

11 July 2023

JUST GROUP plc IFRS 17 FY 2022 and H1 22 restatement

Just Group plc (“Just”, the “Group”) has today made presentation slides available on the Group’s website www.justgroupplc.co.uk, and below, provides a restatement of its financial results for the year ended 31 December 2022 and the six months ended 30 June 2022 under IFRS 17. IFRS 17 is a new accounting standard for insurers, which was implemented on 1 January 2023.

We remain committed to our ambition to target 15% growth in underlying operating profit.

Under IFRS 17, we will continue our commitment to deliver 15% growth in underlying operating profit per annum over the medium term. In 2022, we delivered 19% growth in underlying operating profit under IFRS 4. Our IFRS 17 measure for underlying operating profit is explained further below.

Our target to deliver a greater than 10% return on equity will also continue under IFRS 17¹.

No change in strategy, growth ambition, capital, cash or dividend policy

IFRS 17 is an accounting change and does not affect the underlying economics of our business or our strategy

- Our commitment and ability to invest in future growth is unchanged
- The capital strength of the Group is unchanged
- Our new and existing business cashflows are unchanged
- The Group’s dividend policy is unchanged
- The Group’s debt leverage is unchanged

Effect of transition to IFRS 17

Under IFRS 17 total economic profits do not change, but how these are accounted for does. IFRS 17 introduces two new balance sheet concepts – the Contractual Service Margin (“CSM”) and Risk Adjustment (“RA”), which are stocks of discounted future value that are released into reported profit over time. These stocks of future value are added to by future new business, which in turn also releases over time.

- **Underlying operating profit is broadly unchanged for FY22: £257m under IFRS 17 versus £249m under IFRS 4.** To provide a meaningful measure of business performance, we add back the net underlying CSM increase during the year to derive underlying operating profit under IFRS 17.
- **The Group’s shareholder value is broadly unchanged with TNAV per share at 31 December 2022 under IFRS 17 of 190p per share versus 172p under IFRS 4**
 - IFRS 17 Adjusted shareholders equity on 31 December 2022 of £2.0bn (31 December 2021: £2.1bn) is comprised £783m of IFRS 17 Equity attributable to shareholders (31 December 2021: £1,175m) and £1,212m of CSM net of tax (31 December 2021: £966m).
 - The CSM growth was driven by the addition of new business, whilst the IFRS 17 equity fell largely due to economic losses resulting from the interest rate hedging programme. During 2022, we actively reduced the level of interest rate hedging as the capital position strengthened, with the sensitivity remaining close to zero in 2023.
 - The increase in TNAV per share includes 6p (£80m pre-tax) which arises from the reversal of a negative investment timing impact on the large volume of business written in Q4 22 that was recognised under IFRS 4, but is not recognised under IFRS 17
- **Return on Equity is broadly unchanged: 10.3% under IFRS 17 vs 10.7% under IFRS 4**
 - Under IFRS 17, the Return on Equity was 10.3%. The slightly higher IFRS 17 Underlying operating profit has been offset by a slightly higher IFRS 17 Adjusted shareholders equity.
 - Our intention is to continue growing the Return on Equity from this level.

IFRS 17 – RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

All figures presented are unaudited.

IFRS 17 BASED KEY PERFORMANCE INDICATORS

	Year ended 31-Dec 2022 £m	Six months 30-Jun 2022 £m
New business profit ¹	266	76
Underlying operating profit ¹	257	68
IFRS (loss)/profit before tax	(494)	(237)
Return on equity ^{1,2}	10.3%	5.4%
TNAV per share ¹	190p	187p

UNDERLYING OPERATING PROFIT

	Year ended 31-Dec 2022 £m	Six months 30-Jun 2022 £m
New business profits	266	76
CSM amortisation ³	(61)	(27)
Net underlying CSM increase	205	50
In-force operating profit ⁴	156	72
Other Group companies' operating results	(16)	(7)
Development expenditure ⁵	(15)	(9)
Finance costs	(73)	(37)
Underlying operating profit¹	257	68

OPERATING PROFIT METRICS

	Year ended 31-Dec 2022	Six months 30-Jun 2022
Retirement Income sales ¹ (£m)	3,131	879
New business margin ¹ (%)	8.5%	8.6%
Underlying Operating EPS ¹ (p per share)	20.2p	5.3p

RECONCILIATION OF UNDERLYING OPERATING PROFIT TO STATUTORY IFRS

	Year ended 31-Dec 2022 £m	Six months 30-Jun 2022 £m
Underlying operating profit¹	257	68
Operating experience and assumption changes ⁶	104	(4)
Adjusted operating profit/(loss) before tax¹	361	64
Investment and economic movement	(537)	(255)
Strategic expenditure ⁵	(7)	(3)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16	9
Profit/(loss) before tax prior to deferral of profit to CSM	(167)	(185)
Deferral of profit in CSM ⁷	(327)	(52)
Profit/(loss) before tax	(494)	(237)

See notes at the end of the release

RECONCILIATION FROM IFRS4 TO IFRS17

Underlying operating profit	Year ended 31-Dec 2022 £m	Six months 30-Jun 2022 £m
As presented in 2022 Annual Report and Accounts under IFRS 4	249	74
Changes in allowances for credit defaults	25	5
Changes attributable to replacement of IFRS 4 prudent reserves with IFRS 17 risk adjustment	(9)	(4)
Reclassification of expenses	(6)	(3)
Other differences	(3)	(4)
Restated underlying operating profit¹	257	68

TANGIBLE NET ASSETS AND RETURN ON EQUITY

	31-Dec-22 £m	30-Jun-22 £m	31-Dec-21 £m
Total equity attributable to ordinary shareholders of Just Group plc	783	979	1,175
Less intangible assets	(47)	(46)	(45)
Tax on intangibles	3	3	3
Add back contractual service margin	1,611	1,336	1,284
Adjust for tax on contractual service margin	(399)	(331)	(318)
IFRS 17 Tangible Net Assets¹	1,951	1,941	2,099
IFRS 17 Tangible Net Assets per share¹	190p	187p	203p
Return on equity % (underlying)¹	10.3%	5.4%	

Tangible Net Asset Value per share (pence) is the Tangible Net Asset Value of the Group divided by the number of shares in issue, adjusted for the treasury shares held by the Group

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Dec-22 £m	30-Jun-22 £m	31-Dec-21 £m
Assets			
Financial investments	23,477	22,789	24,682
Reinsurance contract assets	776	599	716
<i>of which CSM</i>	107	51	54
Other assets	1,285	1,062	1,003
Total assets	25,538	24,450	26,401
Share capital and share premium	199	199	199
Other reserves	585	780	977
Total equity attributable to ordinary shareholders of Just Group plc	783	979	1,175
Tier 1 notes	322	322	322
Non-controlling interest	(2)	(2)	(2)
Total equity	1,103	1,299	1,496
Liabilities			
Insurance contract liabilities	19,647	19,559	23,086
<i>of which CSM</i>	1,943	1,523	1,489
Reinsurance contract liabilities	121	146	165
<i>of which CSM</i>	(225)	(136)	(151)
Other financial liabilities	4,378	3,302	1,529
Other liabilities	289	144	125
Total liabilities	24,435	23,151	24,905
Total equity and liabilities	25,538	24,450	26,401
Total Contractual Service Margin included above	1,611	1,336	1,284
Contractual Service Margin net of deferred tax	1,212	1,006	966

Note 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. There have been changes to APMs since the 2022 Annual Report and Accounts. The tables and footnotes above explain the basis of their calculation. Net underlying CSM increase is added back to calculate underlying operating profit as the Board considers the value of new business is significant in assessing business performance.

Note 2: Return on equity is IFRS 17 underlying operating profit after attributed tax divided by the average IFRS 17 adjusted shareholders equity less goodwill.

Note 3: CSM amortisation represents the net release from the CSM reserve into profit as services are provided. The figures are net of accretion (unwind of discount), and the release is computed based on the closing CSM reserve balance for the period.

Note 4: In-force operating profit represents profits from the in force portfolio before investment and insurance experience variances, and assumption changes. It mainly represents release of risk adjustment for non-financial risk and of allowances for credit default in the period, investment returns earned on shareholder assets, together with the value of the CSM amortisation.

Note 5: Following a review of expense allocation to bring consistency with Solvency II KPIs, non recurring costs have been reallocated to development expenditure and strategic expenditure. Development expenditure relates to the development of existing products, markets, technology, and transformation projects. Strategic expenditure relates to major strategic investment, new products and business lines, and major regulatory projects.

Note 6: Operating experience and assumption changes represent changes to cash flows in the current and future periods valued based on end of period economic assumptions.

Note 7: Deferral of profit in CSM represents the total movement on CSM reserve in the year. The figure represents CSM recognised on new business, accretion of CSM (unwind of discount), transfers to CSM related to changes to future cash flows at locked-in economic assumptions, less CSM release in respect of services provided.

Note 8: All the figures are unaudited.

FURTHER INFORMATION

Please contact the Investor Relations team, details below.

FINANCIAL CALENDAR AND TIMELINES	DATE	BASIS
Interim results for the six months ended 30 June 2023	15 August 2023	First financial reporting under IFRS 17

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

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