

UK EQUITY RELEASE **Market Monitor**

2012 REVIEW

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Introduction

Key Retirement Solutions' Market Monitor provides a quarterly, half yearly and annual 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 1 in 3 of all intermediary Equity Release Council (ERC) formerly SHIP [1] 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 in each edition on a particular region and also a specific usage driver for releasing equity.

- Full Year Focus - Clear Outstanding Mortgage
- Regional Focus - Scotland

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

2012 Results

- New plan numbers
19,675 up 6.29%
- Total amount released
£961.4m up 15.49%
- Drawdown accounts for
74% of all plans
- Home improvement
remains top reason for
releasing equity

The latest report on the equity release market reveals a continuance of the trends for earlier quarters with sustained growth year on year both for plan numbers and for overall lending. Sales of plans during 2012 were 19,675 an increase of 6.3% over 2011. Lending also increased to £961.4 million for the year from £832.5 million for the same period 2011, an increase of 15.5%.

Drawdown numbers remain consistent averaging 74% of all plans.

Based on initial lending levels and available facilities, there remains £415.6 million of funds still to be drawn in addition to these initial advance figures giving a combined total of £1.38 million for the period.

BIGGEST MOVERS BY REGION

Number of Plans

▲ Northern Ireland	+31.6%
▲ Scotland	+19.3%
▲ North	+17.4%
▼ West Midlands	-6.5%
▼ Wales	-6%
▼ Yorks & H'side	-2.9%

Lending

▲ Scotland	+38.7%
▲ Northern Ireland	+31.3%
▲ London	+29.8%
▼ Wales	-2.1%

REGIONAL HIGHLIGHTS

Across the country 8 out of 12 regions experienced growth in the total number of plans, with 11 regions experiencing growth in total lending. The greatest increases in plan numbers were experienced in Northern Ireland (+31.6%) and in the Scotland (+19.3%). Top region for overall lending was the South East (£253.2m) with London (£148.8m) taking second place. The only region experiencing a fall in lending was Wales (-2.1%).

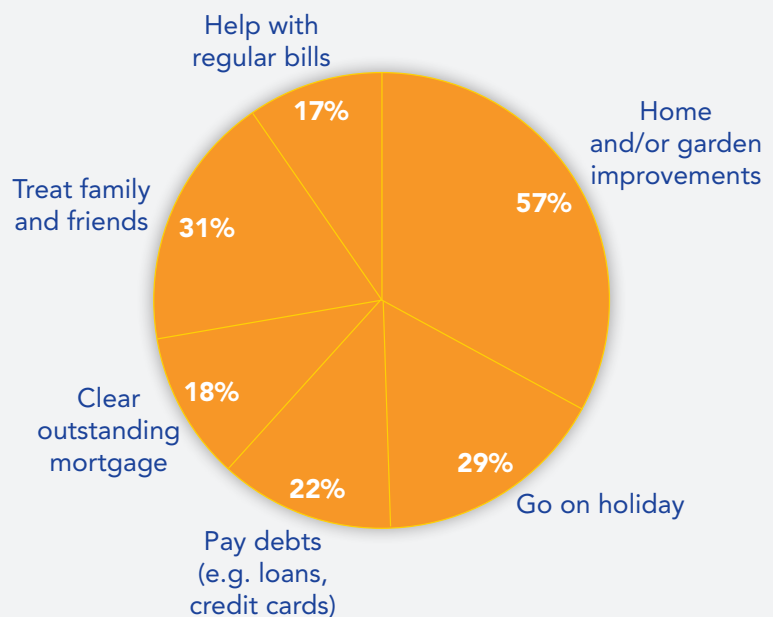
USES OF EQUITY RELEASE

Home and/or garden improvement (57%) retains top spot followed by helping the family (31%). This is remaining consistently high at this level and has remained close to 1 in 3 throughout the whole of 2012. Debt repayment both secured and unsecured remain as high priorities accounting for 18% and 22% respectively.

Highlights

- Home improvement remains the number 1 priority

POPULAR USES OF EQUITY RELEASE



CLEAR OUTSTANDING MORTGAGE

- Endowment shortfall
- Trapped in interest only
- Mortgages into retirement

FULL YEAR FOCUS - CLEAR OUTSTANDING MORTGAGE

Almost 1 in 5 are utilising equity release to repay outstanding mortgages. There are a number of key pressures which can be highlighted as causes of this. The first is as a result of investment shortfall, typically endowment, where the maturity values are consistently falling short of their targets, leaving many with outstanding balances that they were not expecting to have to continue to pay into their retirement. The second is stemming from the challenge of the changes to lending criteria for interest only. Whilst many may be happy to continue servicing interest only loans, lending criteria is meaning that they will no longer qualify for them leaving many trapped.

The third pressure is more choice based where those who expected to have a mortgage into retirement are finding that the reality of affordability is not what they expected, due to lower than expected levels of retirement income as well as the actual experience of having such a high percentage of their income being utilised to service the mortgage placing many into "mortgage" poverty.

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	£41.3m	1%	1,039	1%	£45,674	24%	69	£186,534
East Midlands	£62.8m	24%	1,715	17%	£42,080	24%	69	£173,169
London	£148.8m	30%	1,719	8%	£99,558	25%	72	£404,254
North	£29.1m	15%	787	17%	£42,496	27%	69	£159,495
North West	£86.9m	4%	2,063	-1%	£48,417	28%	70	£171,409
Northern Ireland	£4.5m	31%	126	32%	£41,080	21%	68	£197,894
Scotland	£46.5m	39%	1,161	19%	£46,018	27%	69	£172,801
South East	£253.2m	24%	4,580	12%	£63,563	24%	71	£261,166
South West	£126.1m	10%	2,467	7%	£58,740	26%	70	£230,183
Wales	£36.3m	-2%	890	-6%	£46,886	26%	69	£178,609
West Midlands	£65.6m	1%	1,547	-7%	£48,767	26%	70	£186,274
Yorks & H'side	£60.4m	0%	1,581	-3%	£43,938	26%	69	£168,473

REGIONAL FOCUS - SCOTLAND

Total lending -
£46.5M

Plans arranged -
1,161

Average released -
£46,018

Average property value -
£172,801

REGIONAL FOCUS - SCOTLAND

Scotland throughout 2012 has been a very popular region for equity release. Over the year the region has seen positive results both in terms of plan numbers, up 19% and total lending up 39%.

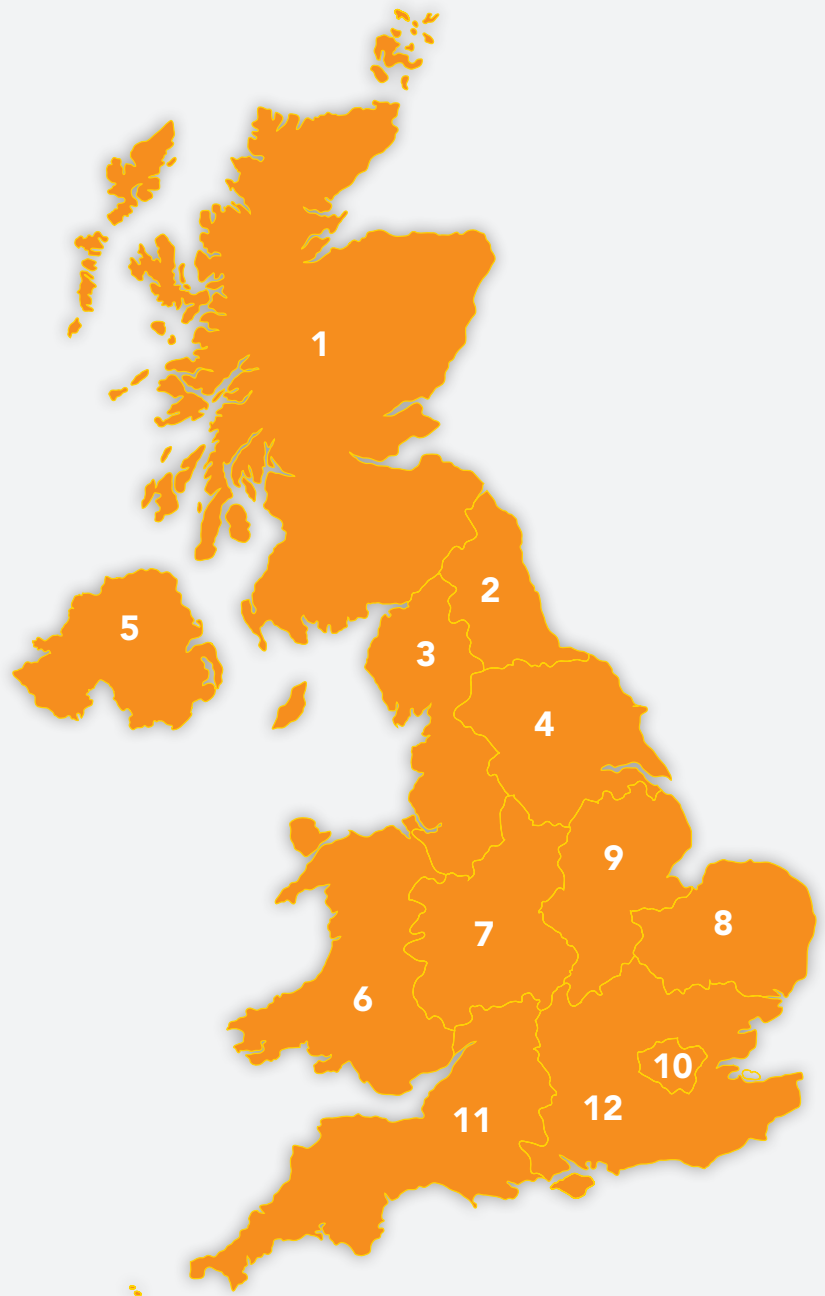
Average Loan to Value is joint highest with the North of England. Whilst in Scotland the loan levels may be higher how those releasing equity use the funds varies considerably to the rest of the UK. Home improvement features as a much lower priority for the use of the money released. Scottish residents only site Home improvements as a reason at less than 50% of the percentage for the whole of the UK. The major reason for releasing equity in Scotland is to fund day to day living, meeting the cost of regular bills. Those releasing equity in Scotland do so for day to day living including bills at almost double the level of the rest of the UK.

Review

- Highest -
South East (4,580)
- Lowest -
Northern Ireland (126)

1 Scotland 1,161 2011 - 973	2 North 787 2011 - 670
3 North West 2,063 2011 - 2,080	4 Yorks & H'side 1,581 2011 - 1,628
5 Northern Ireland 126 2011 - 96	6 Wales 890 2011 - 946
7 West Midlands 1,547 2011 - 1,655	8 East Anglia 1,039 2011 - 1,027
9 East Midlands 1,715 2011 - 1,467	10 London 1,719 2011 - 1,586
11 South West 2,467 2011 - 2,307	12 South East 4,580 2011 - 4,073

NUMBER OF EQUITY RELEASE PLANS

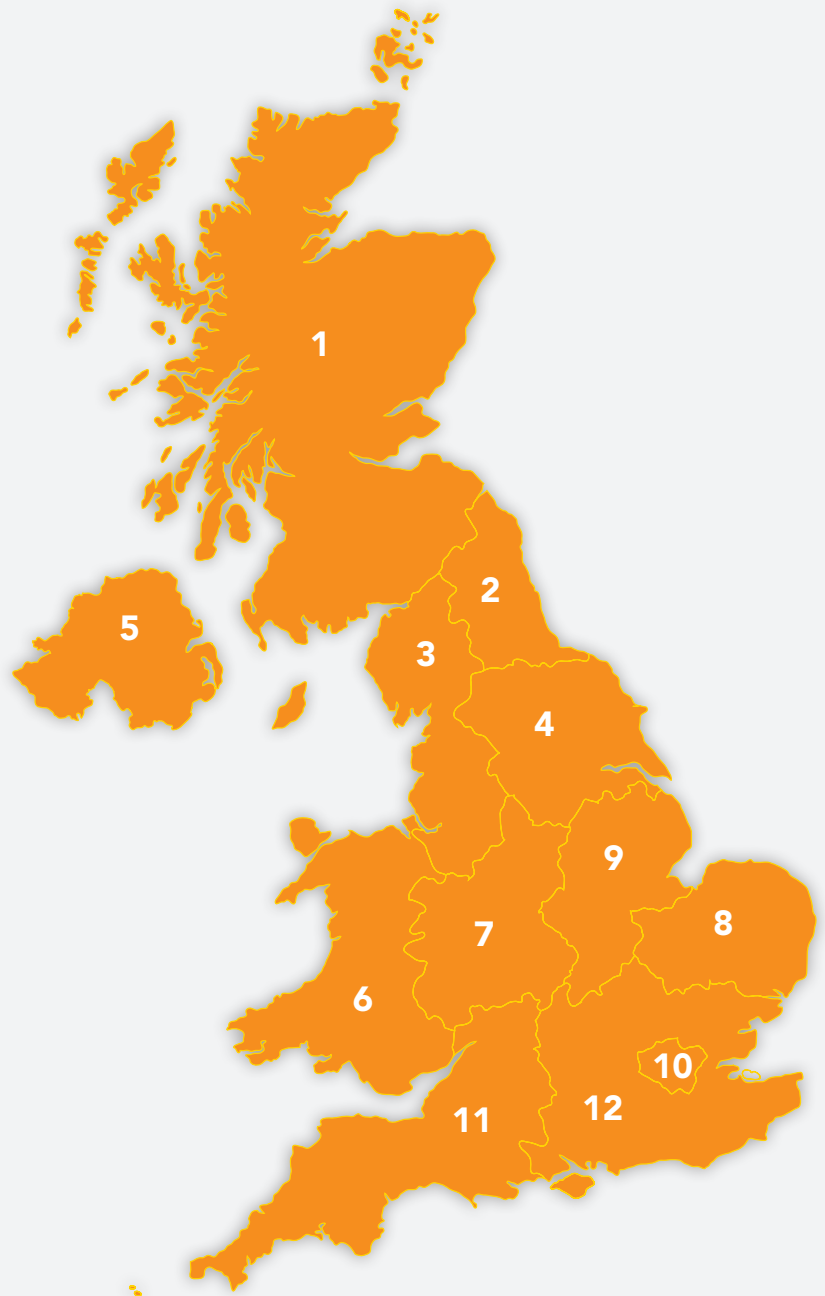


Review

- Highest -
South East (£253.2m)
- Lowest -
Northern Ireland (£4.5m)

1 Scotland £46.5m 2011 - £33.5m	2 North £29.1m 2011 - £25.2m
3 North West £86.9m 2011 - £83.7m	4 Yorks & H'side £60.4m 2011 - £60.4m
5 Northern Ireland £4.5m 2011 - £3.4m	6 Wales £36.2m 2011 - £37.0m
7 West Midlands £65.6m 2011 - £64.9m	8 East Anglia £41.3m 2011 - £40.8m
9 East Midlands £62.8m 2011 - £50.8m	10 London £148.8m 2011 - £114.6m
11 South West £126.1m 2011 - £114.2m	12 South East £253.2m 2011 - £203.9m

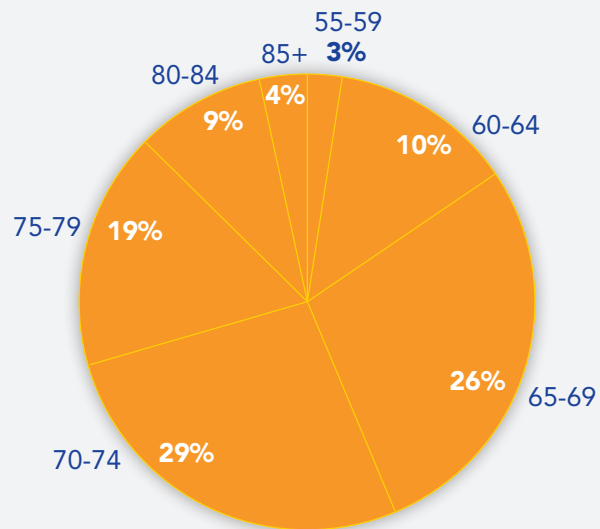
VALUE OF EQUITY RELEASE PLANS



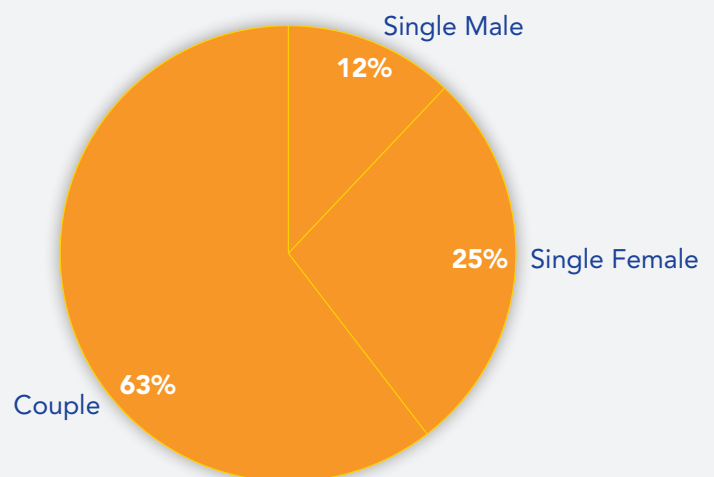
Analysis

- Average age 70
- 63% of those releasing equity are couples
- Single women release equity at more than double the numbers of single men

CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX

