

UK EQUITY RELEASE Market Monitor

QUARTER 3 2013

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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.

- Quarter 3 Focus - Home and/or Garden Improvements
- Regional Focus - Scotland

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

Quarter 3 2013 Results

- New plan numbers 5,548 up 5.5%
- Total amount released £299.8m up 16.8%
- Drawdown accounts for 65% of all plans
- Home improvement increases to 59% as the top reason for releasing equity

The latest report on the equity release market reveals strong and sustained growth for the market year on year, both in terms of plan sales and total lending. Sales of plans during the third quarter of 2013 were 5,548 an increase of 5.5% over the same period of 2012. Lending also increased to £299.8 million for the period from £256.6 million for the same period of 2012, an increase of 16.8%.

Drawdown remains the most popular type of plan accounting for 65% of all new plans. As product innovation now provides many guarantees, features and benefits, not before so evident within the structure of lifetime mortgages, home reversion sales continue to be at a very low level with only single digit sales for the period.

Average loan values for the period have continued to increase. The average for Quarter 3 of 2013 being £57,286 compared to £52,141 for the same period of 2012.

BIGGEST MOVERS BY REGION

Number of Plans

▲ Northern Ireland	+129.8%
▲ Scotland	+53.0%
▲ North West	+21.1%
▼ Yorks & Humberside	-11.5%
▼ East Midlands	-11.4%
▼ North	-9.2%

Lending

▲ Northern Ireland	+93.5%
▲ Scotland	+68.1%
▲ London	+51.6%
▼ Yorks & Humberside	-7.8%
▼ South East	-5.4%
▼ East Midlands	-5.2%

REGIONAL HIGHLIGHTS

Across the country 7 out of the 12 regions experienced growth in new plan numbers, with 8 of the 12 experiencing increases in the value of total lending. The greatest percentage increases in plan numbers were experienced in Northern Ireland (+129.8%) and Scotland (+53.0%). Top region for overall lending was the South East (£70.9m) with London (56.5m) taking second place. In terms of stand out change in results, Northern Ireland has experienced a strong recovery after a period of decline with high percentage increases both in plan numbers (+129.8) and overall lending (+93.5%).

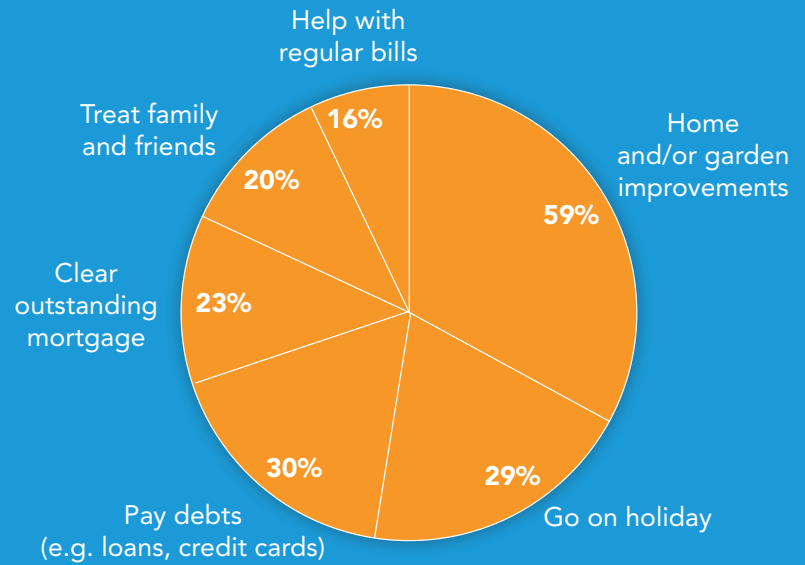
USES OF EQUITY RELEASE

Home and/or garden improvement (59%) retains top spot followed by repaying unsecured debts, credit cards/loans etc (30%), closely followed by holidays (29%). Home and/or garden improvement during the period has increased over the same period of 2012 from 53% to 59%, the greatest increase year on year in any area of use.

Highlights

- Clearing an outstanding mortgage (23%) continues to rise quarter on quarter

POPULAR USES OF EQUITY RELEASE



Major projects/ improvements to their home stand out as prime reasons for releasing equity from people's homes

QUARTER 3 FOCUS - HOME AND/OR GARDEN IMPROVEMENTS

During the 2nd and 3rd quarter of any year home and or garden improvements become a considerable priority for those releasing money from their homes. It is more significant that the percentage releasing equity for this reason has risen year on year from 53% in 2012 to 59% for quarter 3 2013.

The reasoning for this may rest in the fact that consumer confidence is returning with regard to their view of their homes worth. For those whose core wealth is tied up in their homes their financial barometer tends to be their homes value. If they feel its value is increasing they feel happy because they are positive about their wealth. This historically has been reflected by evidence of a more positive approach to spending money on their property as well as a more positive view to that money being raised on their home.

Consistently we see that a considerable amount of property wealth is being used to support major works on the home, for example new kitchens, bathrooms and conservatories – capital hungry projects that many cannot otherwise fund from existing or other sources.

Highlights

REGIONAL SUMMARY

AREA	Value	Percentage Change 2013 on 2012	Number of plans	Percentage Change 2013 on 2012	Average Value Released	Average LTV	Average Customer Age	Average Property Value
East Anglia	£12.2m	25.5%	261	4.0%	£54,039	21%	69	£254,038
East Midlands	£16.7m	-5.2%	419	-11.4%	£46,096	26%	69	£180,424
London	£56.5m	51.6%	576	15.6%	£113,141	24%	71	£466,418
North	£9.0m	7.6%	211	-9.2%	£49,444	29%	67	£173,468
North West	£31.0m	31.3%	677	21.1%	£52,895	28%	68	£187,089
Northern Ireland	£2.2m	93.5%	60	129.8%	£42,100	22%	64	£188,472
Scotland	£19.0m	68.1%	419	53.0%	£52,313	28%	68	£186,556
South East	£70.9m	-5.4%	1,229	0.0%	£66,470	23%	69	£288,241
South West	£40.2m	32.1%	660	2.9%	£70,314	26%	69	£273,670
Wales	£10.7m	13.9%	251	9.9%	£49,150	29%	67	£170,927
West Midlands	£17.3m	-1.6%	422	-3.8%	£47,141	25%	68	£187,663
Yorks & H'side	£13.9m	-7.8%	362	-11.5%	£44,335	28%	69	£156,111

REGIONAL FOCUS - SCOTLAND

**Total lending -
£19.0M**

**Plans arranged -
419**

**Average released -
£52,313**

**Average property value -
£186,556**

REGIONAL FOCUS - SCOTLAND

Not for the first time Scotland has shown a marked increase in both plan sales and overall lending. This is reflective of a number of factors, not only the fact that property prices appear to be on the up in a number of regions but also the fact that over the past year access to advice in Scotland has been increasing.

When we delve deeper into the motivations to release equity in Scotland we can see marked variances from the UK as a whole. Home and/or garden improvements account for 48% in Scotland and unlike the UK this does not fill the top slot. In fact the top reason for releasing equity is help with regular bills/unforeseen expenses, with 70%.

Debt repayment both secured and unsecured are at relatively similar levels of priority. Repaying unsecured debts accounts for 31% of use whilst repaying an outstanding mortgage is 26%.

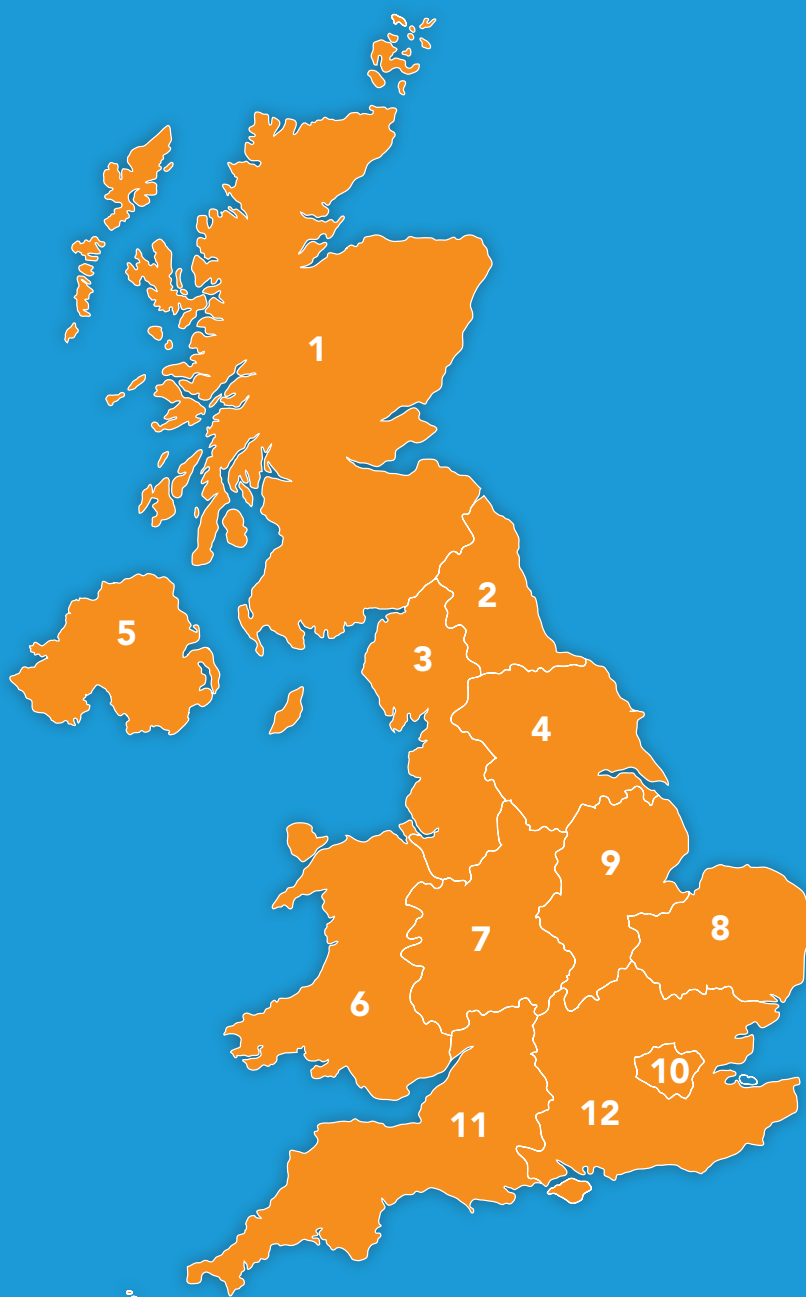
Perhaps unsurprisingly the highest overall business levels in Scotland are heavily driven by activity in Aberdeen, Edinburgh, and Glasgow. There is however widespread growth across Scotland as a whole.

Review

- Highest -
South East (1,229)
- Lowest -
Northern Ireland (60)

1 Scotland 419 2012 - 274	2 North 211 2012 - 232
3 North West 677 2012 - 559	4 Yorks & H'side 362 2012 - 409
5 Northern Ireland 60 2012 - 26	6 Wales 251 2012 - 229
7 West Midlands 422 2012 - 439	8 East Anglia 261 2012 - 251
9 East Midlands 419 2012 - 472	10 London 576 2012 - 499
11 South West 660 2012 - 641	12 South East 1,229 2012 - 1,230

NUMBER OF EQUITY RELEASE PLANS

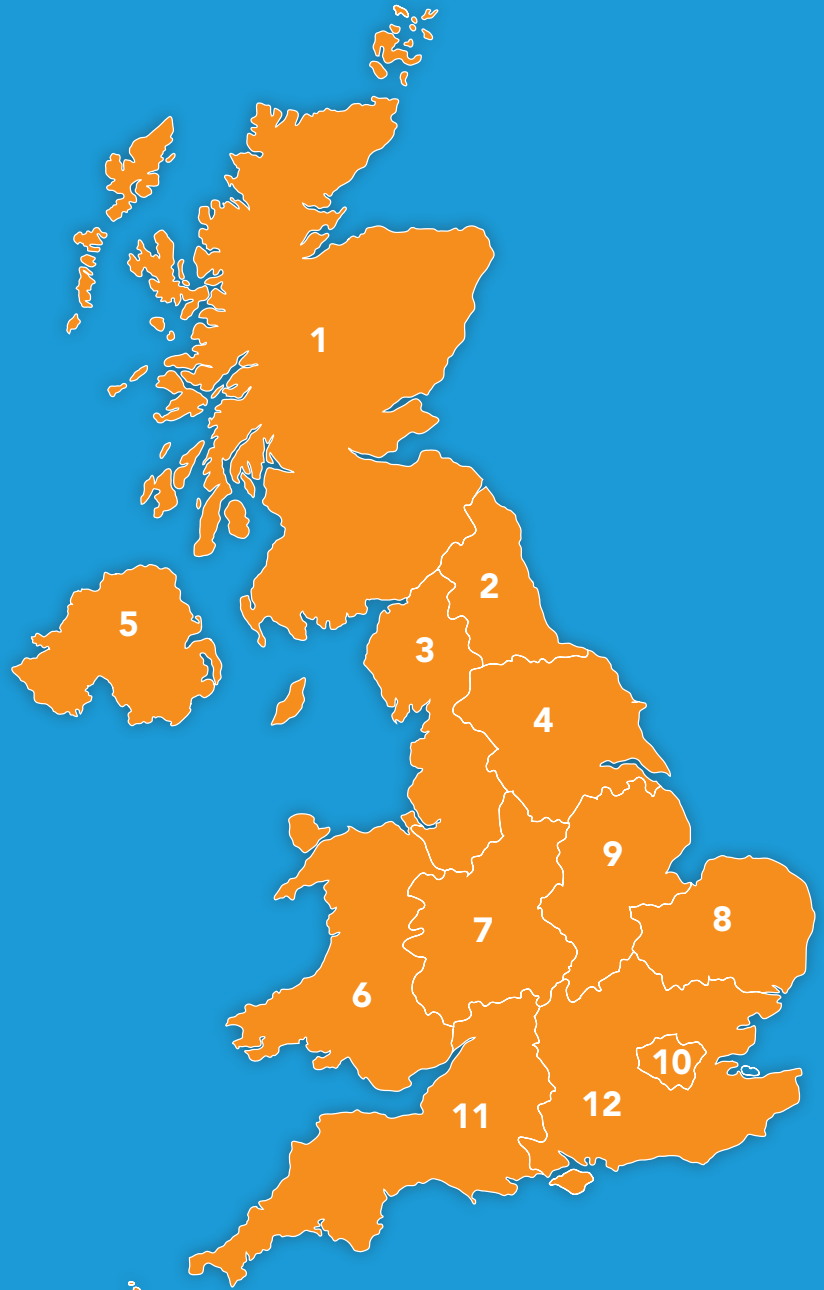


Review

- Highest -
South East (£70.9m)
- Lowest -
Northern Ireland (£2.2m)

1 Scotland £19.0m 2012 - £11.3m	2 North £9.0m 2012 - £8.4m
3 North West £31.0m 2012 - £23.6m	4 Yorks & H'side £13.9m 2012 - £15.1m
5 Northern Ireland £2.2m 2012 - £1.1m	6 Wales £10.7m 2012 - £9.4m
7 West Midlands £17.3m 2012 - £17.5m	8 East Anglia £12.2m 2012 - £9.8m
9 East Midlands £16.7m 2012 - £17.6m	10 London £56.5m 2012 - £37.3m
11 South West £40.2m 2012 - £30.5m	12 South East £70.9m 2012 - £74.9m

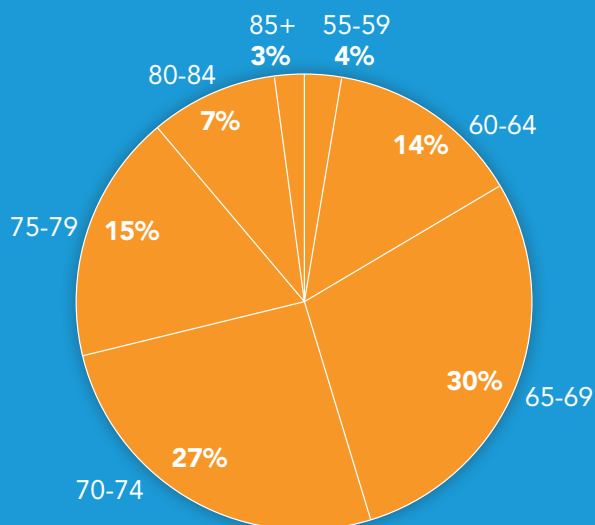
VALUE OF EQUITY RELEASE PLANS



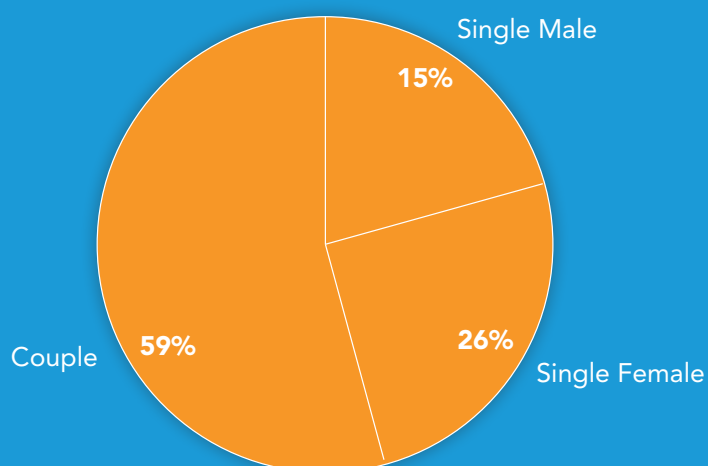
Analysis

- Average age 69
- 59% of those releasing equity are couples
- 66% more single women release equity than single men

CUSTOMERS BY AGE



CUSTOMERS BY STATUS



PRODUCT MIX

