCIAL PERFORMANCE

I am very pleased that we have built on the growth that we showed in the second half of 2020 with our increased first half sales and new business profit helping us to grow adjusted operating profits by 47% to £90m and offset slightly lower in-force profits.

Our interest rate hedging programme has successfully protected our solvency capital position, but the rise in interest rates in the first half of the year has resulted in an economic loss, which means we have an overall IFRS loss before tax of £87m for the first six months of 2021.

The attention to capital discipline has resulted in a further fall in our new business strain to £17m (H1 2020: £24m) and helped to achieve a very pleasing underlying organic capital generation of £25m (H1 2020: £3m). We are building a strong, sustainable track record in capital generation, which we are all committed to continuing.

IN CONCLUSION

Through these extraordinary times we are doing all we can to ensure we live up to our purpose. I am very grateful to my colleagues for their resilience, commitment and adaptability during this challenging period. The foundations we have put in place over the last two years have strengthened the Group's capital base and are allowing us to grow the business sustainably. This means we are able to help more people achieve a better later life whilst also increasing shareholder value in 2021 and beyond.

DAVID RICHARDSON

Group Chief Executive Officer

Business Review

DELIVERING RESULTS

The Board is determined to take advantage of the growth opportunities available to the Group whilst continuing to build further resilience in the capital base, and delivering value for customers and shareholders.

The Business Review presents the results of the Group for the six months ended 30 June 2021, including IFRS and Solvency II information.

The business continues to benefit from the strong positive progress in previous years, in particular a transformed new business model, with a strengthened capital base. Our new business franchise delivered 22% growth in Retirement Income sales over the first six months of 2021 and is well positioned with a strong pipeline of potential DB sales for the second half of the year. The impact of COVID-19 on daily life and the economy has been a real test of Just's operational and capital resilience, and I am delighted to say that the business has met every challenge. Strong structural growth drivers underpin our participation in attractive segments of the retirement income market and the business is starting to show real momentum.

Our key performance metric, underlying organic capital generation is now in a healthy positive position, and we are on track to meet our 2022 target (to double the £18m achieved in 2020). This has been achieved through a continuing focus on pricing discipline and new business origination, with new business strain significantly under our 3% guidance (1.9% for the six months to 30 June 2021, 2.2% for 2020 as a whole) and maintaining strong progress on cost reduction, with the expense overrun reduced during the first half to £4m (2020: £12m), and on-track to be eliminated by year-end.

The £25m of underlying organic capital generation the Group achieved has further strengthened the capital position of the Group during the first half, as the Solvency II capital coverage ratio increased to 160%[1]. We expect the 30 June 2021 Solvency II capital coverage ratio to be impacted by a net c.2 percentage points reduction, resulting from internal model changes[2] that we are intending to make ahead of year-end net of the benefit from the sale of further tranches of Lifetime mortgages we expect to complete shortly, to a pro forma 158%. Our capital position has been supported by the continuing health of the UK residential property market, with further growth[3] expected to flow through our solvency position in the second half driven by the end of the stamp duty holiday and pent-up demand as people re-assess their lifestyle choices.

We continue to target further reductions in the exposure of our Solvency II balance sheet to UK house prices, through NNEG hedging and LTM portfolio sales. The sale of an LTM portfolio, covering 7% of the in-force portfolio, is currently in progress. It is expected that the sale will improve the Group's Solvency II capital coverage ratio by up to 1 percentage point and also reduce the sensitivity of that ratio to movements in UK residential property prices by over 1 percentage point. The sale is also likely to result in a c.£125m IFRS net of tax loss. We have a number of capital items to conclude in 2021/22, including advancing a major model change with the Prudential Regulation Authority ("PRA") to establish the basis for incorporating the Effective Value Test ("EVT") in stress, in addition to obtaining full benefit from the NNEG hedging transactions completed over the past two years. During 2022, we intend to work with the PRA to bring Partnership Life Assurance Company Limited ("PLACL") onto the refreshed internal model.

The longer-term impact from the pandemic on policyholder mortality is still unknown. The balance sheet has proved extremely resilient as movements in the financial markets have had limited impact on the Group's capital position over the past 18 months. Active hedging of the Group's interest rate exposure minimised any impact on our solvency capital position from the significant reduction in long-term interest rates in 2020. As rates have risen during the first half of 2021, this has resulted in an economic loss for our IFRS balance sheet, which means we have an overall IFRS loss before tax of £87m for the first six months of 2021. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 6 and 9 of these financial statements.

Credit downgrades affecting 8% of the Group's corporate bond portfolio have led to a negligible reduction in the Solvency II capital coverage ratio, and were more than offset by the positive capital impacts from portfolio

management. The Group is committed to further growing and diversifying the non-LTM illiquid portfolio, in particular continued investment in infrastructure projects, commercial real estate including income strips and ground rents, social housing and local authority loans.

At this time, the outlook for the economy is positive as the continued progress of the COVID-19 vaccine programme has allowed a re-opening to commence. With a stronger, stable and more prudent capital base, that is now generating growing excess capital on an underlying basis, and with a low strain new business model, the foundations are firmly in place to take advantage of the multiple growth opportunities available in our attractive markets, and increasingly provide choices on the future deployment of that capital.

1 The 30 June 2021 figure allows for a notional recalculation of TMTP and the expected impact of adopting the interest rate benchmark SONIA.

2 A major model change application process is underway with the PRA, refer to note 14 for further details.

3 Positive property variance is achieved when the actual house price growth rate in a period, which is based on lagged ONS data, is greater than the long term SII growth assumption.

CAPITAL MANAGEMENT

Just Group plc estimated Solvency II capital position

The Group's Solvency II capital coverage ratio was estimated at 160% at 30 June 2021, after notional recalculation of transitional measures on technical provisions ("TMTP") (31 December 2020: 156%). The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's key performance indicators ("KPIs").

	30 June 2021 £m	31 December 2020 £m
Own funds	**2,900**	3,014
Solvency Capital Requirement	**(1,807)**	(1,938)
Excess own funds	**1,093**	1,076
Solvency coverage ratio[1,2]	**160%**	156%

1 This figure allows for a notional recalculation of TMTP as at 30 June 2021 and 31 December 2020.

2 The 30 June 2021 figure also includes the expected impact of adoption of interest rate benchmark SONIA. Without this adjustment and notional TMTP recalculation, the Group's regulatory solvency II capital coverage ratio as at 30 June 2021 was estimated at 173% (31 December 2020: 155%). See also Note 14, Capital.

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 FUNDS[1]

The table below analyses the movement in excess own funds, in the six months to 30 June 2021.

	At 30 June 2021[2] £m	At 30 June 2020 £m
Excess own funds at 1 January	**1,076**	748
Operating		
In-force surplus net of TMTP amortisation[3]	**90**	83
New business strain	**(17)**	(24)
Finance cost	**(35)**	(36)
Expenses	**(13)**	(20)
Underlying organic capital generation	**25**	3
Other	**18**	142
Total organic capital generation[4]	**43**	145
Non-operating		
Economic movements	**(27)**	74
Regulatory factors	**1**	(16)
Accelerated TMTP amortisation	**-**	(12)
T2 repayment, net of costs[5]	**-**	(67)
Excess own funds	**1,093**	872

1 All figures are net of tax, and allow for a notional recalculation of TMTP as at 30 June 2021.
2 The 30 June 2021 figure also includes the expected impact of adoption of interest rate benchmark SONIA.
3 The in-force line excludes the accelerated amortisation of a portion of TMTP which has been shown separately.
4 Organic capital generation includes surplus from in-force, new business strain, overrun and other expenses, interest and dividends and other operating items. It excludes economic variances, regulatory changes, accelerated TMTP amortisation and capital issuance.
5 2020 figure is PLACL's Tier 2 bond which was called in March 2020.

ORGANIC CAPITAL GENERATION

£25m of underlying organic capital generation for the first six months of 2021 is a significant improvement on the £3m of underlying organic capital generation delivered in the first half of 2020, and builds further on the £15m of underlying organic capital generation delivered in the second half of 2020.

The continued improvement in underlying organic capital generation is due to the successful execution of the Group's business plan, in particular the focus on low strain new business. In-force surplus has continued to increase as the size of the in-force book grows, with stable finance costs as the coupon from the green Tier 2 debt instrument issued was offset by repayment of the remaining PLACL Tier 2 bond and Tier 3 tender offer. New business strain of £17m was £7m lower than in the first six months of 2020, despite Retirement Income sales increasing by 22%. A continued focus on costs has reduced expense overruns by £8m to £4m when compared to the same period in 2020. Cost allowances are volume related and with a natural bias in new business origination in the second half, overruns occur in the first half, which are offset by underruns in the second half. The overrun is on track to be eliminated by the end of 2021.

NON-OPERATING ITEMS

Negative economic movements of £(27)m resulted from hedging losses arising from higher interest rates, offset by the positive effect from property variances and credit portfolio management. We hedge interest rates so that any change in rates has a minimal effect on our Solvency II capital coverage ratio. Whilst there was a negative effect on excess own funds from hedging during the period, there was a corresponding offsetting reduction in the SCR, and therefore little change to the Solvency II capital coverage ratio. Positive property variance of £41m reflected growth in house prices during the first six months of 2021 of 3.7%[1], which was above our annual 3.3% long-term assumption. The cost of credit migration during the period was £15m, or a <1% reduction in our Solvency II capital coverage ratio, as credit conditions remained benign. During the six months to 30 June 2021, we sold £154m of bonds, while 8% of our issuers by market value were downgraded. Of this, £200m or 1.5% were downgraded by a full letter, and one bond with a market value of £11m was downgraded to sub-investment grade. For context, the Group's government and corporate bond portfolio is valued at £13.1bn. The cost of credit migration

was more than offset by active portfolio management, which led to capital generation of £36m. We continue to actively manage the credit portfolio, and expect credit migration costs over the past 18 months to gradually reverse as the economy improves.

Included within Regulatory factors is a negative of £15m arising from the expected impact of the move from the LIBOR curve to the SONIA curve as the basis for valuing the Group's liabilities offset by the impact of tax rate changes on the Group's deferred tax assets.

The property sensitivity remains at 14% (31 December 2020: 14%). We anticipate that a reduced LTM backing ratio on new business and additional management actions, including the LTM portfolio sale in progress, and further NNEG hedging will further decrease this sensitivity over time. Note that the credit quality step downgrade sensitivity below, as well as being a severe stress requiring a significant downgrade in credit quality for 20% of our credit portfolio, does not allow for the positive impact from credit portfolio management during a time of stress.

[1] The house price growth rate, represents Just's LTM portfolio, and applies lagged ONS data by postcode to produce a profiled portfolio rate.

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

ESTIMATED SOLVENCY II SENSITIVITIES[1]

	At 30 June 2021 %	At 30 June 2021 £m
Solvency coverage ratio/excess own funds[2]	**160**	**1,093**
-50 bps fall in interest rates (with TMTP recalculation)	**-**	**71**
+100 bps credit spreads	**(1)**	**(9)**
Credit quality step downgrade (with TMTP recalculation)[3]	**(15)**	**(207)**
+10% LTM early redemption	**2**	**15**
-10% property values (with TMTP recalculation)[4]	**(14)**	**(224)**
-5% mortality	**(14)**	**(230)**

[1] In all sensitivities the EVT deferment rate is maintained at the level consistent with base balance sheet, except for the interest rate sensitivity where the deferment rate reduces in line with the reduction in risk free rates but is subject to the minimum deferment rate floor of 0.50% as at 30 June 2021 (0% as at 31 December 2020).

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

[3] Sensitivity shows the impact of an immediate full letter downgrade on 20% of assets where the capital treatment depends on a credit rating (including corporate bonds, commercial mortgages and infrastructure loans), but excludes lifetime mortgage senior notes. All credit assets were grouped into rating class, then 20% of each group were downgraded.

[4] After application of NNEG hedges.

RECONCILIATION OF IFRS TOTAL EQUITY TO SOLVENCY II OWN FUNDS

	30 June 2021 £m	31 December 2020 £m
Total equity on IFRS basis	**2,412**	2,490
Goodwill	**(34)**	(34)
Intangibles	**(91)**	(100)
Solvency II risk margin	**(735)**	(846)
Solvency II TMTP[1]	**1,778**	2,106
Other valuation differences and impact on deferred tax	**(1,218)**	(1,391)
Ineligible items	**(2)**	(5)
Subordinated debt	**795**	795
Group adjustments	**(5)**	(1)
Solvency II own funds[1,2]	**2,900**	3,014
Solvency II SCR[1,2]	**(1,807)**	(1,938)
Solvency II excess own funds[1,2]	**1,093**	1,076

1 These figures allow for a notional recalculation of TMTP as at the period end.
2 The 30 June 2021 figure also includes the expected impact of adoption of interest rate benchmark SONIA.

RECONCILIATION FROM REGULATORY CAPITAL SURPLUS TO REPORTED CAPITAL SURPLUS

	30 June 2021[1] £m	**30 June 2021[1] %**	31 December 2020 £m	31 December 2020 %
Regulatory capital surplus	**1,299**	**173**	1,071	155
Notional recalculation of TMTP	**(191)**	**(13)**	5	1
Expected impact of adoption of SONIA[1]	**(15)**	**-**	n/a	n/a
Reported capital surplus	**1,093**	**160**	1,076	156

1 The expected impacts of adoption of SONIA have been included at the 30 June 2021.

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: organic capital generation, underlying organic capital generation, new business operating profit, in-force operating profit, underlying operating profit, adjusted operating profit, Retirement Income sales, management expenses 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 which 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 2020 the Group introduced two new KPIs, management expenses, and underlying organic capital generation/(consumption) and discontinued In-force operating profit as a KPI. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit and net assets. The Group's KPIs are discussed in more detail within the capital management section above, and on the following pages.

The Group's KPIs are shown below:

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Change %
Underlying organic capital generation[1]	**25**	3	733
Organic capital generation[1]	**43**	145	(70)
Retirement Income sales[1]	**908.5**	744.9	22
New business operating profit[1]	**73.7**	66.0	12
Adjusted operating profit before tax[1]	**90.3**	61.6	47
Management expenses[1]	**69.8**	72.4	(4)
IFRS (loss)/profit before tax	**(86.8)**	304.5	(129)

	30 June 2021 £m	31 December 2020 £m	Change
Solvency II capital coverage ratio[2,3]	**160%**	156%	4pp
IFRS net assets	**2,411.6**	2,490.4	(3)%

1 Alternative performance measure, see glossary for definition.
2 Estimated, after allowing for a notional recalculation of TMTP as at 30 June 2021 and 31 December 2020.
3 The 30 June 2021 figure also includes the expected impact of adoption of interest rate benchmark SONIA.

ADJUSTED OPERATING PROFIT

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Change %
New business operating profit	**73.7**	66.0	12
In-force operating profit	**44.5**	50.6	(12)
Underlying operating profit	**118.2**	116.6	1
Operating experience and assumption changes	**26.1**	(2.6)	
Other Group companies' operating results	**(8.0)**	(7.9)	1
Development expenditure	**(3.2)**	(4.2)	(24)
Reinsurance and finance costs	**(42.8)**	(40.3)	6
Adjusted operating profit before tax[1]	**90.3**	61.6	47

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

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax of £90.3m for the six months ended 30 June 2021 increased by 47% compared to the corresponding 2020 period. Underlying operating profit, the sum of new business operating profit and in-force operating profit, rose 1% to £118.2m.

NEW BUSINESS OPERATING PROFIT

New business operating profit has increased by 12% to £73.7m for the six months ended 30 June 2021, driven by a 22% increase in Retirement Income sales to £909m. The new business margin achieved on Retirement Income sales during the period was 8.1% (six months ended 30 June 2020: 8.9%), reflecting adjustments made to the asset mix backing the new business, tighter credit spreads, in particular on lifetime mortgages, and an increase of deferred DB liabilities, which are more capital efficient, but lower margin. The Group continues to focus on pricing discipline and risk selection, and is benefiting from lower acquisition costs due to business mix and cost reductions.

MANAGEMENT EXPENSES

Management expenses have decreased by 4% to £69.8m for the six months ended 30 June 2021 (six months ended 30 June 2020 £72.4m). The Group has maintained its focus on cost control, with a three year cost reduction programme expected to conclude by the end of 2021.

IN-FORCE OPERATING PROFIT

In-force operating profit decreased by 12% to £44.5m for the six months ended 30 June 2021 (six months ended 30 June 2020: £50.6m). The effect of narrowing credit spreads during the first half of 2021 was in contrast to widening credit spreads and downgrades in 2020, generating reduced in-force operating profit. Aside from credit spread movement, the Group's in-force operating profit benefited from a growing in-force book of business, higher surplus assets and strong control of policy maintenance costs.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

The Group has paid close attention to developments as the COVID-19 vaccine programme rolls out across the population, which began with its customer base, many of whom are in the more vulnerable category. However, the long-term impact of the COVID-19 pandemic on those who recovered from the disease, the efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes need to be considered when reviewing long-term assumptions, in particular in respect of property and mortality.

The Group considered the early experience of the COVID-19 pandemic and adopted CMI_19 as part of the annual basis review in December 2020, and will continue to assess its long-term assumptions during 2021. There were no changes to the Group's long term assumptions at 30 June 2021, and we will carry out a full basis review as usual in December 2021. Sensitivity analyses are shown in notes 6 and 9 which set out the impact on the IFRS results from changes to key assumptions, including mortality.

Overall, a positive operating experience of £26.1m was reported in the first six months of 2021 (six months ended 30 June 2020: negative £2.6m). This is comprised of positive mortality experience for annuity business, particularly Care business, due to higher than expected deaths and a number of large DB cases, offset by negative LTM experience in relation to early redemptions arising in part from mortality. The negative operating experience in the prior period was primarily driven by a number of one-off reinsurance transactions relating to GIfL and DB partnering, which were not repeated in 2021.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £8.0m in the first six months of 2021 (six months ended 30 June 2020: loss of £7.9m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

DEVELOPMENT EXPENDITURE

Development expenditure mainly relates to product development and new initiatives, such as new capital light products. It also includes preparations for the new insurance accounting standard IFRS 17 and distribution improvements such as online capability and digital access.

REINSURANCE AND FINANCE COSTS

Reinsurance and finance costs 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 increase for the period is due to the six months of coupon on the Green £250m Tier 2 notes issued in October 2020, offset by a reduction in interest from the concurrent £75m Tier 3 tender, and reinsurance financing, which was fully repaid at the end of 2020.

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 2021 £m	Six months ended 30 June 2020 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**554.7**	460.3	21
Guaranteed Income for Life Solutions ("GIfL")	**330.3**	258.6	28
Care Plans ("CP")	**23.5**	26.0	(10)
Retirement Income sales	**908.5**	744.9	22

Our chosen markets have proven resilient in the face of considerable challenges, as the structural growth drivers that underpin our markets are unchanged. Retirement Income sales for the first six months of 2021 increased by 22% to £908.5m.

DB sales were £554.7m, an increase of 21%. Transactions are lumpy in nature and subject to timing differences. In 2021, we are increasingly participating in the deferred liabilities market, thus improving our buy-out proposition, and are actively quoting on larger case sizes including those suitable for DB partnering. In the first half of 2021, the overall defined benefit de-risking market has been more subdued, however in our target transaction size segment of less than £250m, the market continues to be active. We are encouraged by our pipeline, with multiple opportunities at various stages of completion. In the first six months of 2021, we completed nine transactions. We estimate that the DB market was c.£32bn in 2020, the second highest on record, after an exceptional year in 2019 (£43.8bn). Lane Clark & Peacock ("LCP") have estimated that the DB buy-in/buy-out market could total £150-250bn during the five year 2021-25 period, and thereafter rising beyond £50bn per annum towards the end of the decade as larger schemes gradually close funding deficits and move to buy-out.

GIfL sales increased by 28% to £330.3m for the first six months of 2021. The second quarter of 2020 was particularly impacted by COVID-19 related challenges given the inherent face-to-face advice process; however, advisers responded quickly by utilising virtual means, and by June 2020, GIfL sales returned to their normal run-rate. Economic uncertainty has demonstrated to customers the importance and security of a guaranteed income, albeit customer rates have been impacted by the low interest rate environment. Care sales were subdued and remain impacted by customer behaviour changes due to the pandemic, but only represent less than 3% of Retirement Income sales.

OTHER NEW BUSINESS SALES

Lifetime Mortgage advances for the first six months of 2021 were £275.5m (six months ended 30 June 2020: £223.7m), an increase of 23%, reflecting higher Retirement Income sales. 2021 also includes £27m of LTM origination on behalf of a third party. The Group does not hold an economic exposure for these assets, but earns a fee for originating and administering these loans. In line with other assets, LTM spreads compressed somewhat during the first half of the year as risk free rates rose, which impacted the new business margin. In the first half of the year, there was a greater propensity for customers to take a lump sum upfront as certain customers took advantage of the competitive rates on offer to refinance their facility or to gift to family to fund a home purchase deposit, thus taking advantage of the government stamp duty holiday.

We continue to be selective in the mortgages we advance, as we use our market insight and distribution to target certain sub-segments of the market, for example shorter duration loans to older borrowers, and/or customers with sufficient income to service interest on their borrowings. In future, we expect to gradually taper the proportion of LTMs backing new business towards 20%.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) has increased from 4.8 pence for the 6 months ended 30 June 2020, to 7.1 pence for the current period.

	Six months ended 30 June 2021	Six months ended 30 June 2020
Adjusted earnings (£m)	**73.1**	49.9
Weighted average number of shares (million)	**1,033.0**	1,029.8
Adjusted EPS[1] (pence)	**7.1**	4.8

[1] Alternative performance measure, see glossary for definition.

EARNINGS PER SHARE

	Six months ended 30 June 2021	Six months ended 30 June 2020
Earnings (£m)	**(81.0)**	232.5
Weighted average number of shares (million)	**1,033.0**	1,029.8
EPS (pence)	**(7.84)**	22.58

RECONCILIATION OF OPERATING 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 2021 £m	Six months ended 30 June 2020 £m
Adjusted operating profit before tax	**90.3**	61.6
Non-recurring and project expenditure	**(8.3)**	(3.1)
Implementation of cost saving initiatives	**-**	(2.6)
Investment and economic (losses)/profits	**(173.9)**	243.5
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**14.1**	14.1
Amortisation of acquired intangibles	**(9.0)**	(9.0)
IFRS (loss)/profit before tax	**(86.8)**	304.5

NON-RECURRING AND PROJECT EXPENDITURE

Non-recurring and project expenditure was £8.3m. This includes preparations for an internal model change to incorporate recent regulatory changes and to move PLACL from standard formula to a Group internal model, and a number of smaller project costs. The Group continues to improve its business processes, and increase efficiency by investing in systems, which will lead to long term cost and control benefits.

INVESTMENT AND ECONOMIC (LOSSES)/PROFITS

Investment and economic losses for 2021 were £173.9m (six months ended 30 June 2020: £243.5m profit). The main driver for the decrease in investment and economic profits compared to the prior period is the increase in risk free rates during the first half of 2021, which contributed losses of £275m. The Group actively hedges its interest rate exposure to protect the Solvency II capital position, but in doing so we accept the accounting volatility that ensues. The negative effect from the increase in risk free rates has been partially offset by the impact of narrower credit spreads (£47m) and positive property growth experience (£43m). Since 30 June 2021, long term interest rates have fallen, which will have reversed some of the losses experienced in the first half of the year.

Further details and sensitivities are given in notes 6 and 9 of these financial statements.

There were no corporate bond defaults within our portfolio during the period (six months ended June 2020: no defaults).

AMORTISATION OF ACQUIRED INTANGIBLES

Amortisation 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.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below presents the Condensed consolidated statement of comprehensive income for the Group, with key line item explanations.

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Gross premiums written	**909.6**	746.2
Reinsurance premiums ceded	**(11.2)**	(229.3)
Reinsurance recapture	**-**	160.8
Net premium revenue	**898.4**	677.7
Net investment (expense)/income	**(659.4)**	1,129.1
Fee and commission income	**8.0**	5.4
Total revenue	**247.0**	1,812.2
Net claims paid	**(559.9)**	(490.0)
Change in insurance liabilities	**411.8**	(813.5)
Change in investment contract liabilities	**0.1**	(1.2)
Acquisition costs	**(24.3)**	(18.9)
Other operating expenses	**(92.8)**	(101.9)
Finance costs	**(68.7)**	(82.2)
Total claims and expenses	**(333.8)**	(1,507.7)
(Loss)/profit before tax	**(86.8)**	304.5
Income tax	**16.7**	(58.6)
(Loss)/profit after tax	**(70.1)**	245.9

Gross premiums written

Gross premiums written for the period were £909.6m, an increase of 22% compared to the prior period (six months ended 2020: £746.2m). As discussed above, this reflects the increase in Retirement Income new business premiums, which in the prior period were adversely affected by COVID-19 related sales disruption, particularly the need for GIfL advisors to move to virtual means, and timing differences on DB transactions.

Reinsurance premiums ceded

Reinsurance premiums ceded (expense of £11.2m) has decreased significantly in the current period. The first six months of 2020 included a one-off reinsurance expense in relation to the Group's DB partnering business.

Reinsurance recapture

During 2020 the Group recaptured all of the remaining quota share reinsurance arrangements held by its subsidiary Just Retirement Limited ("JRL"). These reinsurance treaties included financing arrangements, which allowed a capital benefit under the old Solvency I regime. The treaties allowed the recapture of business once the financing loan from the reinsurer had been repaid, and the Group has now fully repaid all such financing arrangements.

Net premium revenue

Net premium revenue has increased to £898.4m (six months ended 30 June 2020: £677.7m), driven by the increase in gross premiums written. During the first six months of 2021, the impact of reinsurance has been minor compared to the prior year as discussed above.

Net investment income
Net investment income decreased to an expense of £659.4m (six months ended 30 June 2020: £1,129.1m income). The main components of investment income 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 first half of 2021 which has resulted in unrealised losses in relation to assets held at fair value, and hence the swing from income to expense, as in the prior period, interest rates fell. We closely match our assets and liabilities, hence fluctuations in interest rates will drive both sides of the balance sheet, however, we actively hedge interest rate exposure to protect the Solvency II capital position and in doing so we accept the accounting volatility.

Net claims paid
Net claims paid increased to £559.9m, (six months ended 30 June 2020: £490.0m) reflecting the continuing growth of the in-force book.

Change in insurance liabilities
Change in insurance liabilities was £411.8m for the current period (six months ended 30 June 2020: £813.5m). The decrease is principally due to an increase in the valuation interest rate. The prior period also reflected a reinsurance recapture.

Acquisition costs
Acquisition costs have increased to £24.3m (six months ended 30 June 2020: £18.9m), mainly as a result of the 22% increase in Retirement Income sales, and hence increased LTM origination to back the new business compared to the prior period.

Other operating expenses
Other operating expenses decreased to £92.8m in the current period from £101.9m in 2020. This reduction reflects a reduction in non-recurring expenses and the benefit of the cost-saving initiatives carried out in the current period and during the prior year.

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

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Other operating expenses	**92.8**	101.9
Investment expenses and charges	**(7.4)**	(9.7)
Reassurance management fees	**(4.3)**	(9.3)
Amortisation of acquired intangible assets	**(9.0)**	(9.0)
Other costs	**(2.3)**	(1.5)
Management expenses	**69.8**	72.4

Finance costs
The Group's overall finance costs have decreased to £68.7m (six months to 30 June 2020: £82.2m). The main driver relates to a reduction in reinsurance deposits, which have fallen in line with the £940m reinsurance recaptures made at the end of 2020, as mentioned above. This decrease was partly offset by interest on the new Tier 2 loan notes issued in October 2020. 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 2021 was a credit of £16.7m (six months ended 2020: charge of £58.6m), reflecting the movements in non-operating items, in particular the increase in interest rates, which was somewhat offset by positive property growth experience and narrower credit spreads. The effective tax rate for the period was 19.2% (2020: effective tax rate of 19.2%). The effective tax rate is consistent with the standard 19%.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below presents selected items from the Condensed consolidated statement of financial position, with key line item explanations below. The information below is extracted from the statutory consolidated statement of financial position.

	30 June 2021 £m	31 December 2020 £m
Assets		
Financial investments	**23,174.5**	23,269.8
Reinsurance assets	**2,913.3**	3,132.6
Other assets	**1,264.9**	1,771.0
Total assets	**27,352.7**	28,173.4
Share capital and share premium	**198.3**	198.3
Other reserves	**948.8**	948.8
Accumulated profit and other adjustments	**972.9**	1,051.2
Total equity attributable to ordinary shareholders of Just Group plc	**2,120.0**	2,198.3
Tier 1 notes	**294.0**	294.0
Non-controlling interest	**(2.4)**	(1.9)
Total equity	**2,411.6**	2,490.4
Liabilities		
Insurance liabilities	**20,498.8**	21,118.4
Reinsurance liabilities	**258.4**	267.1
Other financial liabilities	**2,855.0**	3,305.1
Insurance and other payables	**467.2**	91.6
Other liabilities	**861.7**	900.8
Total liabilities	**24,941.1**	25,683.0
Total equity and liabilities	**27,352.7**	28,173.4

Financial investments

During the first six months of 2021, financial investments decreased by £0.1bn to £23.2bn at (31 December 2020: £23.3bn), as investment of the Group's new business premiums and credit spread narrowing was offset by increases in risk-free rates during the period. The credit quality of the corporate bond portfolio remains resilient, with 49% of the Group's corporate bond and gilts portfolio rated A or above (31 December 2020: 50%) and continues to be well balanced across a range of industry sectors and geographies. Accommodative central bank and fiscal stimulus has led to continued credit spread tightening, however, credit rating agencies have maintained a cautious approach ahead of various government support programmes being gradually withdrawn over the coming months. We have incurred further downgrades on the credit portfolio, amounting to 8% of issuers by market value. Credit rating agencies have been slow to restore previously downgraded companies or corporates to a level our fundamental credit analysis supports, thus providing opportunities to increase our exposure to certain sectors that will benefit from the economic growth expected. The Group has limited exposure to those sectors that are most sensitive to structural change, such as Energy, Auto manufacturers, Basic materials and Consumer (cyclical), while the BBB-rated bonds are weighted towards the sectors least at risk from uncertain macro conditions post COVID-19/Brexit, including Utilities, Communications and Technology, and Infrastructure. During the six month period, the Group continued to actively manage its portfolio and sold £154m of bonds, including those that were most exposed to downgrade. We constantly review the sector allocations, and within those, take the opportunity to trade out of individual names to stay ahead of credit rating agency actions, whilst maintaining diversification. From a sector perspective, rotational changes were minor during the first half of 2021 as we increased allocation towards infrastructure, consumer (staples including healthcare) and commercial mortgages and reduced exposure to banks and real estate including REITS.

At 30 June 2021, the Group had ample liquidity and required less collateral under its hedging arrangements due to a fall in interest rates. We continue to prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, while maintaining an extensive interest rate hedging programme, which is designed to protect against movements in the Solvency II capital coverage ratio.

The loan-to-value ratio of the mortgage portfolio at 30 June 2021 was 35.9% (31 December 2020: 36.1%), reflecting strong property growth across our geographically diversified portfolio, which offset interest roll-up. The percentage of lifetime mortgages decreased by a further 1.4 percentage points to 34.1% of financial investments,

as an increase in long term interest rates decreased the valuation of the LTMs relative to bonds, as LTMs are typically longer duration. We expect the proportion of LTMs in the financial investments portfolio to further decrease in the second half of 2021, as the Group is in advanced discussions to sell a portfolio of mortgages, as part of its objective to reduce the sensitivity of the capital position to house price movements.

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

	30 June 2021 £m	**30 June 2021 %**	31 December 2020 £m	31 December 2020 %
AAA[1]	**2,509.3**	**10.8**	2,197.3	9.4
AA[1] and gilts	**2,117.6**	**9.1**	1,988.8	8.5
A	**3,800.7**	**16.4**	4,135.5	17.8
BBB	**6,057.2**	**26.1**	6,023.4	25.9
BB or below	**459.9**	**2.0**	408.4	1.8
Unrated	**336.7**	**1.5**	255.3	1.1
Lifetime mortgages	**7,893.1**	**34.1**	8,261.1	35.5
Total	**23,174.5**	**100.0**	23,269.8	100.0

[1] Includes units held in liquidity funds.

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 2021 £m	**30 June 2021 %**	31 December 2020 £m	31 December 2020 %
Basic materials	**189.2**	**0.8**	199.9	0.9
Communications and technology	**1,206.1**	**5.2**	1,188.9	5.1
Auto manufacturers	**370.2**	**1.6**	385.0	1.7
Consumer (staples including healthcare)	**1,108.9**	**4.8**	976.6	4.2
Consumer (cyclical)	**146.3**	**0.6**	112.8	0.5
Energy	**499.3**	**2.2**	462.7	2.0
Banks	**1,274.6**	**5.5**	1,422.5	6.1
Insurance	**796.4**	**3.4**	824.9	3.5
Financial – other	**526.4**	**2.3**	462.5	2.0
Real estate including REITs	**575.7**	**2.5**	771.3	3.3
Government	**1,326.4**	**5.7**	1,340.4	5.8
Industrial	**814.3**	**3.5**	839.6	3.6
Utilities	**1,990.3**	**8.6**	2,029.9	8.7
Commercial mortgages	**785.2**	**3.4**	707.0	3.0
Infrastructure	**1,489.3**	**6.4**	1,220.5	5.2
Other	**37.2**	**0.2**	38.0	0.2
Corporate / government bond total	**13,135.8**	**56.7**	12,982.5	55.8
Lifetime mortgages	**7,893.1**	**34.1**	8,261.1	35.5
Liquidity funds	**1,534.0**	**6.6**	1,128.5	4.8
Derivatives and collateral	**611.6**	**2.6**	897.7	3.9
Total	**23,174.5**	**100.0**	23,269.8	100.0

Economic, Social and Governance and investing

During the six months to 30 June 2021, the Group increased its investments in dedicated green and social investments to £1,183m, representing 9.0% of the bond portfolio (31 December 2020: 8.8% of the bond portfolio, 31 December 2019: 6.6% of the bond portfolio). This proportion does not include the Group's substantial investment in lifetime mortgages, which help customers achieve a better later life, through releasing equity tied up in their home. In making investment decisions, sustainable investing principles are formally embedded within our processes, as set out in our Sustainable Investment Framework approved by the Board, and which is available on our website www.justgroupplc.co.uk. As part of the Green bond investment of proceeds commitment, we have funded a number of Spanish, German and US solar projects, and the redevelopment of a commercial property to a green building. The transaction was uniquely structured to allow for a coupon step-down incentive once the green 'Excellent BREEAM' certification is achieved.

Just Group has formally adopted a carbon emissions reduction target, and is aiming to achieve net zero from its operations by 2025. Over the past three years, the Group's carbon emissions per full time employee has fallen by 86% to the lowest level in the UK life insurance industry in the FTSE 350. This reduction is due to a broad range of initiatives including a near halving of the property footprint, moving to a renewable energy tariff for purchased electricity, significantly reduced business travel, and a number of facilities improvements and upgrades. Furthermore, the Group is targeting a reduction to net zero in its investment's portfolio by 2050, with a 50% reduction milestone by 2030, in line with the Association of British Insurers ("ABI") climate change roadmap, published in July 2021.

Reinsurance assets and liabilities

Reinsurance assets decreased to £2.9bn at 30 June 2021 (31 December 2020: £3.1bn). In 2020, reinsurance assets decreased due to the recapture of reinsurance treaties, offset by new reinsurance arrangements entered into for DB partnering (see reinsurance recapture section above). 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 decreased to £1.3bn at 30 June 2021 (31 December 2020: £1.8bn). These assets mainly comprise cash and cash equivalents, and intangible assets. The Group holds significant amounts of assets in cash and cash equivalents, so as to protect against liquidity stresses. During 2020 the Group significantly increased the amount of assets held in cash and cash equivalents so as to increase protection against liquidity stresses, such as those experienced in Q1 2020 as an initial market reaction to the COVID-19 pandemic. The reduction in 2021 reflects a more stable operating environment and reduced market volatility.

Insurance liabilities

Insurance liabilities decreased to £20.5bn at 30 June 2021 (31 December 2020: £21.1bn). The decrease in liabilities arose primarily due to the impact of changes to the valuation rate of interest over the period.

Other financial liabilities

Other financial liabilities decreased to £2.9bn at 30 June 2021 (31 December 2020: £3.3bn). These liabilities mainly relate to deposits received from reinsurers, together with derivative liabilities and cash collateral received. The reduction from the prior year relates to corresponding reduction in reinsurance assets and lower amounts of derivatives and collateral, given the reduced market volatility.

Other liabilities

Other liability balances decreased to £861.7m at 30 June 2021 (31 December 2020: £900.8m). The Group's loans and borrowings were unchanged during the six months to 30 June 2021. The movement in other liabilities includes reductions in the deferred tax liability and accruals.

IFRS net assets

The Group's total equity at 30 June 2021 was £2,411.6m, compared to £2,490.4m at 31 December 2020. Total equity includes the Restricted Tier 1 notes of £294m (after issue costs) issued by the Group in March 2019. Total equity attributable to ordinary shareholders decreased from £2,198.3m to £2,120.0m resulting in net asset value ("NAV") per ordinary share of 204p (2020: 212p).

DIVIDENDS

Whilst the Group has made significant progress to build its capital base to accommodate the regulations on equity release mortgages and continues to grow its underlying organic capital generation, the post pandemic effects on the economy as government stimulus is withdrawn leads to a degree of caution. The Board therefore considers that it would not be appropriate to recommend recommencing dividend payments (total 2020 dividend: nil).

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

We use risk management to make better informed business decisions that generate value for shareholders while delivering appropriate outcomes for our customers and providing 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 management framework is continually developed to reflect our risk environment and emerging best practice. The framework, owned by the Board, covers all aspects of risk management, including risk governance, reporting and policies. Our appetite for different types of risk is embedded across the business to create a culture of confident risk taking.

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. This modelling allows the Board to understand the risks included in the 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.

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") embeds comprehensive risk reviews into our Group management structure. Our annual ORSA report is a key part of our business cycle and informs strategic decision making. ORSA updates are prepared each quarter to keep the Board appraised of the Group's evolving risk profile.

STRATEGIC PRIORITIES

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

Risk	Description and impact	Mitigation and management action
Risk A **Risks from regulatory changes and supervision** **Strategic priorities** 1,3,4,5 **Change in the period** **No change/ Stable** **Risk outlook** **No change/ Stable**	The financial services industry continues to see a high level of regulatory activity and regulatory supervision. This is shown in the 2021/22 Business Plans of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). Changes following SS3/17 to the valuation of no-negative equity guarantees in equity release mortgages, effective at the end of 2019 with a two year phase-in period, have led to a reduction in the matching adjustment ("MA") available from equity release mortgages and a consequent increase in the costs of the no-negative equity guarantees, partially offset by an increase in TMTP. Following the changes last year to the Prudent Person Principle ("PPP") for managing investment risk, the PRA has heightened its focus on the use of illiquid assets (including equity release mortgages) as insurers expand asset allocations in this area, clarifying the regulatory expectations of qualitative and quantitative assessments. 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 PRA requires firms to have fully implemented their plans for identifying and managing the financial risks from climate change by the end of 2021. The FCA expects premium-listed firms (including Just Group plc) to comply with the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ("TCFD") in their annual reports for financial years starting from 1 January 2021. The PRA and FCA have issued new requirements to strengthen operational resilience in the financial services sector. This is a key priority for the regulators. The FCA's Mortgage Intermediaries Portfolio Strategy and Lifetime Mortgage Providers Letters (published in late 2020), set out a	Just monitors and assesses regulatory developments on an ongoing basis. We actively seek to participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any required changes effectively, and to 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 allow 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. A key focus for the Group over the past two years has been to address the expectations of SS3/17, whilst maintaining the confidence of our stakeholders. Further actions to reduce our balance sheet sensitivity to UK property prices and the amount of capital we have to hold for LTMs continues to be a key focus, with a range of actions being explored to build on the no-negative equity guarantee hedging and LTM portfolio sale transactions completed to date. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it reviews for continued appropriateness. Just's regulatory priorities include a major model change application incorporating the requirements of SS3/17 for JRL's internal model, which was submitted to the PRA in June 2021 as well as agreeing the satisfactory regulatory treatment for the no-negative equity guarantee risk transfer transactions already completed. A revised investment risk framework with risk limits was adopted by the Board in support of the Group's ongoing compliance with PPP following last year's supervisory statement. Just are reviewing the potential implications of the Treasury review of Solvency II and the opportunities it presents. Subject to the outcome of the Treasury's review, it is anticipated that the UK's withdrawal from

programme of work for the FCA in assessing whether firms are taking reasonable steps to mitigate the risk of harm to customers and remedy any harms that have occurred as a result of equity release mortgages.

The EIOPA risk-free rate used for valuing liabilities has been updated from 31 July 2021 to reference SONIA as opposed to LIBOR. A provision has been included in the Group HY21 post notional TMTP recalculation solvency position.

The PRA has launched a quantitative impact study (QIS) to assess the financial impact of a variety of potential reforms to the Solvency II regime, including most notably for Just reform of the matching adjustment and the risk margin.

Given that the Group continues to experience a high level of regulatory activity and regulatory supervision, the risk of a negative impact on the Group's capital position is not limited to the matters described in the paragraphs above.

the EU will have limited direct impact on the Group from a regulatory change perspective due to the onshoring of existing EU regulatory framework into UK law. The trade deal agreed between the UK and the EU before the end of the transition period does not address the issue of UK insurers continuing payments to EU/EEA resident customers from 1 January 2021. However, following engagement with EU/EEA regulators over the past 18 months, permanent or interim solutions are in place in jurisdictions where material numbers of our customers reside. Just will continue to engage with national regulators as required to ensure any further measures to allow payments to policyholders to continue are completed.

We have identified the potential impacts of climate change on the Group's financial risks and are developing stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and LTM portfolios. The Group's risk management framework is being developed to accommodate and report on climate risks and make appropriate disclosures in line with TCFD recommendations. Climate and environmental considerations are being embedded in the Group's governance and decision-making.

Just is aligning its operational resilience approach to the regulators' expectations ahead of the implementation deadline of 31 March 2022.

Just has reviewed the implications of the FCA's Mortgage Intermediaries Portfolio Strategy and Lifetime Mortgage Providers letters and expects no direct material impact on the Group from this review; there are however material concerns that the equity release market could be negatively impacted if distribution firms become unviable or the reputation of the market is damaged as a result of the FCA review.

Just is participating in the QIS related to the potential Solvency II reforms to understand the financial impacts of the scenarios requested by the PRA.

Risk	Description and impact	Mitigation and management action
Risk B **Risks from the economic environment** **Strategic priorities** 1,3,4,5 **Change in the period** **No change/ Stable** **Risk outlook** **No change/ Stable**	The premiums paid by the Group's customers are invested to enable future 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 and on the income the Group receives. A further deterioration in the economic environment (resulting, for example, from further outbreaks of COVID-19) could impact the availability and attractiveness of certain securities and increase the risk of credit downgrades and defaults in our corporate bond portfolio. There remains a lack of clarity regarding the UK's future trading arrangements with the EU for financial services which could negatively impact the UK economy. The Group remains exposed to impacts that the UK's withdrawal from the EU has on the UK economy as a whole. A fall in residential property values, as a result of economic conditions for example, could reduce the amounts received from LTM redemptions and may affect the relative attractiveness of the LTM product to customers. The regulatory capital needed to support the possible shortfall on the redemption of LTMs also increases if property values drop. Conversely, significant rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk. It is possible that the Bank of England could use negative interest rates as a policy tool to stimulate the economy. It is not clear the effect that this would have on customer behaviour or on the market for credit investments or lifetime mortgages. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's defined benefit de-risking business volumes grow, its exposure to inflation risk increases. 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.	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 high-quality, lower-risk assets in its investment 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 investment grade assets within counterparty limits. In a low interest rate environment, improved returns are sought by diversifying the types, geographies, industry sectors and classes of investment assets. Such diversification 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 credit exposure to the counterparties with whom we transact these instruments is mitigated by collateral arrangements. While the Group's capital models accommodate negative interest rates, there is no historical data to validate their behaviour in such an environment. The Group's exposure to inflation risk through the defined benefit de-risking business is managed with inflation hedges. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. Sufficient liquid assets are maintained so the Group can readily access the cash it needs should business cash inflows unexpectedly reduce. There can be some short-term volatility in the Group's cash flows, which is 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 understand any potential periods of strain. Following the extreme market volatility in March and April last year, Just amended its ultra short-term liquidity requirements (one month or less) to be held in cash and cash equivalents only, and to keep reserves to cover the worst stresses that have occurred. 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.

Risk	Description and impact	Mitigation and management action
Risk C **Risks from our pricing and reinsurance** **Strategic priorities** 1,3,4 **Change in the period** **No change/ Stable** **Risk outlook** **No change/ Stable**	Writing long-term DB de-risking, GIfL and LTM business requires a range of assumptions to be made based on market data and historical experience, including customers' longevity, 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. Experience may differ materially from the Group's assumptions on these risk factors, requiring them to be recalibrated. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position. 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. Use of reinsurance creates a counterparty default risk exposure in the unlikely event of the failure of the reinsurance provider.	Longevity and other decrement experience is analysed to identify any outcomes materially different from our assumptions and is used for the regular review of the reserving assumptions for all products. To manage the risk of our longevity assumptions being incorrect, the Group uses its extensive underwritten mortality data, as well as external mortality data sets, to provide insights and enhanced understanding of the longevity risks that the Group chooses to take. The Group has monitored experience since the outbreak of COVID-19 and systematically reviewed external evidence related to the potential impact on assumptions. The Group continues to analyse possible direct and indirect impacts of the pandemic, including the possibility of an enduring effect on the longevity of customers. A significant proportion of longevity risk exposure is transferred to reinsurers. The Group performs due diligence on our reinsurance partners and they undertake due diligence on the Group's approach to risk selection. The Group monitors its exposure to reinsurers on an ongoing basis. This exposure is partially mitigated through the posting and receipt of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group, and is managed within the Group risk appetite limit. The Group measures its counterparty exposure as the change in Excess Own Funds above Solvency II SCR from a default of each individual counterparty combined simultaneously with both longevity and market stresses. The measures used include the change immediately upon default and after the Group has re-established cover. The Group's maximum exposure to individual counterparties is subject to limits set by the Group Board. For LTMs, 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-property value ratio, supported by product design features, limiting specific property types and exposure to each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations.

Risk	Description and impact	Mitigation and management action
Risk D **Risks arising from operational processes and IT systems** **Strategic priorities** 1,2,3,4,5 **Change in the period** **No change/ Stable** **Risk outlook** **No change/ Stable**	The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, managing its investment, 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 and/or third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business as well as harm its reputation. Large organisations continue to be targets for cyber-crime, particularly those organisations that hold customers' personal details and have implemented remote working arrangements for staff. The Group is no exception and a cyber-attack could affect customer confidence, or lead to financial losses.	The Group maintains plans and controls to minimise the risk of business disruption due to information security or resilience related events including civil unrest and pandemics. Detailed incident and crisis management plans exist to ensure effective responses, and these are supported by specialist third parties, including remote data centres. Protecting our customers' interests is our top priority. Agile working arrangements enable the Group to protect customers, staff and business partners from operational shocks, ensuring that no one experiences any material detriment. A formal but flexible resilience framework, supplemented by our modern working capabilities, enables continuity of service by the Group. Just's ability to remain operational is dependent upon a resilient technology platform, which allows us to switch our business from a central to a remote operating model. Risks associated with remote working have been assessed and addressed on an ongoing basis. Privacy by design and employee awareness of their responsibilities underpins our commitment to protecting our customers' data. Strong data protection controls support this philosophy, with all employees trained in data handling and the high standards that are expected to protect it. We operate a Group-wide network of Data Protection Champions to promote awareness, good practice and identify improvements within their teams. To support this commitment, the Group invests in tools to help identify, manage and report on data and cyber threats, including tools to monitor user access to sensitive data sets and the movement of data across the network. Using artificial intelligence and machine learning, these tools provide early warning of suspicious activity on IT systems. The Group continues to invest in market-leading products to protect a mobile workforce and to maintain our multi-layered approach to information security. Further investment has been made on core infrastructure to help support the transition to remote and future hybrid working models.

Risk	Description and impact	Mitigation and management action
Risk E **Risks from our chosen market environment** **Strategic priorities** 1,2,3,4 **Change in the period** **No change/ Stable** **Risk outlook** **No change**	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. Our chosen market of approaching and in retirement is rightly highly regulated. Whilst we maintain strong controls across our services, we could fail to meet these ever increasing standards and fail 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 also raise the risk of losing one or more of our key partners on whom we rely for customer introductions. Markets have been disrupted to some extent by the COVID-19 pandemic and repeated lockdowns. Investment volatility has emphasised the benefit of a secure income in retirement for customers and the Group expects that demand for guaranteed income for life solutions will continue. Competition has increased in the defined benefit de-risking market, which is expected to continue to grow strongly. The equity release market has been dominated by a limited number of specialist providers, but new entrants – both providers and funders – have emerged along with new product launches. House price growth observed in the second half of 2020 has been sustained in 2021, no doubt influenced by the stamp duty holiday. The end of the stamp duty holiday is likely to result in a slowing of house price inflation with the risk of a fall in prices, which may impact appetite for equity release. Climate change could affect Just Group's financial risks in two ways: (i) transitional risk – 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; government policy may also impact the value of properties, such as through the introduction of minimum energy performance requirements at the time of property sale; and (ii) increased physical risks such as flooding, due to severe rainfall or	Our approach to legislative change is to participate actively and engage with policymakers. The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and has flexed its offerings in response to market dynamics. We believe we are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials and financial strength. 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. Destination Retirement remains a core strategic plank for the distribution business. This is an automated advice service, targeted at people approaching or in retirement with modest pension savings who are unlikely to be able to afford traditional financial advice. We continue close engagement with the FCA and their sandbox initiative. The defined benefit pension transfer advice market has remained under close regulatory scrutiny through the year. As the numbers of pension transfer authorised intermediaries reduces, we continue to operate in this demanding market, meeting customer needs by demonstrating the high advice standards expected. The risk of increased competition in the equity release market is mitigated through continuing work to improve the customer appeal of the Group's LTM products, explore new product variants and meet distributors' digital and service needs. Just is enhancing its ESG approach in its investment strategy as set out in the sustainable investment framework, which was referenced in Just's Sustainable Bond Framework documentation. We are considering changes to the LTM lending policy in response to the climate change physical property risk.

Risk	Description and impact	Mitigation and management action
	tidal surges, or heatwaves leading to increased subsidence, which may affect the value of properties not seen as having such an exposure at present. A fall in property values could affect our ability to recover the full balances of LTMs as a result of the no-negative equity guarantee.	
Risk F **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**	Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we intend to conduct our business and treat our customers and wider stakeholder groups. 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 or contributing to global efforts to reduce climate change risk. Additionally, the Group's reputation could be threatened by external risks such as a cyber-attack or regulatory intervention or enforcement action, either directly or as a result of contagion from other companies in the sectors in which we operate. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.	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. Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainable targets aiming for our operations to be net carbon neutral by 2025 and our investment portfolio to be carbon net zero by 2050, and by 2030 to have reduced our emissions on the portfolio by 50%. The Group maintains a system of internal control, and associated policies and operational procedures, which define the standards we expect of all colleagues.

The Group's strategic priorities are explained in more detail on pages 16 and 17 of the Just Group plc Annual Report and Accounts 2020.

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;
- 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
11 August 2021

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 6 month period ended 30 June 2021 (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.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, we draw attention to note 14, which explains that the Group continues to experience a high level of regulatory activity and regulatory supervision which could impact negatively on the Group's capital position. Note 14 also explains that the Group is enhancing its investment strategy, in part to respond to the Prudential Regulation Authority's expectations of firms' compliance with the Prudent Person Principle, and that the Group continues to engage with the Prudential Regulation Authority on how the introduction of the Effective Value Test in stress will ultimately be implemented by the Group.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2021;
- 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.

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.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 August 2021

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2021

	Note	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Gross premiums written	2	**909.6**	746.2	2,147.8
Reinsurance premiums ceded		**(11.2)**	(229.3)	(232.0)
Reinsurance recapture		**-**	160.8	940.0
Net premium revenue		**898.4**	677.7	2,855.8
Net investment (expense)/income		**(659.4)**	1,129.1	1,777.7
Fee and commission income		**8.0**	5.4	11.7
Total revenue		**247.0**	1,812.2	4,645.2
Gross claims paid		**(682.0)**	(654.5)	(1,321.1)
Reinsurers' share of claims paid		**122.1**	164.5	320.9
Net claims paid		**(559.9)**	(490.0)	(1,000.2)
Change in insurance liabilities:				
Gross amount		**622.4**	(889.6)	(2,116.6)
Reinsurers' share		**(210.6)**	236.9	73.5
Reinsurance recapture		**-**	(160.8)	(940.0)
Net change in insurance liabilities		**411.8**	(813.5)	(2,983.1)
Change in investment contract liabilities		**0.1**	(1.2)	(1.8)
Acquisition costs		**(24.3)**	(18.9)	(44.5)
Other operating expenses		**(92.8)**	(101.9)	(219.9)
Finance costs		**(68.7)**	(82.2)	(159.0)
Total claims and expenses		**(333.8)**	(1,507.7)	(4,408.5)
(Loss)/profit before tax		**(86.8)**	304.5	236.7
Income tax	3	**16.7**	(58.6)	(44.2)
(Loss)/profit for the period		**(70.1)**	245.9	192.5
Other comprehensive income/(loss):				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of land and buildings		**-**	–	(1.1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		**0.2**	(0.9)	(0.6)
Other comprehensive income/(loss) for the period, net of income tax		**0.2**	(0.9)	(1.7)
Total comprehensive (loss)/income for the period		**(69.9)**	245.0	190.8
Profit attributable to:				
Equity holders of Just Group plc		**(69.6)**	246.6	193.6
Non-controlling interest		**(0.5)**	(0.7)	(1.1)
(Loss)/profit for the period		**(70.1)**	245.9	192.5
Total comprehensive (loss)/income attributable to:				
Equity holders of Just Group plc		**(69.4)**	245.7	191.9
Non-controlling interest		**(0.5)**	(0.7)	(1.1)
Total comprehensive (loss)/income for the period		**(69.9)**	245.0	190.8
Basic earnings per share (pence)	4	**(7.84)**	22.58	16.06
Diluted earnings per share (pence)	4	**(7.84)**	22.39	15.89

The notes are an integral part of these financial statements.

Condensed consolidated statement of changes in equity
for the period ended 30 June 2021

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	Total shareholders' equity £m	Tier 1 notes £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**	**2,198.3**	**294.0**	**(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**	**2,120.0**	**294.0**	**(2.4)**	**2,411.6**

Year ended 31 December 2020	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2020	103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0
Profit/(loss) for the year	–	–	–	–	–	–	193.6	193.6	–	(1.1)	192.5
Other comprehensive loss for the year, net of income tax	–	–	–	–	(1.1)	–	(0.6)	(1.7)	–	–	(1.7)
Total comprehensive (loss)/income for the year	–	–	–	–	(1.1)	–	193.0	191.9	–	(1.1)	190.8
Contributions and distributions											
Shares issued	0.3	–	–	–	–	–	–	0.3	–	–	0.3
Dividends	–	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.1)
Interest paid on Tier 1 notes	–	–	–	–	–	–	(28.1)	(28.1)	–	–	(28.1)
Share-based payments	–	–	–	–	–	0.6	5.9	6.5	–	–	6.5
Total contributions and distributions	0.3	–	–	–	–	0.6	(22.3)	(21.4)	–	–	(21.4)
At 31 December 2020	103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	(1.9)	2,490.4

Six months ended 30 June 2020	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2020	103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0
Profit/(loss) for the period	–	–	–	–	–	–	246.6	246.6	–	(0.7)	245.9
Other comprehensive loss for the period, net of income tax	–	–	–	–	–	–	(0.9)	(0.9)	–	–	(0.9)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	245.7	245.7	–	(0.7)	245.0
Contributions and distributions											
Shares issued	0.3	–	–	–	–	–	–	0.3	–	–	0.3
Dividends	–	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.1)
Interest paid on Tier 1 notes	–	–	–	–	–	–	(14.1)	(14.1)	–	–	(14.1)
Share-based payments	–	–	–	–	–	1.3	2.3	3.6	–	–	3.6
Total contributions and distributions	0.3	–	–	–	–	1.3	(11.9)	(10.3)	–	–	(10.3)
At 30 June 2020	103.8	94.5	348.4	597.1	4.4	(4.7)	1,119.7	2,263.2	294.0	(1.5)	2,555.7

[1] Includes currency translation reserve.

Condensed consolidated statement of financial position
as at 30 June 2021

	Note	**30 June 2021 £m**	31 December 2020 £m	30 June 2020 £m
Assets				
Intangible assets		**124.7**	133.5	145.4
Property, plant and equipment		**19.4**	20.5	24.1
Financial investments	6	**23,174.5**	23,269.8	22,836.4
Reinsurance assets	9	**2,913.3**	3,132.6	3,945.2
Deferred tax assets		**17.1**	11.5	10.8
Current tax assets		**15.7**	2.9	–
Prepayments and accrued income		**30.7**	74.3	26.8
Insurance and other receivables		**288.5**	32.0	22.5
Cash and cash equivalents		**768.8**	1,496.3	457.0
Total assets		**27,352.7**	28,173.4	27,468.2
Equity				
Share capital	7	**103.8**	103.8	103.8
Share premium	7	**94.5**	94.5	94.5
Reorganisation reserve		**348.4**	348.4	348.4
Merger reserve	7	**597.1**	597.1	597.1
Revaluation reserve		**3.3**	3.3	4.4
Shares held by trusts		**(4.4)**	(5.4)	(4.7)
Accumulated profit		**977.3**	1,056.6	1,119.7
Total equity attributable to owners of Just Group plc		**2,120.0**	2,198.3	2,263.2
Tier 1 notes	8	**294.0**	294.0	294.0
Non-controlling interest		**(2.4)**	(1.9)	(1.5)
Total equity		**2,411.6**	2,490.4	2,555.7
Liabilities				
Insurance liabilities	9	**20,498.8**	21,118.4	19,883.8
Reinsurance liabilities	9	**258.4**	267.1	137.0
Investment contract liabilities		**38.5**	42.8	47.9
Loans and borrowings	10	**774.0**	773.5	599.6
Lease liabilities		**5.8**	6.8	10.2
Other financial liabilities	11	**2,855.0**	3,305.1	4,030.4
Deferred tax liabilities		**9.0**	22.8	25.9
Other provisions		**0.6**	1.0	2.4
Current tax liabilities		**–**	–	36.6
Accruals and deferred income		**33.8**	53.9	39.3
Insurance and other payables		**467.2**	91.6	99.4
Total liabilities		**24,941.1**	25,683.0	24,912.5
Total equity and liabilities		**27,352.7**	28,173.4	27,468.2

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 11 August 2021 and were signed on its behalf by:

ANDY PARSONS
Director

Condensed consolidated statement of cash flows
for the period ended 30 June 2021

	Note	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Cash flows from operating activities				
(Loss)/profit before tax		**(86.8)**	304.5	236.7
Property revaluation loss through profit and loss		**–**	–	1.2
Depreciation of property, plant and equipment		**2.1**	1.6	3.9
Amortisation of intangible assets		**10.0**	10.0	19.9
Impairment of intangible assets		**–**	–	1.1
Share-based payments		**2.5**	3.6	6.5
Interest income		**(345.9)**	(258.2)	(631.7)
Interest expense		**68.7**	82.2	159.0
Realised and unrealised losses/(gains) on financial investments		**361.6**	(926.4)	(1,039.7)
Decrease/(increase) in reinsurance assets		**210.6**	(76.2)	866.5
Decrease/(increase) in prepayments and accrued income		**43.6**	43.8	(3.7)
(Increase)/decrease in insurance and other receivables		**(256.7)**	5.2	(6.1)
(Decrease)/increase in insurance liabilities		**(619.6)**	880.1	2,114.7
Decrease in investment contract liabilities		**(4.3)**	(6.1)	(11.2)
(Decease)/increase in deposits received from reinsurers		**(172.6)**	31.0	(775.3)
(Decrease)/increase in accruals and deferred income		**(19.9)**	(14.3)	3.3
Increase in insurance and other payables		**375.6**	26.8	19.0
Increase/(decrease) in other creditors		**4.3**	(51.1)	(162.7)
Interest received		**203.1**	169.7	314.5
Interest paid		**(39.9)**	(56.3)	(107.7)
Taxation paid		**(12.7)**	(31.9)	(60.6)
Net cash (outflow)/inflow from operating activities		**(276.3)**	138.0	947.6
Cash flows from investing activities				
Additions to internally generated intangible assets		**(1.2)**	(1.0)	(0.1)
Acquisition of property and equipment		**(0.4)**	(1.5)	(2.3)
Net cash outflow from investing activities		**(1.6)**	(2.5)	(2.4)
Cash flows from financing activities				
Issue of ordinary share capital (net of costs)	7	**–**	0.3	0.3
(Decrease)/increase in borrowings (net of costs)		**–**	(62.6)	110.6
Dividends paid	5	**–**	(0.1)	(0.1)
Coupon paid on Tier 1 notes	5	**(14.1)**	(14.1)	(28.1)
Interest paid on borrowings		**(28.3)**	(22.5)	(49.8)
Payment of lease liabilities - principal		**(1.6)**	(2.3)	(4.1)
Payment of lease liabilities - interest		**(0.1)**	(0.1)	(0.2)
Net cash (outflow)/inflow from financing activities		**(44.1)**	(101.4)	28.6
Net (decrease)/increase in cash and cash equivalents		**(322.0)**	34.1	973.8
Cash and cash equivalents at start of period		**2,624.8**	1,651.0	1,651.0
Cash and cash equivalents at end of period		**2,302.8**	1,685.1	2,624.8
Cash available on demand		**768.8**	457.0	1,496.3
Units in liquidity funds		**1,534.0**	1,228.1	1,128.5
Cash and cash equivalents at end of period		**2,302.8**	1,685.1	2,624.8

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 2021.

These Condensed interim financial statements have been prepared on the basis of the policies set out in the 2020 Annual Report and Accounts and in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK'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 2020 which were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In the year to 31 December 2021 the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board and that this change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

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 2020 have been taken from the Group's 2020 Annual Report and Accounts, which was approved by the Board of Directors on 15 March 2021 and delivered to the Registrar of Companies. The report of the auditor on those accounts (i) was unqualified, (ii) did not contain any statement under section 498 (2) or (3) of the Companies Act 2006, and (iii) by way of emphasis of matter, without qualifying their report, drew attention to Note 35, Capital, of the Annual Report and Accounts 2020. The results for the six-month period ended 30 June 2020 have been taken from the Group's Interim Results for the six months to 30 June 2020.

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 steps taken by the Group over the last two and half years to improve capital efficiency; the projected liquidity position of the Company and the Group, the impact of COVID-19, 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, the resilience of the solvency capital position has been tested under a range of adverse scenarios, which considers the possible impacts of economic stress on the Group's business, including stresses to UK residential property prices, house price inflation, credit quality of assets, 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%, and a sensitivity analysis was performed to assess the impact from credit downgrading. 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 has applied UK-adopted IFRS from 1 January 2021. The accounting policies adopted in the preparation of these 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 2020.

There are no new accounting standards or amendments to existing accounting standards relevant to the Group effective from 1 January 2021.

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

- IFRS 9, Financial Instruments.

Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, allowed the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2021. This was intended to align with the effective date of IFRS 17, the replacement insurance contracts standard. In June 2020, the IASB issued a further amendment to IFRS 4 to extend the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023, to align with the amended effective date of IFRS 17 also issued in June 2020. The option to defer the application of IFRS 9, which the Group has continued to adopt for 2021, is subject to meeting criteria relating to the predominance of insurance activity. Eligibility for the deferral approach was based on an assessment of the Group's liabilities as at 31 December 2016, the end of the annual period during which the acquisition of Partnership Assurance Group plc took place and the most recent period of significant change in the magnitude of the Group's activities. At this date the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities. The Group's total liabilities were £22,283.9m and liabilities connected with insurance in the statement of financial position at this date primarily included insurance contracts within the scope of IFRS 4 of £15,748.0m, investment contract liabilities of £222.3m, and certain amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m.

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 2021 would be unchanged at £23,174.5m. 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, not yet endorsed by the UK).

IFRS 17 was issued in May 2017 with an effective date of 1 January 2021. In June 2020, the IASB issued an amended standard which delayed the effective date to 1 January 2023. The amendments issued in June 2020 aimed to assist entities implementing the standard.

IFRS 17 provides a comprehensive approach for accounting for insurance contracts including their valuation, income statement presentation and disclosure. 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 main features of the standard applicable to annuities is the deferment of premium revenues on the balance sheet and with revenue recognition in the profit or loss account over the life of contracts. The impact of IFRS 17 continues to be assessed but it is anticipated there is likely to be a significant change relating to the measurement and presentation of insurance contracts in the Group's statutory reporting.

2. SEGMENTAL REPORTING

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 longer-term nature of the products. The 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 backing shareholder and policyholder funds after allowances for expected movements in liabilities and 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, corporate bond defaults and, with respect to lifetime mortgages, no-negative equity guarantee and early redemptions.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, non-recurring and project expenditure, and implementation costs for cost-saving initiatives, 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, and gains and losses on the revaluation of land and buildings, are also disclosed outside adjusted operating profit.

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 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.

Segmental reporting and reconciliation to financial information

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**73.7**	**–**	**73.7**	66.0	-	66.0
In-force operating profit	**43.3**	**1.2**	**44.5**	50.2	0.4	50.6
Underlying operating profit	**117.0**	**1.2**	**118.2**	116.2	0.4	116.6
Operating experience and assumption changes	**26.1**	**–**	**26.1**	(2.6)	-	(2.6)
Other Group companies' operating results	**–**	**(8.0)**	**(8.0)**	-	(7.9)	(7.9)
Development expenditure	**(2.2)**	**(1.0)**	**(3.2)**	(2.9)	(1.3)	(4.2)
Reinsurance and financing costs	**(44.3)**	**1.5**	**(42.8)**	(39.4)	(0.9)	(40.3)
Adjusted operating profit/(loss) before tax	**96.6**	**(6.3)**	**90.3**	71.3	(9.7)	61.6
Non-recurring and project expenditure	**(7.4)**	**(0.9)**	**(8.3)**	(2.5)	(0.6)	(3.1)
Implementation of cost saving initiatives	**–**	**–**	**–**	(2.5)	(0.1)	(2.6)
Investment and economic (losses)/profits	**(172.7)**	**(1.2)**	**(173.9)**	247.7	(4.2)	243.5
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**14.1**	**–**	**14.1**	14.1	-	14.1
(Loss)/profit before amortisation costs and tax	**(69.4)**	**(8.4)**	**(77.8)**	328.1	(14.6)	313.5
Amortisation of acquired intangibles			**(9.0)**			(9.0)
(Loss)/profit before tax			**(86.8)**			304.5

	Year ended 31 December 2020		
	Insurance £m	Other £m	Total £m
New business operating profit	199.2	–	199.2
In-force operating profit	96.8	1.0	97.8
Underlying operating profit	296.0	1.0	297.0
Operating experience and assumption changes	46.2	–	46.2
Other Group companies' operating results	–	(17.1)	(17.1)
Development expenditure	(5.9)	(1.4)	(7.3)
Reinsurance and financing costs	(79.5)	–	(79.5)
Adjusted operating profit/(loss) before tax	256.8	(17.5)	239.3
Non-recurring and project expenditure	(7.1)	(5.6)	(12.7)
Implementation of cost saving initiatives	(7.8)	(0.7)	(8.5)
Investment and economic profits/(losses)	9.4	(0.9)	8.5
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	28.1	–	28.1
Profit/(loss) before amortisation costs and tax	279.4	(24.7)	254.7
Amortisation of acquired intangibles			(18.0)
Profit before tax			236.7

Segmental revenue

All net premium revenue arises from the Group's insurance segment.

Net investment losses of £659.0m arose from the insurance segment and £0.4m arose from other segments (Six months ended 30 June 2020: income of £1,133.0m and losses of £3.9m respectively / year ended 31 December 2020: income of £1,777.6m and £0.1m respectively).

Segmental fee and commission income are presented in the disaggregation of fees and other income below.

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 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Defined Benefit De-risking Solutions ("DB")	**554.7**	460.3	1,507.9
Guaranteed Income for Life contracts ("GIfL")	**330.3**	258.6	585.9
Care Plans ("CP")	**23.5**	26.0	51.5
Protection	**1.1**	1.3	2.5
Gross premiums written	**909.6**	746.2	2,147.8

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 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Drawdown deposits	**1.1**	–	1.0
LTM loans advanced	**275.5**	223.7	511.7

Reconciliation of gross premiums written to Retirement Income sales

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Gross premiums written	**909.6**	746.2	2,147.8
Protection sales not included in Retirement Income sales	**(1.1)**	(1.3)	(2.5)
Retirement Income sales	**908.5**	744.9	2,145.3

Disaggregation of fees and other income

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
Product/service						
LTM commission	**–**	**0.6**	**0.6**	–	1.1	1.1
GIfL commission	**–**	**2.9**	**2.9**	–	2.0	2.0
Other	**2.7**	**1.8**	**4.5**	1.1	1.2	2.3
	2.7	**5.3**	**8.0**	1.1	4.3	5.4
Timing of revenue recognition						
Products transferred at point in time	**2.7**	**5.1**	**7.8**	1.1	4.1	5.2
Products and services transferred over time	**–**	**0.2**	**0.2**	–	0.2	0.2
Revenue from contracts with customers	**2.7**	**5.3**	**8.0**	1.1	4.3	5.4

	Year ended 31 December 2020		
	Insurance £m	Other £m	Total £m
Product/service			
LTM commission	–	2.1	2.1
GIfL commission	–	4.5	4.5
Other	2.3	2.8	5.1
	2.3	9.4	11.7
Timing of revenue recognition			
Products transferred at point in time	2.3	9.0	11.3
Products and services transferred over time	–	0.4	0.4
Revenue from contracts with customers	2.3	9.4	11.7

All revenue from contracts with customers is from the UK.

3. INCOME TAX

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Current taxation			
Current year	**–**	58.3	46.6
Adjustments in respect of prior periods	**(0.1)**	–	1.0
Total current tax	**(0.1)**	58.3	47.6
Deferred taxation			
Origination and reversal of temporary differences	**(2.8)**	(1.3)	(4.0)
Deferred tax on current period loss	**(14.4)**	–	–
Adjustments in respect of prior periods	**–**	–	(0.9)
Rate change	**0.6**	1.6	1.5
Total deferred tax	**(16.6)**	0.3	(3.4)
Total income tax recognised in profit or loss	**(16.7)**	58.6	44.2

The current taxation adjustment in 2020 in respect of prior periods relates to the conclusion of the transfer pricing enquiry with HMRC.

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 was 19%, rather than the previously enacted reduction to 17%. The effect of this change is that the net deferred tax balances carried forward increased by £1.5m. 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, and the impact of the rate change is that the net deferred tax balances carried forward increased by £0.6m.

The deferred tax assets and liabilities at 30 June 2021 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 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
(Loss)/profit on ordinary activities before tax	**(86.8)**	304.5	236.7
Income tax at 19% (2020: 19%)	**(16.5)**	57.9	45.0
Effects of:			
Expenses not deductible for tax purposes	**0.4**	1.3	2.0
Rate change	**0.6**	1.6	1.5
Higher rate for overseas income	**–**	(0.1)	(0.1)
Unrecognised deferred tax asset	**0.4**	0.6	1.3
Adjustments in respect of prior periods	**(0.1)**	–	0.1
Relief on Tier 1 interest included in equity[1]	**–**	(2.7)	(5.3)
Other	**(1.5)**	–	(0.3)
Total income tax recognised in profit or loss	**(16.7)**	58.6	44.2

[1] Income tax relief on Tier 1 interest for the period ended 30 June 2021 is recognised directly in equity rather than in profit or loss

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 2021			Six months ended 30 June 2020		
	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	**(69.6)**			246.6		
Coupon payments in respect of Tier 1 notes (net of tax)	**(11.4)**			(14.1)		
(Loss)/profit attributable to ordinary equity holders of Just Group plc (Basic)	**(81.0)**	**1,033.0**	**(7.84)**	232.5	1,029.8	22.58
Effect of dilutive potential share options[1]	**-**	**-**	**-**	–	8.5	(0.19)
Diluted	**(81.0)**	**1,033.0**	**(7.84)**	232.5	1,038.3	22.39

[1] The weighted-average number of share options for the six months ended 30 June 2021 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 20.9 million share options.

	Year ended 31 December 2020		
	Earnings £m	Weighted average number of shares million	Earnings per share pence
Profit attributable to equity holders of Just Group plc	193.6		
Coupon payments in respect of Tier 1 notes	(28.1)		
Profit attributable to ordinary equity holders of Just Group plc (Basic)	165.5	1,030.7	16.06
Effect of dilutive potential share options	–	11.1	(0.17)
Diluted	165.5	1,041.8	15.89

5. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid were as follows:

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Dividends paid on the vesting of employee share schemes	**–**	0.1	0.1
Total dividends paid	**–**	0.1	0.1
Coupon payments in respect of Tier 1 notes[1]	**14.1**	14.1	28.1
Total distributions to equity holders in the period	**14.1**	14.2	28.2

1 Coupon payments on Tier 1 notes issued in March 2019 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

6. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

This note explains the methodology for valuing the Group's financial assets and liabilities measured at fair value, including financial investments, and provides disclosures in accordance with IFRS 13: Fair value measurement, including an analysis of such assets and liabilities categorised in a fair value hierarchy based on market observability of valuation inputs.

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 2021 £m	31 December 2020 £m	30 June 2020 £m	**30 June 2021 £m**	31 December 2020 £m	30 June 2020 £m
Units in liquidity funds	**1,534.0**	1,128.5	1,228.1	**1,534.0**	1,128.5	1,228.1
Investment funds	**265.9**	176.1	141.0	**260.7**	175.2	142.4
Debt securities and other fixed income securities	**10,996.2**	11,061.4	10,130.6	**10,189.4**	10,001.9	9,129.3
Deposits with credit institutions	**95.3**	99.7	259.5	**95.3**	99.7	259.5
Derivative financial assets	**517.8**	800.0	609.4	**–**	–	–
Loans secured by residential mortgages	**7,893.1**	8,261.1	8,865.2	**4,625.1**	4,535.7	4,887.5
Loans secured by commercial mortgages	**785.2**	707.0	601.1	**776.9**	680.1	566.9
Other loans	**1,087.0**	1,036.0	1,001.5	**969.5**	885.5	866.9
Total	**23,174.5**	23,269.8	22,836.4	**18,450.9**	17,506.6	17,080.6

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 £93.8m (31 December 2020: £97.8m / 30 June 2020: £255.0m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

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.

The majority of the Group's debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes, and therefore 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. There are no non-recurring fair value measurements as at 30 June 2021 (2020: nil).

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

	30 June 2021				31 December 2020			
	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								
Units in liquidity funds	**1,528.8**	**5.2**	**–**	**1,534.0**	1,123.2	5.3	–	1,128.5
Investment funds	**–**	**71.9**	**194.0**	**265.9**	–	37.1	139.0	176.1
Debt securities and other fixed income securities	**684.6**	**8,999.3**	**1,312.3**	**10,996.2**	809.3	8,995.3	1,256.8	11,061.4
Deposits with credit institutions	**93.8**	**1.5**	**–**	**95.3**	97.7	2.0	–	99.7
Derivative financial assets	**–**	**515.6**	**2.2**	**517.8**	–	796.4	3.6	800.0
Loans secured by residential mortgages	**–**	**–**	**7,893.1**	**7,893.1**	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	**–**	**–**	**785.2**	**785.2**	–	–	707.0	707.0
Other loans	**20.5**	**12.6**	**1,053.9**	**1,087.0**	13.1	11.8	1,011.1	1,036.0
Total	**2,327.7**	**9,606.1**	**11,240.7**	**23,174.5**	2,043.3	9,847.9	11,378.6	23,269.8
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**38.5**	**38.5**	–	–	42.8	42.8
Derivative financial liabilities	**–**	**362.2**	**8.5**	**370.7**	–	509.4	3.3	512.7
Obligations for repayment of cash collateral received	**232.0**	**9.9**	**–**	**241.9**	351.3	26.1	–	377.4
Deposits received from reinsurers	**–**	**–**	**2,242.4**	**2,242.4**	–	–	2,415.0	2,415.0
Other financial liabilities								
Loans and borrowings at amortised cost	**–**	**800.5**	**–**	**800.5**	–	802.0	–	802.0
Total	**232.0**	**1,172.6**	**2,289.4**	**3,694.0**	351.3	1,337.5	2,461.1	4,149.9

	30 June 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value				
Units in liquidity funds	1,223.2	4.9	–	1,228.1
Investment funds	–	20.2	120.8	141.0
Debt securities and other fixed income securities	1,235.2	8,100.3	795.1	10,130.6
Deposits with credit institutions	255.0	4.5	–	259.5
Derivative financial assets	–	599.9	9.5	609.4
Loans secured by residential mortgages	–	–	8,865.2	8,865.2
Loans secured by commercial mortgages	–	–	601.1	601.1
Other loans	21.8	35.3	944.4	1,001.5
Total assets held at fair value	2,735.2	8,765.1	11,336.1	22,836.4
Liabilities held at fair value				
Investment contract liabilities	–	–	47.9	47.9
Derivative financial liabilities	–	636.3	–	636.3
Obligations for repayment of cash collateral received	165.2	–	–	165.2
Deposits received from reinsurers	–	–	2,444.3	2,444.3
Other financial liabilities				
Loans and borrowings at amortised cost	–	629.6	–	629.6
Total liabilities held at fair value	165.2	1,265.9	2,492.2	3,923.3

Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the period there were no transfers from Level 2 to Level 1 (31 December 2020: nil / 30 June 2020: nil).

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 2021	**Investment funds £m**	**Debt securities and other fixed income securities £m**	**Derivative financial assets £m**	**Loans secured by residential mortgages £m**	**Loans secured by commercial mortgages £m**	**Other loans[1] £m**	**Investment contract liabilities £m**	**Derivative financial liabilities £m**	**Deposits received from reinsurers £m**
At start of period	**139.0**	**1,256.8**	**3.6**	**8,261.1**	**707.0**	**1,011.1**	**(42.8)**	**(3.3)**	**(2,415.0)**
Purchases/ Advances/ Deposits	**60.1**	**125.2**	**–**	**275.5**	**131.7**	**85.5**	**(1.1)**	**–**	**(0.6)**
Sales/ Redemptions/ Payments	**(5.8)**	**–**	**–**	**(272.1)**	**(34.9)**	**(8.4)**	**5.3**	**–**	**102.6**
Realised gains and losses recognised in profit or loss within net investment income	**–**	**–**	**–**	**86.8**	**–**	**–**	**–**	**–**	**–**
Unrealised gains and losses recognised in profit or loss within net investment income[1]	**0.7**	**(59.4)**	**(1.4)**	**(592.9)**	**(20.0)**	**(34.6)**	**–**	**(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 end of period	**194.0**	**1,312.3**	**2.2**	**7,893.1**	**785.2**	**1,053.9**	**(38.5)**	**(8.5)**	**(2,242.4)**

1 Includes £971.0m of infrastructure loans.

Year ended 31 December 2020	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans[2] £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At start of period	111.8	729.2	4.0	7,980.5	494.5	835.9	(54.0)	–	(2,417.7)
Purchases/ Advances/ Deposits	27.1	418.9	–	511.7	211.1	173.0	(1.0)	5.0	(1.4)
Transfers from level 2	–	62.2	–	–	–	–	–	–	–
Sales/ Redemptions/ Payments	–	(29.4)	–	(380.9)	(8.7)	(68.2)	14.0	–	212.2
Disposal of a portfolio of LTMs[1]	–	–	–	(600.8)	–	–	–	–	–
Realised gains and losses recognised in profit or loss within net investment income	(0.2)	(0.2)	–	111.6	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income[1]	0.3	80.6	(0.4)	356.3	9.3	69.1	–	(8.3)	(125.3)
Interest accrued	–	(4.5)	–	282.7	0.8	1.3	–	–	(82.8)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	(1.8)	–	–
At end of period	139.0	1,256.8	3.6	8,261.1	707.0	1,011.1	(42.8)	(3.3)	(2,415.0)

1 In December 2020 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £600.8m. 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.

2 Includes £945.0m of infrastructure loans.

Six months ended 30 June 2020	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Other loans £m	Investment contract liabilities £m	Deposits received from reinsurers £m
At start of period	111.8	729.2	4.0	7,980.5	494.5	835.9	(54.0)	(2,417.7)
Purchases/ Advances/ Deposits	10.1	56.2	3.8	223.7	92.5	115.4	(1.1)	(0.7)
Sales/ Redemptions/ Payments	(1.2)	(13.0)	–	(158.0)	(3.3)	(59.2)	8.4	107.1
Realised gains and losses recognised in profit or loss within net investment income	–	(0.2)	–	43.7	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	0.1	26.7	1.7	623.4	17.0	51.3	–	(91.0)
Interest accrued	–	(3.8)	–	151.9	0.4	1.0	–	(42.0)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	(1.2)	–
At end of period	120.8	795.1	9.5	8,865.2	601.1	944.4	(47.9)	(2,444.3)

For Level 1 and Level 2 assets and liabilities measured at fair value, unrealised losses during the period were £(23.1)m and £(297.7)m respectively (year ended 31 December 2020: gains of £23.2m and £241.1m respectively / period ended 30 June 2020: gains of £30.8m and £135.5m 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.

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 2020 and 30 June 2020: 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 2021	**(4.9)**
31 December 2020	(4.9)
30 June 2020	(4.2)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are infrastructure 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 2021. 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 2021.

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

Redemption and defaults

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

For asset-backed securities, the assumptions are that the underlying loans supporting the securities are redeemed in the future in a similar profile to the existing redemptions on an average rate of 3.3% per annum, and that default levels on the underlying basis remain at the current level of the Group's bond portfolio.

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 bonds 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:

Debt securities and other fixed income securities net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2021	**(109.0)**
31 December 2020	(109.2)
30 June 2020	(56.5)

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. The Group has assessed the possible impact of COVID-19 and economic uncertainty on current property assumptions, and has retained its existing property valuation assumptions at 30 June 2021. Details of the matters considered in relation to property assumptions at 30 June 2021 are noted in the section on Loans secured by residential mortgages further below. The impact on derivative financial assets and liabilities from changes to property assumptions are noted in the sensitivity analysis below.

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 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 2021	**(4.4)**	**18.5**	**18.1**	**8.6**
31 December 2020	(6.5)	24.0	24.1	10.2
30 June 2020	(7.4)	24.7	25.9	9.9
Derivative financial liabilities				
30 June 2021	**(1.2)**	**5.8**	**6.1**	**2.5**
31 December 2020	(1.8)	6.3	6.8	2.8

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 sale of the portfolio of Just LTMs in 2020 represented a single market price specific to the characteristics of the underlying portfolio of loans sold. 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 9.

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 3.9% (31 December 2020: 3.6% / 30 June 2020: 3.9%).

Mortality
Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2019 model for mortality improvements for calendar year 2020 onwards (2020: CMI 2019 for mortality improvements for calendar year 2020 onwards). 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 2021. Further details of the matters considered in relation to mortality assumptions at 30 June 2021 are set out in Note 9.

Property prices
The Group's policy is to calculate the value of a property by taking the latest valuation and indexing this value using the Office for National Statistics ("ONS") monthly index for the property's location. The approach in place at 30 June 2021 is unchanged from previous periods.

In addition, the Group applies adjustments to allow for potential underperformance of individual properties relative to the indexed valuation.

Although the COVID-19 pandemic has had a very significant impact on the UK economy during 2020 and 2021, 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 in extent as stamp duty returns to normal levels, 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 2020: 3.3% / 30 June 2020: 3.8%), with a volatility assumption of 13% per annum (31 December 2020: 13% / 30 June 2020 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 in the first half of 2021 has been strong, 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 2020. 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 and external benchmarking. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (31 December 2020: between 0.5% and 4.1% / 30 June 2020: between 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (31 December 2020: between 0.6% and 6.8% / 30 June 2020: between 0.6% and 6.8%). No changes are assumed with regard to the COVID-19 experience.

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. The liquidity premiums are determined at an individual loan level. 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. The average liquidity premium for loans held within JRL is 2.87% (31 December 2020: 2.87% / 30 June 2020: 2.8%) and for loans

held within PLACL is 3.19% (31 December 2020: 3.20% / 30 June 2020: 3.21%). The movement over the period observed in both JRL and PLACL is a function of the liquidity premiums on new loan originations compared to the liquidity premiums on those policies which have redeemed 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 2021	**(5.7)**	**31.6**	**(119.1)**	**(88.4)**	**(56.7)**	**(14.6)**	**(84.2)**
31 December 2020	(5.9)	34.3	(136.1)	(103.7)	(64.5)	(13.2)	(93.1)
30 June 2020	(7.1)	44.9	(131.5)	(102.7)	(66.9)	(21.6)	(103.6)

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 9.

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
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 2021, 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. Interest rates are the most significant assumption applied in calculating the fair value of the loans secured by commercial mortgages. The sensitivity of the valuation of commercial mortgages to changes in interest rates 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:

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2021	**(55.1)**
31 December 2020	(52.9)
30 June 2020	(23.7)

Other loans

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

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

Redemption and defaults

The redemption and default assumptions used in the valuation of level 3 loans are similar to 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 2021.

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 the 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 2021	**(95.6)**
31 December 2020	(91.5)
30 June 2020	(81.3)

Investment contract liabilities

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 2.85% (31 December 2020: 2.34% / 30 June 2020: 2.65%).

Sensitivity analysis

The sensitivity of fair value to changes in maintenance expense 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 2.70% and 0.67% respectively (31 December 2020: 2.21% and 0.06% respectively / 30 June 2020: 2.41% and 0.49% 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 204bps (31 December 2020: 205bps / 30 June 2020: 227bps) 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. 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 2021	**(70.5)**	**(182.8)**
31 December 2020	(80.1)	(218.6)
30 June 2020	(80.1)	(220.8)

7. SHARE CAPITAL

The allotted and issued ordinary share capital of Just Group plc at 30 June 2021 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
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**
At 1 January 2020	1,035,081,664	103.5	94.5	597.1	795.1
In respect of employee share schemes	3,046,892	0.3	–	–	0.3
At 31 December 2020	1,038,128,556	103.8	94.5	597.1	795.4
At 1 January 2020	1,035,081,664	103.5	94.5	597.1	795.1
In respect of employee share schemes	3,046,892	0.3	–	–	0.3
At 30 June 2020	1,038,128,556	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.

8. TIER 1 NOTES

	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m
At start and end of period	**294.0**	294.0	294.0

In March 2019, the Group completed the issue of £300m fixed rate perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £6.0m, net of tax.

The notes bear interest on the principal amount up to 26 April 2024 (the first call date) at the rate of 9.375% 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 26 April and 26 October each year commencing on

26 April 2019. During the period, interest of £14.1m (31 December 2020 £28.1m / 30 June 2020 £14.1m) was paid to noteholders.

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.

9. INSURANCE CONTRACTS AND RELATED REINSURANCE

	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m
Gross insurance liabilities	**20,498.8**	21,118.4	19,883.8
Reinsurance	**(2,654.9)**	(2,865.5)	(3,808.2)
Net insurance liabilities	**17,843.9**	18,252.9	16,075.6

Reinsurance in the table above is the net position of reinsurance assets and reinsurance liabilities.

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, with high rates particularly in the spring of 2020 and early part of 2021. This gave a significant contribution to the positive mortality experience variance in the respective reporting periods. Although the UK has experienced increasing infection rates during the summer of 2021, the corresponding rates of death are not materially different from averages over the pre-pandemic years. This is indicative of some success of the vaccine programme in mitigating a short term increase to mortality rates above our assumptions.

However, there remains uncertainty over the effect on mortality rates of ongoing vaccine effectiveness, the impact of removal of legal restrictions on the spread of infection or the effects of current and potential future new variants.

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 2021. Moreover, mortality assumptions have been maintained at the same level as assumed at 31 December 2020. The Group will continue to follow closely the actual and potential future impact of COVID-19 on mortality as further information becomes available, and will review its mortality assumptions should credible evidence emerge. In particular, the Group continues to analyse potential direct and indirect impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers.

Discount rates
Valuation discount rate assumptions are set by considering the yields on the assets available to back the liabilities. The yields on lifetime mortgage assets are derived using the assumptions described in note 6 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 surrounding COVID-19 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 2021. The considerations around COVID-19 for property prices affecting the NNEG are as described in note 6.

Valuation discount rates – gross liabilities	**30 June 2021 %**	31 December 2020 %	30 June 2020 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**2.85**	2.34	2.65
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**2.70**	2.21	2.41
Defined Benefit (JRL)	**2.85**	2.34	2.65
Defined Benefit (PLACL)	**2.70**	2.21	2.41
Other annuity products (PLACL)	**0.67**	0.06	0.49
Term and whole of life products (PLACL)	**0.75**	0.28	0.41

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 a reduction in yield of 66bps in JRL and 63bps in PLACL (31 December 2020: 69bps and 65bps respectively).

Movements

The following movements have occurred in the insurance contract balances for Retirement Income products during the period.

	Six months ended 30 June 2021			Year ended 31 December 2020		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At start of period	**21,118.4**	**(2,865.5)**	**18,252.9**	19,003.7	(3,732.0)	15,271.7
Increase in liability from premiums	**775.6**	**7.6**	**783.2**	1,803.0	14.1	1,817.1
Release of (liability)/asset due to recorded claims	**(743.1)**	**125.8**	**(617.3)**	(1,397.5)	323.9	(1,073.6)
Unwinding of discount	**243.4**	**(31.5)**	**211.9**	565.6	(103.0)	462.6
Changes in economic assumptions	**(890.7)**	**110.4**	**(780.3)**	1,360.3	(252.8)	1,107.5
Changes in non-economic assumptions	**-**	**-**	**-**	(142.2)	96.9	(45.3)
Other movements[1]	**(4.8)**	**(1.7)**	**(6.5)**	(74.5)	787.4	712.9
At end of period	**20,498.8**	**(2,654.9)**	**17,843.9**	21,118.4	(2,865.5)	18,252.9

	Six months ended 30 June 2020		
	Gross £m	Reinsurance £m	Net £m
At start of period	19,003.7	(3,732.0)	15,271.7
Increase in liability from premiums	586.5	9.3	595.8
Release of (liability)/asset due to recorded claims	(692.4)	161.6	(530.8)
Unwinding of discount	276.6	(52.2)	224.4
Changes in economic assumptions	702.6	(159.3)	543.3
Other movements[1]	6.8	(35.6)	(28.8)
At end of period	19,883.8	(3,808.2)	16,075.6

[1] Includes the impact of reinsurance recapture in 2020.

Reinsurance in the table above is the net position of reinsurance assets and reinsurance liabilities.

Effect of changes in assumptions and estimates during the period

Economic assumption changes

The principal economic assumption change impacting the movement in insurance liabilities during the period relates 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 2021, the contribution from the change in discount rates of £(953)m (year to 31 December 2020: £1,189m) was largely due to increases in the risk free rate and changes to the backing asset portfolio.

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 2021 the contribution was £171m (year to 31 December 2020: £(81)m) from changes in market-implied inflation. A rise in inflation increases the carrying value of the Group's insurance liabilities.

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 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 6. 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 impacts indicated below for insurance contracts also reflect movements in financial derivatives, which are impacted by movements in interest rates. Related reinsurance assets are not impacted by financial derivatives. 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.

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 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)**
31 December 2020						
Assets	(2,471.3)	2,955.9	35.3	(105.8)	(72.8)	–
Liabilities	1,974.6	(2,369.9)	(149.6)	(88.0)	(83.8)	(150.6)
Total	(496.7)	586.0	(114.3)	(193.8)	(156.6)	(150.6)
30 June 2020						
Assets	(2,470.8)	2,916.2	46.2	(106.8)	(76.8)	–
Liabilities	1,817.2	(2,149.1)	(144.5)	(80.1)	(75.8)	(73.4)
Total	(653.6)	767.1	(98.3)	(186.9)	(152.6)	(73.4)

10. LOANS AND BORROWINGS

	Carrying value			Fair Value		
	30 June 2021 £m	31 December 2020 £m	30 June 2020 £m	**30 June 2021 £m**	31 December 2020 £m	30 June 2020 £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**249.2**	249.1	249.0	**259.3**	260.0	260.1
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**122.0**	121.8	121.6	**126.9**	127.0	126.9
£250m 7.0% 10.5 year subordinated debt 2013 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	**248.3**	248.2	–	**253.7**	253.9	–
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**154.5**	154.4	229.0	**160.6**	161.1	242.6
Total loans and borrowings	**774.0**	773.5	599.6	**800.5**	802.0	629.6

On 15 October 2020, the Group completed the issue of £250m Green Tier 2 capital via a 7.0% sterling denominated BBB rated 10.5 year, non-callable 5.5 year bonds issue, interest payable semi-annually in arrears. The bonds have a reset date of 15 April 2026 with optional redemption any time from 15 October 2025 up to the reset date. The proceeds of the issue have been used in part to finance the purchase of £75m of the £230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by the Group in 2018.

The Group also has an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes available until 15 May 2022. Interest is payable on any drawdown loans at a rate of Libor plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

11. OTHER FINANCIAL LIABILITIES

The Group has other financial liabilities which are measured at either fair value through profit or loss or in accordance with relevant underlying contracts ("insurance rules"), summarised as follows:

	Note	**30 June 2021 £m**	31 December 2020 £m	30 June 2020 £m
Fair value through profit or loss				
Derivative financial liabilities	(a)	**370.7**	512.7	636.3
Obligations for repayment of cash collateral received	(a)	**241.9**	377.4	165.2
Deposits received from reinsurers	(b)	**2,242.4**	2,415.0	2,444.3
Liabilities measured using insurance rules under IFRS 4				
Deposits received from reinsurers	(b)	**–**	–	777.0
Reinsurance finance	(c)	**–**	–	7.6
Total other liabilities		**2,855.0**	3,305.1	4,030.4

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

The derivative financial liabilities 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 either unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: measurement and recognition; or they are recognised in accordance with IFRS 4, Insurance contracts. All 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. The Group recaptured all of the business recognised in accordance with IFRS 4 during 2020.

(c) Reinsurance finance

The reinsurance finance has been established in recognition of the loan obligation to the reinsurers under the Group's reinsurance financing arrangements, the repayment of which are contingent upon the emergence of surplus under either the old Solvency I or IFRS valuation rules. The Group repaid all of the outstanding loan obligation under the reinsurance financing arrangements during 2020.

12. 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 2021			31 December 2020		
Derivatives	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	**243.8**	**197.6**	**6,947.7**	267.7	194.5	4,557.5
Interest rate swaps	**189.5**	**33.8**	**6,500.8**	484.3	76.8	6,798.5
Inflation swaps	**73.4**	**123.5**	**3,306.3**	25.6	228.2	3,238.4
Forward swap	**2.6**	**0.9**	**202.1**	8.9	0.1	93.8
Put options on property index (NNEG hedges)	**2.2**	**8.6**	**770.0**	3.6	3.3	730.0
Total return swaps	**6.3**	**6.3**	**–**	9.9	9.8	–
Total	**517.8**	**370.7**	**17,726.9**	800.0	512.7	15,418.2

	30 June 2020		
Derivatives	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	8.7	303.3	3,233.7
Interest rate swaps	561.4	73.1	5,509.0
Inflation swaps	19.3	245.8	2,828.7
Forward swap	3.8	2.3	223.1
Put option on property index (NNEG hedge)	9.5	–	280.0
Total return swaps	6.7	11.8	–
Total	609.4	636.3	12,074.5

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss.

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 2021, the Company had pledged collateral of £120.4m (31 December 2020: £97.8m / 30 June 2020: £255.0m) of which £26.6m were gilts and European Investment Bank bonds (31 December 2020: £nil / 30 June 2020: £nil) and had received cash collateral of £241.9m (31 December 2020: £377.4m / 30 June 2020: £165.2m).

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

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Movement in fair value of derivative instruments	**(135.9)**	(15.2)	298.7
Realised profits/(losses) on interest rate swaps closed	**47.8**	(0.4)	29.0
Total amounts recognised in profit or loss	**(88.1)**	(15.6)	327.7

13. 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 requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate.

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.

Underpinning the management of insurance risk are:

- the development and use of medical information including PrognoSys™ 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.

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 hedge the interest rate risk to which its Solvency II balance sheet is exposed; some exposure remains on an IFRS basis.

The Group's 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 and the establishment of the NNEG hedges.

A sensitivity analysis of the impact of property price movements is included in note 6 and note 9. These notes also discuss the Group's consideration of the impact of COVID-19 on property assumptions at 30 June 2021.

(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 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 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 12).
- 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 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 2021, 31 December 2020 and 30 June 2020:

30 June 2021	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
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**
Derivative financial assets	**–**	**–**	**–**	**394.1**	**123.7**	**–**	**–**	**517.8**
Loans secured by residential mortgages	**–**	**–**	**–**	**–**	**–**	**–**	**7,893.1**	**7,893.1**
Loans secured by commercial mortgages	**–**	**–**	**–**	**–**	**–**	**–**	**785.2**	**785.2**
Other loans	**–**	**83.5**	**116.3**	**178.4**	**548.0**	**57.4**	**103.4**	**1,087.0**
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**

31 December 2020	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,123.2	–	–	–	5.3	–	1,128.5
Investment funds	–	–	–	–	–	–	176.1	176.1
Debt securities and other fixed income securities	205.6	838.8	1,519.3	3,030.5	5,124.4	342.8	–	11,061.4
Deposits with credit institutions	–	–	–	58.6	39.2	1.9	–	99.7
Derivative financial assets	–	–	–	594.2	205.8	–	–	800.0
Loans secured by residential mortgages	–	–	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	–	–	–	–	–	–	707.0	707.0
Other loans	–	87.2	125.8	176.0	509.4	58.4	79.2	1,036.0
Reinsurance	–	–	273.0	309.1	6.2	–	0.5	588.8
Insurance and other receivables	–	–	–	–	–	–	32.0	32.0
Total	205.6	2,049.2	1,918.1	4,168.4	5,885.0	408.4	9,255.9	23,890.6

30 June 2020	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,223.2	4.9	–	–	–	–	1,228.1
Investment funds	–	–	–	–	–	–	141.0	141.0
Debt securities and other fixed income securities	621.1	962.8	1,123.6	2,344.4	4,389.0	174.8	514.9	10,130.6
Deposits with credit institutions	–	–	4.5	215.8	39.2	–	–	259.5
Derivative financial assets	–	–	–	411.4	194.2	–	3.8	609.4
Loans secured by residential mortgages	–	–	–	–	–	–	8,865.2	8,865.2
Loans secured by commercial mortgages	–	–	–	–	–	–	601.1	601.1
Other loans	–	87.2	35.3	74.3	432.9	–	459.0	1,001.5
Reinsurance	–	–	273.0	307.9	5.5	–	0.5	586.9
Insurance and other receivables	–	–	–	–	–	–	22.5	22.5
Total	621.1	2,186.0	1,441.3	3,353.8	5,060.8	174.8	10,608.0	23,445.8

The credit rating for Cash and cash equivalent assets at 30 June 2021 was between a range of AA and BB (31 December 2020 and 30 June 2020: 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;
- realising 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.

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 have been updated to take into account the possible impacts from COVID-19 on the Group's liquidity position and include assessing the impact of a 1 in 200 year event on the Group's liquidity. Updates to cash flow forecasting include amending projected inflows based on revised GIfL and DB volumes, reducing LTM volumes and redemptions, 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 in shorter periods up to and including one month.

Market volatility in the second half of March 2020, in reaction to the developing COVID-19 pandemic situation in the UK, led to a significant temporary increase in the Group's collateral requirements, which have subsequently reversed. The Group experienced collateral calls for an additional c. £500m, which it was able to meet from existing available liquidity balances and facilities.

14. CAPITAL

Group capital position (not reviewed by PwC)

The Group's estimated capital surplus position at 30 June 2021, which is not covered by the PwC independent review opinion on pages 31 and 32, was as follows:

	30 June 2021[1] £m	31 December 2020[2] £m
Capital resources		
Own funds	**3,084**	3,009
Solvency Capital Requirement	**(1,785)**	(1,938)
Excess own funds	**1,299**	1,071
Solvency coverage ratio	**173%**	155%

[1] Estimated regulatory position. These figures do not allow for any notional recalculation of TMTP as at 30 June 2021. The estimated solvency coverage ratio including a notional recalculation of TMTP as at 30 June 2021 and the estimated impact of the adoption of interest rate benchmark SONIA is 160%.

[2] As reported in the Group's Solvency and Financial Condition Report as at 31 December 2020.

The reconciliation from the regulatory capital position to the reported capital surplus is included in the Business Review. The Group's Minimum Solvency Capital Requirement coverage ratio at 30 June 2021 is estimated as 520% excluding notional recalculation of TMTP (31 December 2020: 475%).

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. 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 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 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.

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 reasonable 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; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Group has a significant investment in LTMs, in particular in JRL. Following the sale of a block of LTMs and entry into a third NNEG hedge in 2020, the Group continues to explore ways to further reduce its exposure to UK residential property risk, including the further LTM portfolio sale referenced in note 16.

The Group assesses a wide range of actions to improve the capital position and resilience of the Group and, in addition to the property de-risking noted above, has plans to make cost-savings to eliminate expense overruns, and optimise reinsurance and new business profile.

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 and the ongoing impact of COVID-19 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.

Regulatory developments

The Group continues to experience a high level of regulatory activity and regulatory supervision, which could impact negatively on the Group's capital position.

The Group has engaged with the PRA on a major model change application process. The purpose of the major model change is to ensure that the capital requirement produced from the model remains appropriate for the risk profile of the business and is in line with latest regulatory expectations, particularly in relation to the Effective Value Test ("EVT"), as set out in SS3/17, which is required to be used in stress to validate the SCR from 31 December 2021. The final impact of the major model change remains uncertain due to the potential for amendments to the proposal and changes in the economic environment or risk profile for the Group.

We intend to apply to bring PLACL onto the internal model, once the JRL model change has been approved.

In 2020, the PRA published PS 14/20 and SS 1/20 which confirm their expectations of firms' compliance to the Prudent Person Principle with regard to managing investment risk. The proposals took effect on 27 May 2020. The Group has reviewed and is further enhancing its investment strategy, including taking steps to reduce exposure to property risk through LTMs.

The regulatory requirements related to LTMs include the Effective Value Test ("EVT"), a diagnostic validation test, relating to the matching adjustment ("MA") for liabilities that are matched with LTMs. At 30 June 2021, Just passed the PRA EVT with a buffer (1.23%) (unreviewed) (31 December 2020: 0.63%, unaudited) over the current minimum deferment rate of zero (allowing for a volatility of 13%, in line with the requirement for the EVT). From 31 December 2021, firms will be expected to meet the EVT with a minimum deferment rate of 0.5%, as specified by the PRA on 31 March 2021 and reviewed twice a year, which the 30 June 2021 solvency position would pass with a buffer of 0.73% (unreviewed). As noted above, a major model change application process is underway with the PRA to ensure the model is in line with the latest regulatory expectations, particularly in relation to the EVT.

In June 2020, the Government announced that it would review certain features of Solvency II. The review will ensure that Solvency II properly reflects the specific features of the UK insurance sector. A quantitative impact study was launched on 22 July 2021 by the PRA to support the review, which will include consideration of the impact of changes to the Risk Margin (which the PRA has indicated is too sensitive to interest rates and too high in the current low interest rates) and to the operation of the matching adjustment (in particular regarding illiquid, non LTM, assets). Any reduction in magnitude or volatility in the risk margin would be expected to improve the Group's capital position. The Group's risk margin was £735m (unreviewed) at 30 June 2021, of which £634m (unreviewed) is backed by TMTP. The impact of any changes to the matching adjustment is less clear at this stage.

15. 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 2020.

There were no transactions with related parties during the six months ended 30 June 2021 which have had a material effect on the results or financial position of the Group.

16. POST BALANCE SHEET EVENTS

Building on the sale of £540m of LTMs in December 2020, the Group has identified an opportunity to realise the value of an additional LTM portfolio with a loan amount totalling over £475m, enabling the Group to further reduce its exposure to property risk. Following the Board supporting a sale process in July, the portfolio meets the criteria for held for sale as a non-adjusting post balance sheet event. It is expected that the potential sale will complete in two tranches over the coming weeks. In addition we estimate that the sale will improve the Group's Solvency II capital coverage ratio by up to 1 percentage point (unreviewed) and also reduce the sensitivity of that ratio to movements in UK residential property prices by over 1 percentage point (unreviewed). Furthermore the sales are likely to result in a c.£125m IFRS net of tax loss (unreviewed), which includes the insurance liabilities impact due to the lower replacement investment yield.

There are no other material post balance sheet events that have taken place between 30 June 2021 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 31 and 32.

FINANCIAL INVESTMENTS CREDIT RATINGS

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

	Total		AAA	AA	A	BBB	BB or below	Unrated
	£m	%	£m	£m	£m	£m	£m	£m
Basic materials	189.2	0.8	-	6.1	94.9	83.5	4.7	-
Communications and technology	1,206.1	5.2	48.3	105.5	166.2	849.3	36.8	-
Auto manufacturers	370.2	1.6	-	43.3	93.6	210.9	22.4	-
Consumer (staples including healthcare)	1,108.9	4.8	120.0	245.8	281.5	334.9	45.5	81.2
Consumer (cyclical)	146.3	0.6	-	5.4	8.1	104.5	0.3	28.0
Energy	499.3	2.2	-	170.2	121.2	135.8	72.1	-
Banks	1,274.6	5.5	93.4	131.1	450.4	456.6	119.3	23.8
Insurance	796.4	3.4	-	104.4	144.6	547.4	-	-
Financial – other	526.4	2.3	86.0	180.1	47.1	110.0	13.0	90.2
Real estate including REITs	575.7	2.5	42.0	9.6	174.9	287.9	61.3	-
Government	1,326.4	5.7	364.0	686.2	179.0	97.0	0.2	-
Industrial	814.3	3.5	-	70.0	96.4	511.4	23.0	113.5
Utilities	1,990.3	8.6	-	29.9	804.0	1,145.1	11.3	-
Commercial mortgages	785.2	3.4	143.3	205.9	266.7	169.3	-	-
Infrastructure loans	1,489.3	6.4	83.5	124.1	386.0	850.8	44.9	-
Other	37.2	0.2	-	-	37.2	-	-	-
Corporate / government bond total	13,135.8	56.7	980.5	2,117.6	3,351.8	5,894.4	454.8	336.7
Lifetime mortgages	7,893.1	34.1						
Liquidity funds	1,534.0	6.6						
Derivatives and collateral	611.6	2.6						
Total	23,174.5	100.0						

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 adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by taking the adjusted operating profit APM, reduced for the standard tax rate (19% for 2021), and dividing this result by the weighted average number of shares in issue by the Group for the period. For remuneration purposes, 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 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 ("APMs") 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 – 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 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 Solvency II capital coverage ratio, Organic capital generation, Underlying organic capital generation, Retirement Income sales, New business 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 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 one of the Group's KPIs. Organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, and includes surplus from in-force, new business strain, costs overruns and other expenses, interest and other operating items. It excludes economic variances, regulatory adjustments, accelerated TMTP amortisation and capital raising or repayment. The Board believes that this measure provides good insight into our objective to improve our capital position. 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.

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.

PrognoSys™ – 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.

Retirement sales (in reference to Just Group sales or products) – collective term for Retirement Income sales and Drawdown.

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.

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 the sum of the new business operating profit and in-force operating profit. As this measure excludes the impact of one-off assumption changes and investment variances, the Board considers it to be a key indicator of the progress of the business and a useful measure for investors and analysts when assessing the Group's financial performance. 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 calculated in the same way as Organic capital generation/(consumption), but also excludes other operating items.