

UK EQUITY RELEASE Market Monitor

HALF YEAR 2012

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Introduction

Key Retirement Solutions' Market Monitor provides a quarterly review of the equity release market in the UK. The monitor provides journalists and other industry stakeholders with detailed data on the market alongside historical comparisons.

Key Retirement Solutions are the UK's number 1 equity release specialist adviser, arranging almost 1 in 4 of all Equity Release Council (ERC) formerly SHIP^[1] equity release business in the UK, and over 1 in 3 of all intermediary ERC equity release business in the UK.

The Monitor uses Key's data to reflect the market as a whole and provides the most detailed analysis of the equity release sector, including:

- Usage trends
- Age Analysis
- Regional Analysis based on -
 - Plan Numbers
 - Plan Values
 - Property Prices

The Monitor now provides more detail than ever, focusing each quarter on a particular region and also a specific usage driver for releasing equity.

- Half Year Focus - Gifting
- Regional Focus - North

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^[1] Equity Release Council (ERC) is the equity release trade organisation representing the equity Release Sector

Half Year 2012 Results

- New plan numbers
9,288 up 10.7%
- Total amount released
£446.2 up 15.7%
- Drawdown continues
to dominate the
market
- Home improvement
remains top reason for
releasing equity

The latest report on the equity release market reveals extremely strong sustained growth year on year both for plan numbers and for overall lending. Sales of plans during the first half of 2012 were 9,288 an increase of 10.74% over the same period of 2011. Lending also increased to £446.2 million for the period from £385.7 million for the same period of 2011, an increase of 15.69%. Drawdown numbers have again increased averaging 70% of all plans.

Whilst drawdown volumes have increased the actual levels of lending have still retained a strong performance for the first half of the year. Based on initial lending levels and available facilities, there remains £185.9 million of funds still to be drawn in addition to these initial advance figures giving a combined total of £632.1 million for the period.

BIGGEST MOVERS BY REGION

Number of Plans

▲ North	+46.31%
▲ Northern Ireland	+32.15%
▲ East Midlands	+27.97%
▼ West Midlands	-0.99%
▼ London	-1.42%

Lending

▲ London	+45.33%
▲ South East	+23.69%
▲ East Midlands	+21.3%
▼ Wales	-1.58%
▼ East Anglia	-1.94%
▼ North West	-3.26%

REGIONAL HIGHLIGHTS

Across the country 10 out of 12 regions experienced growth in the total number of plans, with 9 regions experiencing growth in total lending. The greatest increases in plan numbers were experienced in the North (+46.31%) and in Northern Ireland (+32.15%). Top region for overall lending was the South East (£112.4m) with London (£72.6m) taking second place. There were no major drops suffered in any regions both in terms of plan numbers and lending figures which shows that plan sales and lending results are strong across the country.

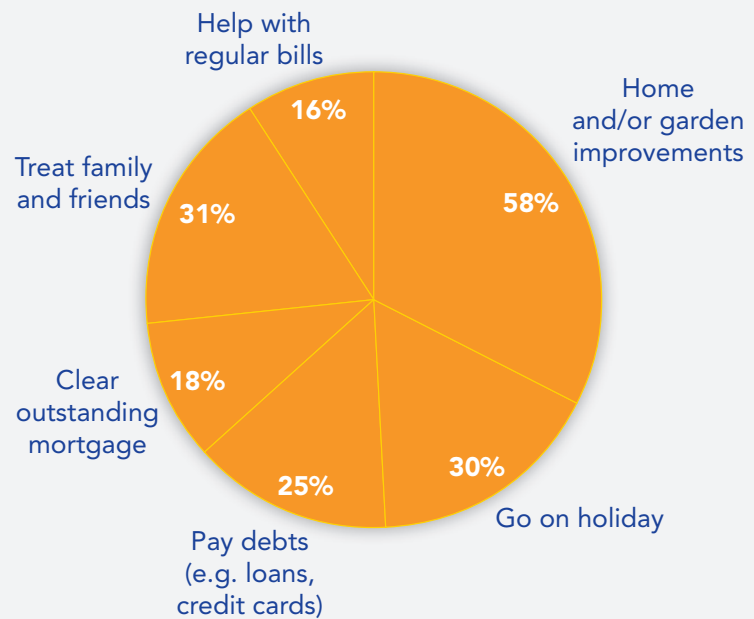
USES OF EQUITY RELEASE

Home and/or garden improvement (58%) retains top spot followed by helping the family (31%). This is the highest recorded level for those releasing equity to help their family and a striking increase from 23% for the same period of 2011. Debt repayment experienced the only major reduction in terms of use (25%) down from 31% for the same period of 2011.

Highlights

- Treating family and friends for the first time is the 2nd most popular reason for releasing equity

POPULAR USES OF EQUITY RELEASE



HELPING THE FAMILY

- **Deposit on a home**
- **Repay debts**
- **Day-to-day living costs**
- **University fees**
- **Pay for a wedding**
- **Help with a business**

HALF YEAR FOCUS - GIFTING

Almost 1 in 3 (31%) of those releasing equity from their homes prioritise using the money released to help out their family or someone they are close to. This is a staggering increase year on year (23% for the first half of 2011). In contrast those releasing equity to repay debt has fallen from 31% to 25% which appears to be indicative that they are themselves coping with their own debts which is allowing their families to come before them during these still challenging economic times.

Gifting has become increasingly used to help fund deposits on property where competitive mortgage rates can only be achieved through access to ever increasing deposit levels. In addition many children/grandchildren through job losses are struggling either to meet day to day living costs or are faced with an inability to service debts.

Many will offer the choice to their offspring of money now when its more needed than to wait for the money years later as an inheritance.

Highlights

REGIONAL SUMMARY

AREA	Value	Percentage Change 2012 on 2011	Number of plans	Percentage Change 2012 on 2011	Average Value Released	Average LTV	Average Customer Age	Average Property Value
East Anglia	£20.1m	-2%	493	3%	£44,714	24%	69	£184,349
East Midlands	£28.1m	21%	811	28%	£38,053	22%	68	£172,505
London	£72.6m	45%	754	-1%	£105,698	30%	70	£358,214
North	£12.3m	9%	368	46%			68	£164,057
North West	£41.2m	-3%	986	3%	£45,893	26%	69	£173,256
Northern Ireland	£2.1m	14%	64	32%	£36,000	22%	67	£160,520
Scotland	£19.3m	5%	527	11%	£40,201	25%	68	£163,623
South East	£112.4m	24%	2191	23%	£56,328	22%	70	£257,467
South West	£62.8m	17%	1190	5%	£57,933	25%	69	£233,602
Wales	£16.3m	-2%	425	9%	£42,132	22%	67	£190,335
West Midlands	£29.8m	1%	732	-1%	£44,786	24%	68	£183,365
Yorks & H'side	£29.3m	6%	747	2%	£43,163	25%	68	£172,536

REGIONAL FOCUS - NORTH

Total lending -
£12.3M

Plans arranged -
368

Average released -
£36,761

Average property value -
£164,057

REGIONAL FOCUS - NORTH

The North of England may have areas of depressed property values (average values of those releasing equity having fallen 5%) but it has consistently remained a strong region for those looking to tap into some of their homes value.

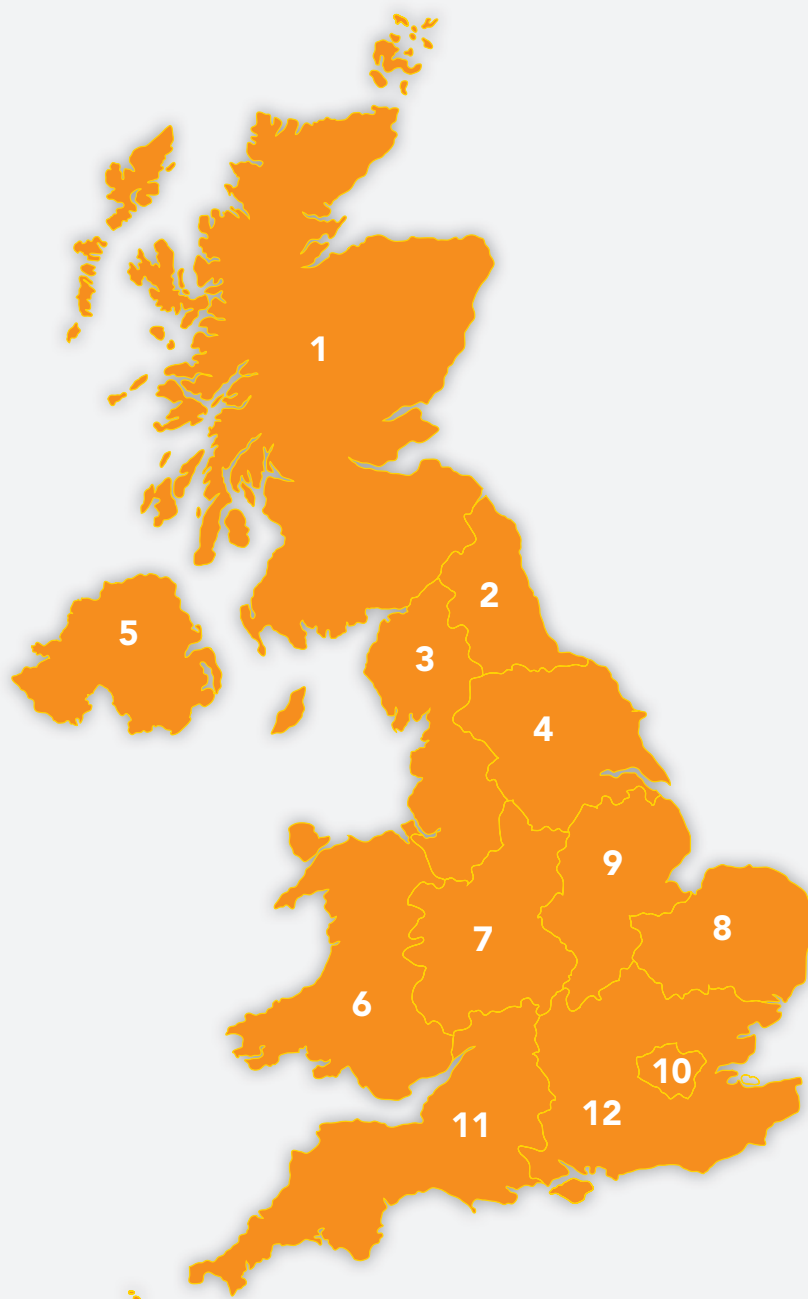
Year on year the North has had a 9.43% increase in lending and a staggering 46.31% increase in the number of new plans for the first half of 2012 over the same period of 2011. Those in the North being conservative with the percentage of their property's value released taking an average of 22% loan to value, equal lowest. This is also a fall year on year down from an average 28% loan to value for the same period of 2011.

Review

- Highest -
South East (2,191)
- Lowest -
Northern Ireland (64)

1 Scotland 527 2011 - 473	2 North 368 2011 - 251
3 North West 986 2011 - 960	4 Yorks & H'side 747 2011 - 731
5 Northern Ireland 64 2011 - 49	6 Wales 425 2011 - 390
7 West Midlands 732 2011 - 739	8 East Anglia 493 2011 - 476
9 East Midlands 811 2011 - 634	10 London 754 2011 - 765
11 South West 1,190 2011 - 1,137	12 South East 2,191 2011 - 1,782

NUMBER OF EQUITY RELEASE PLANS

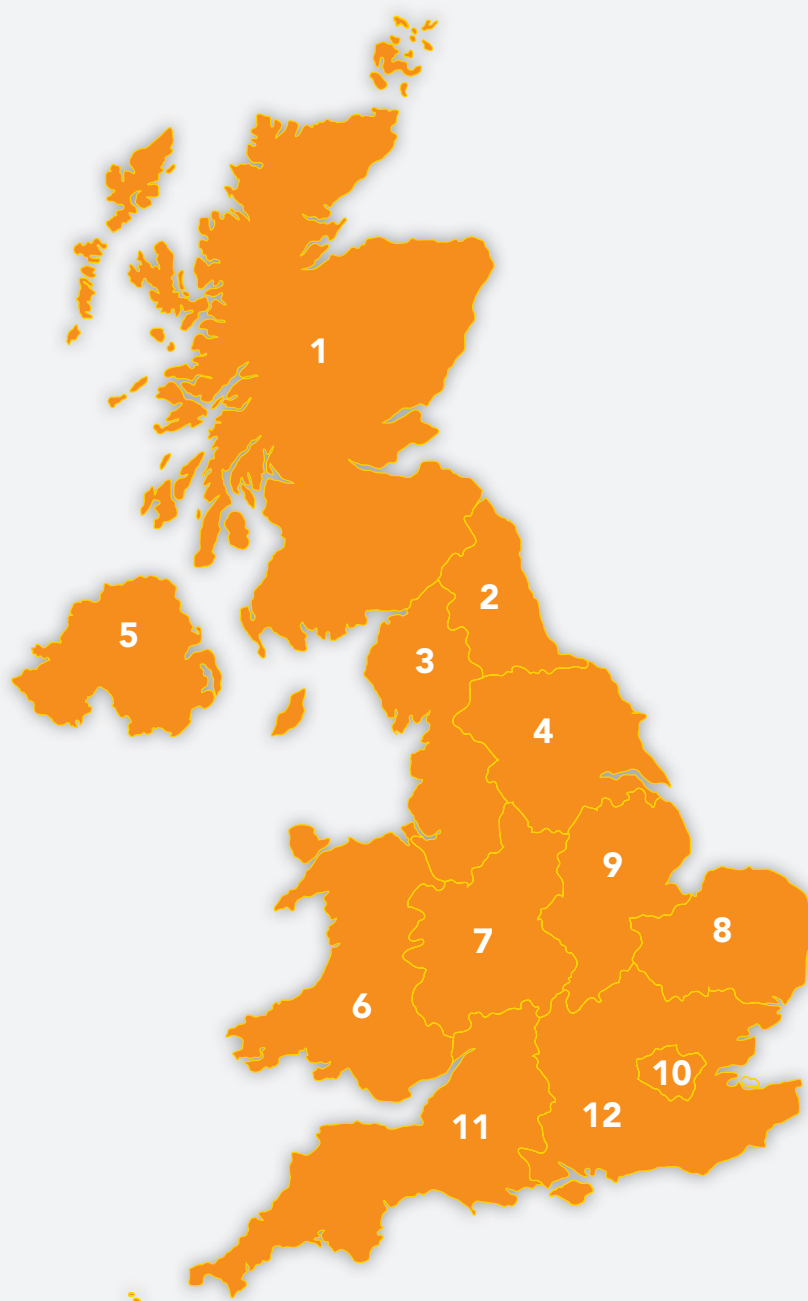


Review

- Highest -
South East (£112.4m)
- Lowest -
Northern Ireland (£2.1m)

1 Scotland £19.3m 2011 - £18.3m	2 North £12.3m 2011 - £11.2m
3 North West £41.2m 2011 - £42.6m	4 Yorks & H'side £29.3m 2011 - £27.6m
5 Northern Ireland £2.1m 2011 - £1.8m	6 Wales £16.3m 2011 - £16.5m
7 West Midlands £29.8m 2011 - £29.6m	8 East Anglia £20.1m 2011 - £20.5m
9 East Midlands £28.1m 2011 - £23.2m	10 London £72.6m 2011 - £49.9m
11 South West £62.8m 2011 - £53.5m	12 South East £112.4m 2011 - £90.8m

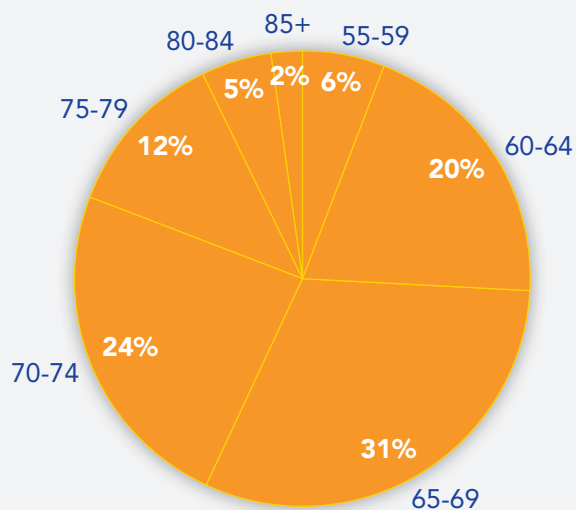
VALUE OF EQUITY RELEASE PLANS



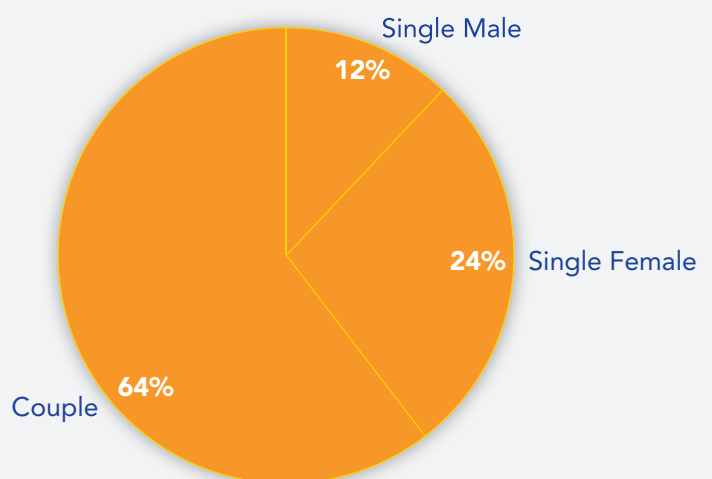
Analysis

- Average age 69
- Couples continue to make the most of equity release
- Enhanced Plans account for 9% of the market

CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX

