

UK EQUITY RELEASE Market Monitor

QUARTER 1 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 SHIP^[1] equity release business in the UK, and over 1 in 3 of all intermediary SHIP 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.

- Quarterly Focus - Gifting
- Regional Focus - London

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^[1] Safe Home Income Plans (SHIP) is the equity release lender trade organisation representing the majority of the equity release product providers in terms of volume.

Q1 2012 Results

- New plan numbers
4,508 up 6.39%
- Total amount released
£217.1m up 1.72%
- Drawdown continues
to dominate the
market
- Home improvement
remains top reason for
releasing equity

The latest report on the equity release market reveals continued growth year on year both in plan numbers and overall lending. Sales of plans during Quarter 1 of 2012 were 4,508 an increase of 6.39% over the same period of 2011. Lending also increased to £217.1 million for the quarter from £213.5 million for Quarter 1 of 2011, an increase of 1.72%. Drawdown numbers have again increased averaging 66% of all plans.

Whilst drawdown numbers continue to increase it is striking that overall borrowing for new loans has increased year on year. Based on initial lending levels and available facilities, there remains £83.8 million of funds still to be drawn from the first quarter lending figures giving a combined total of £300.9 million for the period.

BIGGEST MOVERS BY REGION

Number of Plans

▲ North	+65.0%
▲ East Midlands	+53.1%
▲ London	+19.1%
▼ South West	-12.0%
▼ Yorks & H'side	-13.1%
▼ Wales	-13.3%

Lending

▲ London	+45.7%
▲ East Midlands	+43.7%
▲ North	+15.1%
▼ Scotland	-16.9%
▼ East Anglia	-21.2%
▼ Northern Ireland	-47.0%

REGIONAL HIGHLIGHTS

Across the country 6 out of 12 regions experienced growth in the total number of plans, with 4 regions experiencing growth in total lending. The greatest increases in plan numbers were experienced in the North (+65%) and in the East Midlands (+53%). Top region for overall lending was the South East (£57.8m) with London (£30.8m) taking second place. The largest percentage decline in plan numbers was in Wales (-13.3%) and the largest decline in overall lending was Northern Ireland (-47%).

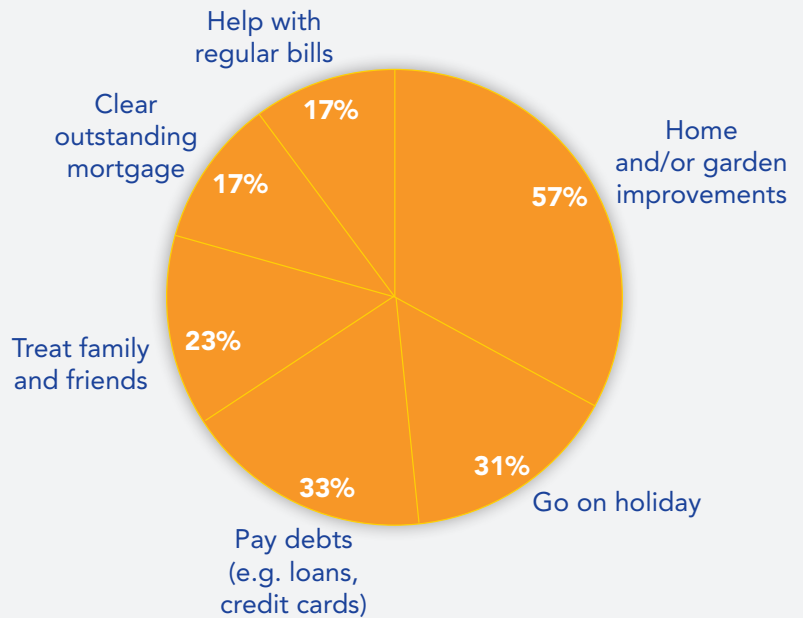
USES OF EQUITY RELEASE

Home and/or garden improvement (57%) retains top spot followed by repaying unsecured debts (33%). 31% released equity to fund holidays, whilst almost 1 in 4 continue to help out the family. Overall, repaying unsecured debts and outstanding mortgages continues to be a major motivation for releasing equity.

Highlights

- Home and garden improvements remain consistently the 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**
- **Help with a business**

QUARTERLY FOCUS - GIFTING

For 23% of those releasing equity from their homes a priority is to help out their family. The uses can be quite varied, from helping children repay debts to helping grandchildren through University. Many of today's retirees have their own needs for equity release but increasingly are seeing their younger generations struggling in the current economic climate.

Much of the gifting is made through family choice. Parents will typically invite their children to be present in consultations with an adviser. During this meeting the family are typically given the choice of money today or an inheritance in the future. This choice given to the children or grandchildren ensures that everyone is involved in the decision making process.

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	£9.2m	-21.2%	224	-1.3%	£44,261	24%	68	£183,256
East Midlands	£17.6m	43.7%	458	53.1%	£41,561	24%	69	£175,537
London	£30.8m	45.7%	402	19.1%	£82,515	23%	70	£354,028
Northern Ireland	£0.6m	-47.0%	30	10.9%	£23,333	17%	68	£134,063
North	£7.6m	15.1%	190	65.0%	£43,318	27%	68	£161,833
North West	£18.9m	-10.4%	447	1.3%	£45,539	27%	70	£166,283
Scotland	£10.1m	-16.9%	257	0%	£42,357	27%	68	£154,464
South East	£57.8m	11.4%	1,088	17.6%	£57,354	22%	69	£261,406
South West	£27.4m	-13.9%	540	-12.0%	£54,803	24%	70	£224,941
Wales	£8.4m	-13.7%	186	-13.3%	£48,641	26%	67	£188,940
West Midlands	£14.3m	-16.3%	335	-10.8%	£45,985	26%	69	£175,211
Yorks & H'side	£14.5m	-14.8%	350	-13.1%	£44,606	27%	68	£195,479

REGIONAL FOCUS - LONDON

Total lending -
£30.8m

Plans arranged -
402

Average released -
£82,515

Average property value -
£354,028

REGIONAL FOCUS - LONDON

London consistently remains a strong region for equity release and this has continued for the first quarter of 2012 with the greatest regional increase in lending of 45.7% from £21.1m in quarter 1 2011 to £30.8m for 2012.

With greater property values than other areas of the UK, whilst the average release is higher than any other region Londoners have the greater scope to return for further funds under drawdown plans. This is evidenced by the fact that the average loan to value in London is 23%, one of the lowest in the UK.

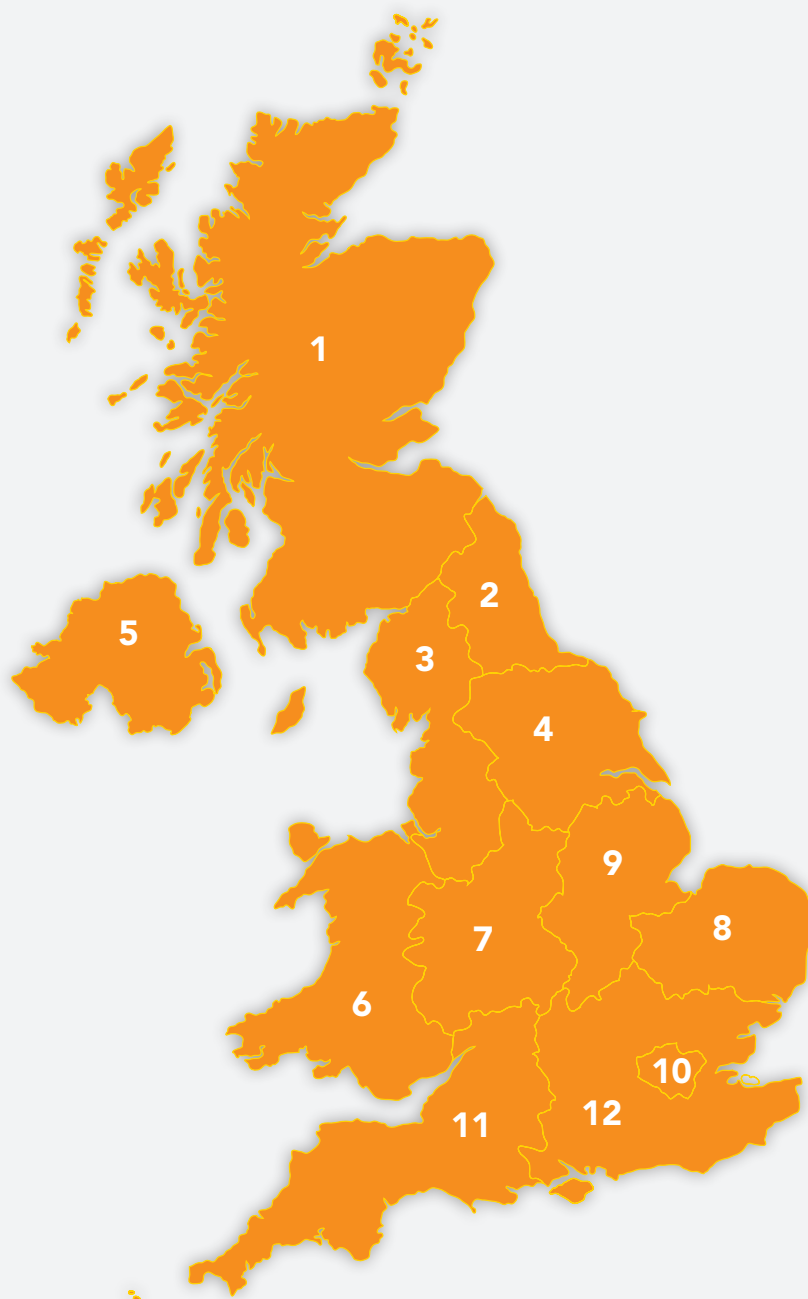
In the London region drawdown accounts for 82% of all plans taken out during quarter 1.

Review

- Highest -
South East (1,088)
- Lowest -
Northern Ireland (30)

1 Scotland 257 2011 - 257	2 North 190 2011 - 115
3 North West 447 2011 - 441	4 Yorks & H'side 350 2011 - 403
5 Northern Ireland 30 2011 - 27	6 Wales 186 2011 - 215
7 West Midlands 335 2011 - 376	8 East Anglia 224 2011 - 226
9 East Midlands 458 2011 - 299	10 London 402 2011 - 338
11 South West 540 2011 - 614	12 South East 1,088 2011 - 925

NUMBER OF EQUITY RELEASE PLANS

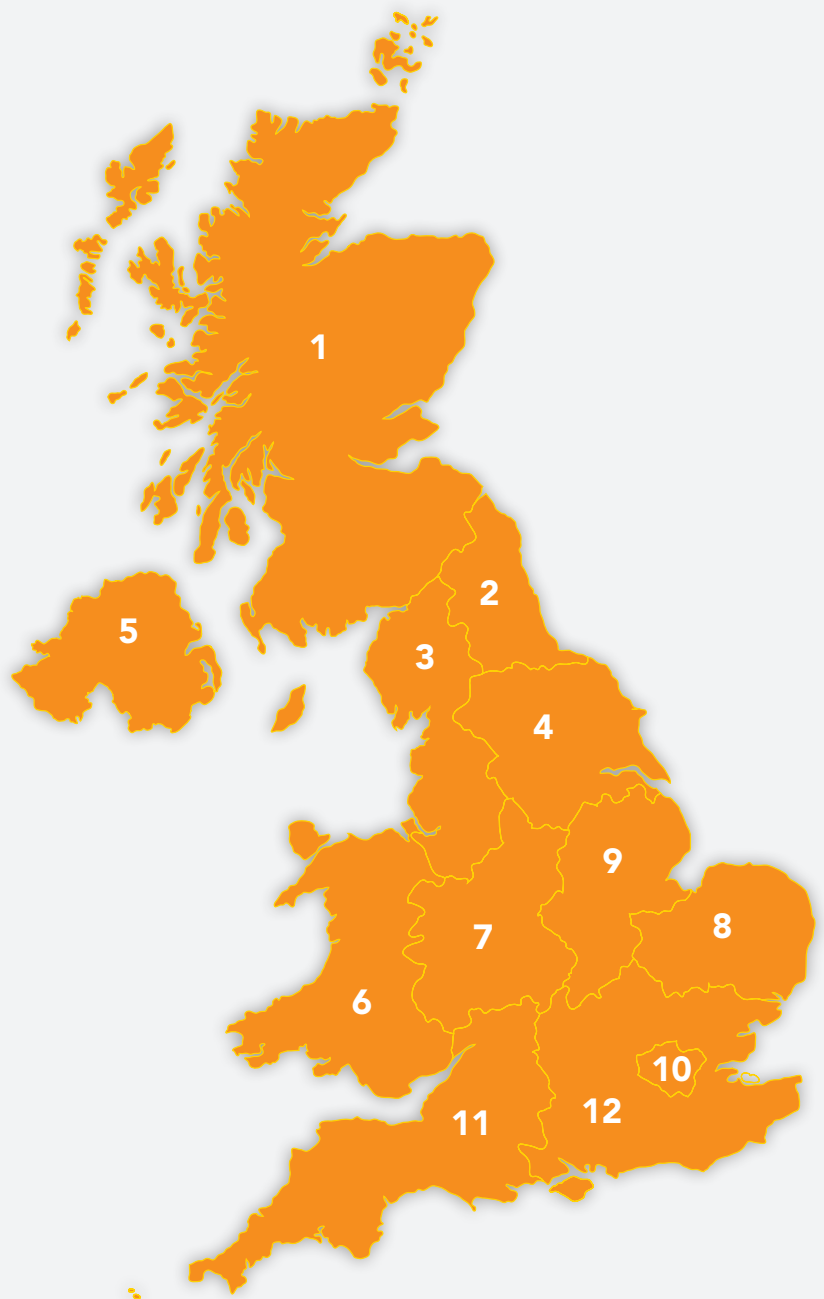


Review

- Highest -
South East (£57.8m)
- Lowest -
Northern Ireland (£0.6m)

1 Scotland £10.1m 2011 - £12.1m	2 North £7.6m 2011 - £6.6m
3 North West £18.9m 2011 - £21.0m	4 Yorks & H'side £14.5m 2011 - £16.9m
5 Northern Ireland £0.6m 2011 - £1.2m	6 Wales £8.4m 2011 - £9.7m
7 West Midlands £14.3m 2011 - £17.1m	8 East Anglia £9.2m 2011 - £11.6m
9 East Midlands £17.6m 2011 - £12.3m	10 London £30.8m 2011 - £21.1m
11 South West £27.4m 2011 - £31.8m	12 South East £57.8m 2011 - £51.9m

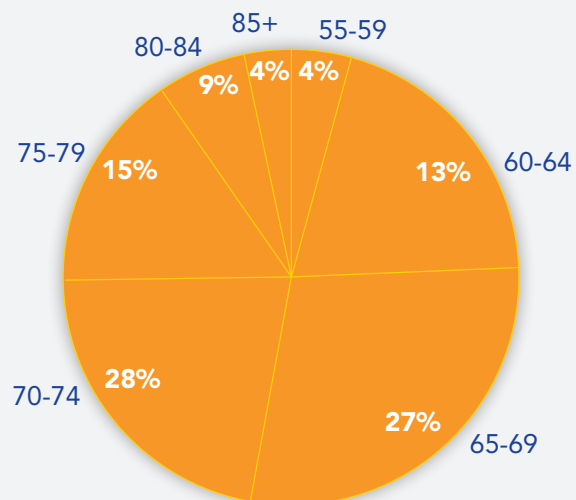
VALUE OF EQUITY RELEASE PLANS



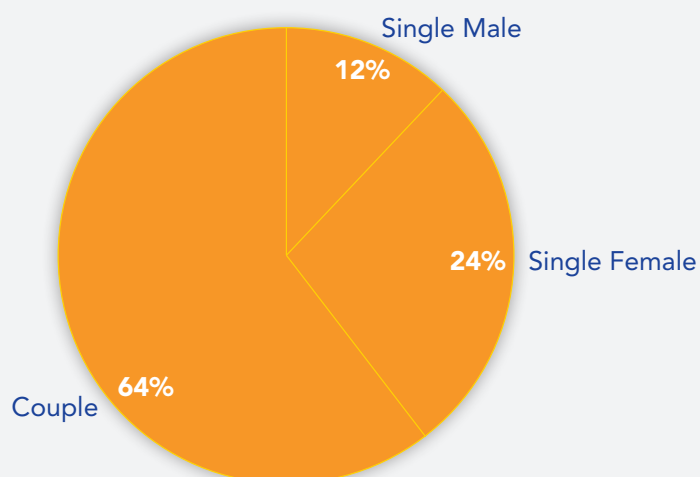
Analysis

- Average age 69
- Couples continue to make the most of equity release
- Enhanced Plans account for 10% of the market

CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX

