IMLA intermediary survey

July 2012

About the Intermediary Mortgage Lenders Association

- IMLA is a mortgage lender trade association established in the 1980's to represent the interests of those lenders who originate the majority of their business from mortgage intermediaries
- IMLA has 21 members who between them conduct more than 80% of the lending in the intermediary sector
- Members include banks, building societies and specialist lenders
- Business models include retail funded, wholesale funded, private capital and those that rely on the asset backed finance model
- IMLA has a democratically elected board and chairman and all members are entitled to attend regular meetings
- All members pay the same annual subscription and all have a single vote
- IMLA maintains a close alliance with the CML and works with a wide range of other trade associations, government departments and the FSA
- The current chairman is John Heron and the executive director is Peter Williams

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About the IMLA intermediary survey

- IMLA has recently relaunched a tracking survey of intermediaries on mortgage market issues to understand current views and issues affecting the mortgage market

- The July survey looked at the market over the last three months (Q2 2012) and intermediaries' expectations for 2012 and the twelve months to June 2013

- There were 220 responses to the survey

- This survey was conducted in July 2012 and the last survey was carried out in January 2012, comparable data is shown where appropriate

About intermediaries

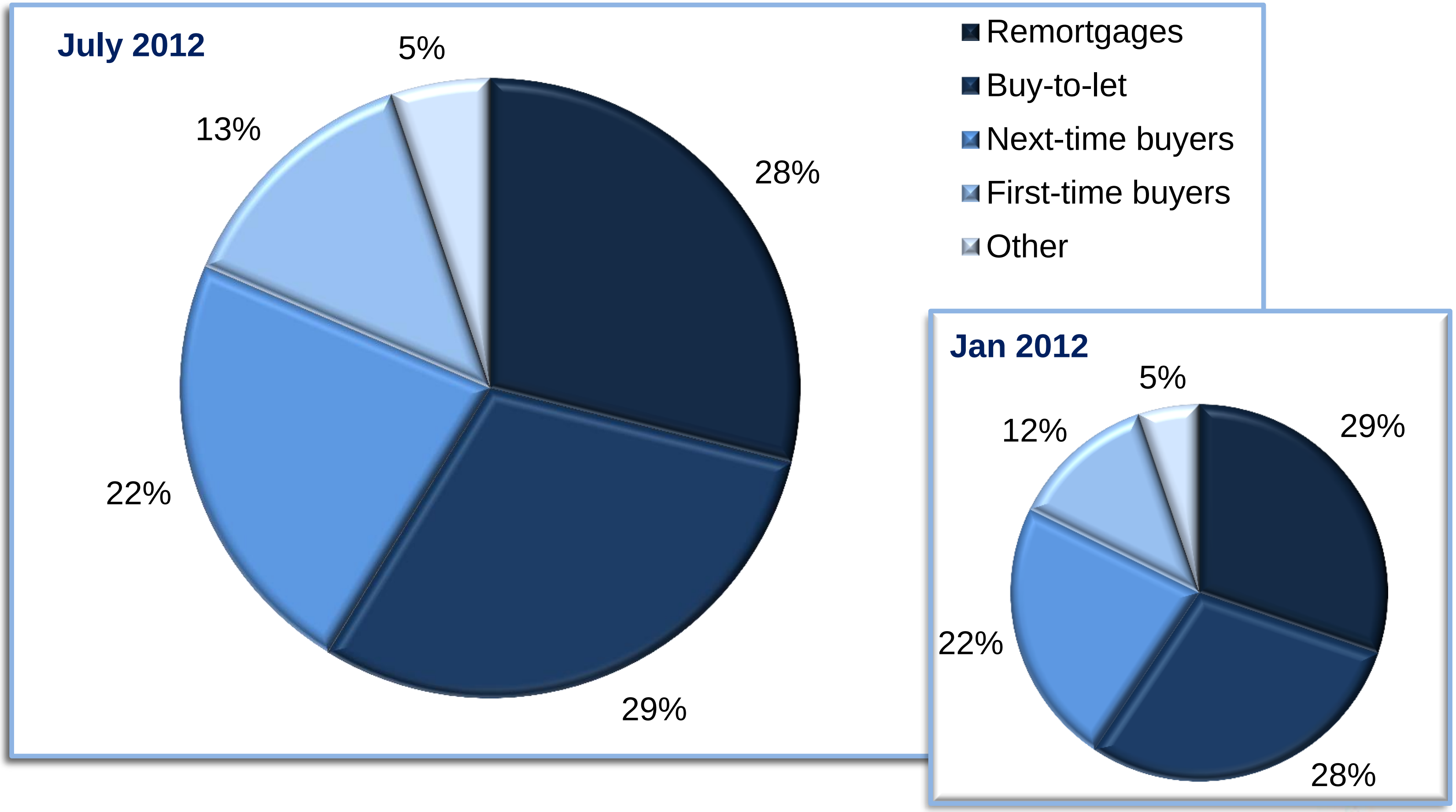
- Appointed representative firms account for 60% of the responses
- Directly authorised firms account for 37% of the responses
- 50% of respondents were from London and the South East
- On average intermediaries are dealing with 13 applications per month

Jan 2012:

- 58% appointed representatives
- 39% directly authorised
- 47% from London and the South East
- 12 applications per month

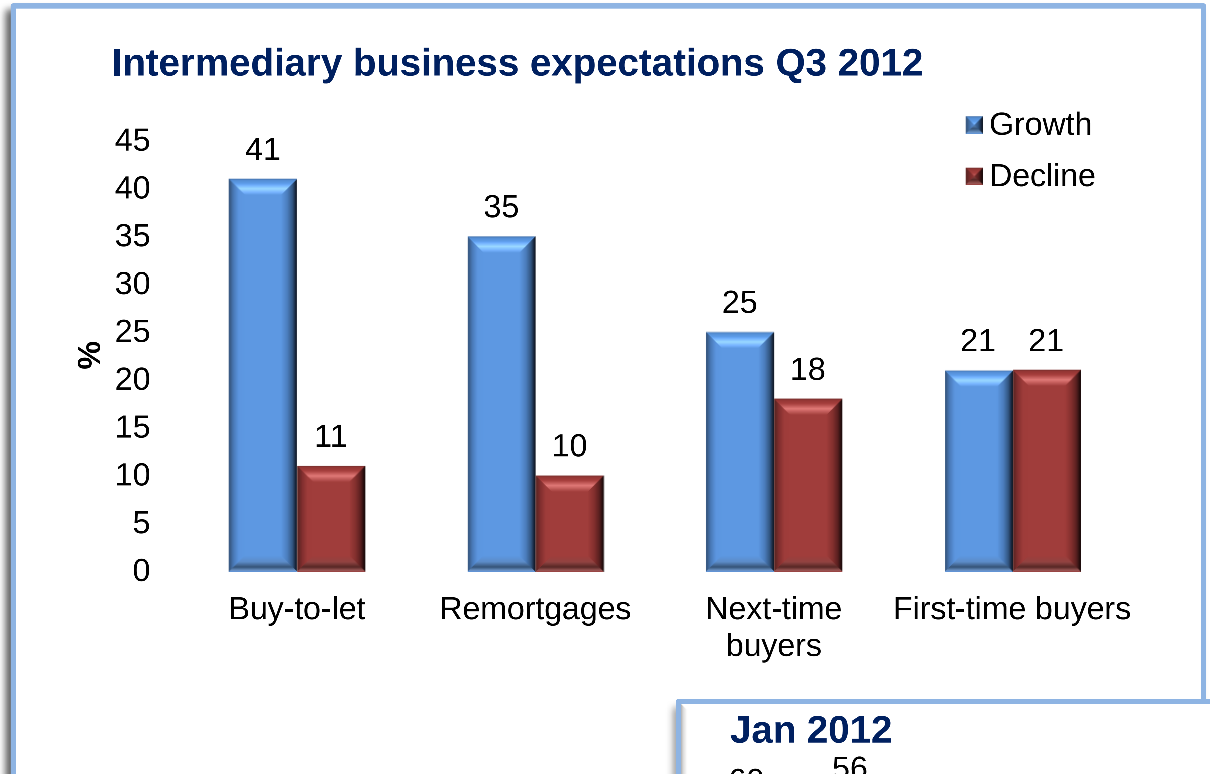
Business type

Intermediaries reported dealing with the following business types in Q2 2012:



Mortgage Market Outlook

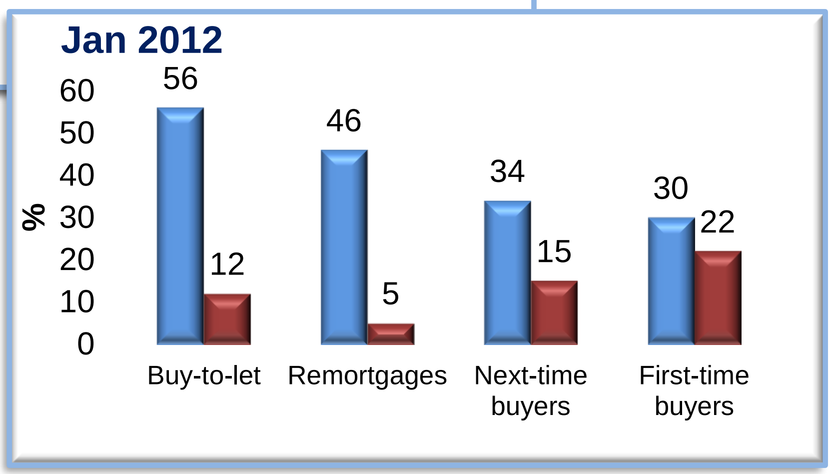
Business growth/decline



- In all business areas the majority believe that volumes will remain the same
- Intermediaries remain most optimistic about buy-to-let - 41% expect to see an increase
- First-time buyer business is the area intermediaries are least optimistic about - 21% expect a decline

July v Jan

- Sentiments have changed over six months
- Optimism has lowered in all business areas

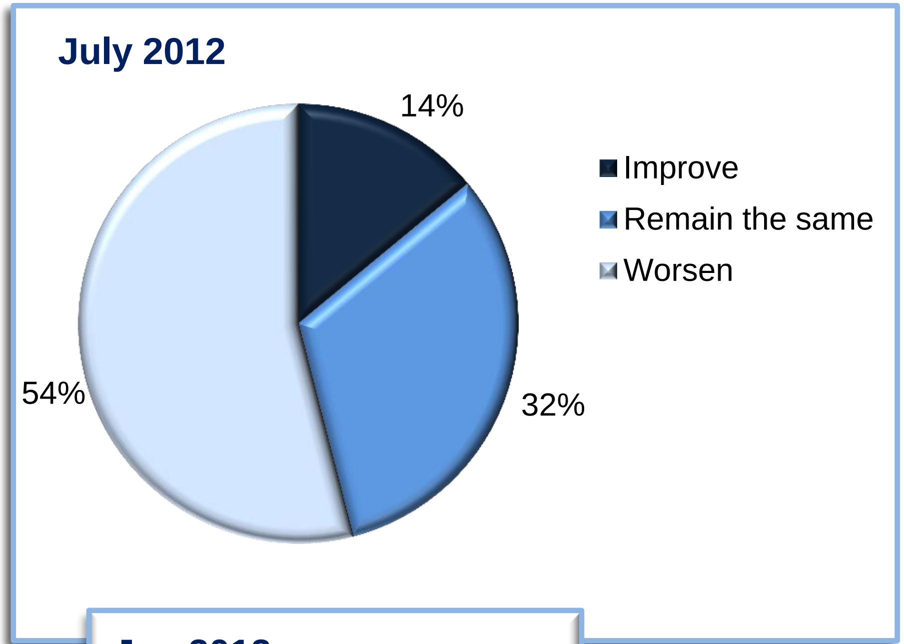


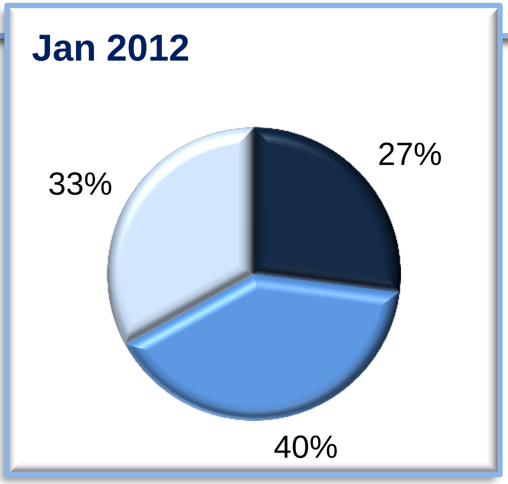
Market conditions

- Optimism has declined over market conditions, 21% more intermediaries think market conditions are getting worse than did so in January

- 46% of intermediaries think conditions remain the same or are improving, compared to 54% that think conditions are getting worse

- In January, 67% thought conditions remained the same or were improving and only 33% thought conditions were getting worse





Unable to source a mortgage

- 80% of intermediaries were unable to source a mortgage for one or more clients in Q2
- Of these cases, 69% were near prime and 64% were mainstream

Jan 2012:

- 79% unable to source a mortgage
- Off these, 65% were near prime and 54% were mainstream

The Economy

By June 2013:

- Intermediaries do not expect base rates to increase in the next 12 months
  - 73% expect no change at all (70% in Jan 2012)
- They still expect growth to be sluggish with GDP at 0.3%, lower than predicted in the January survey (0.82%)
- Inflation is expected to remain low, 2.56% (3.77% predicted in Jan 2012)

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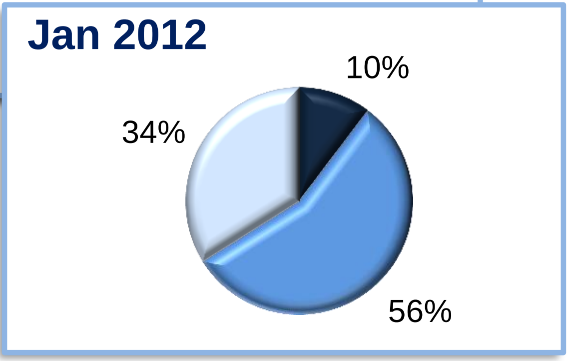
House prices and lending:

- Intermediaries expect no real movement in house prices in the next 12 months
- Forecast gross mortgage lending for 2012 at £130.4bn (£132.7bn in Jan 2012)
- 49% of intermediaries expect buy-to-let lending to be the same or higher in 2012 than 2011 (66% in Jan 2012)



Factors affecting mortgage volumes

- Intermediaries think that the EU crisis and EU regulation will depress business volumes the most
- The Olympics will have the next biggest influence, followed by Euro 2012
- The Queen's Diamond Jubilee was ranked as least likely to depress mortgage volumes

Rank of how much mortgage business volumes will be depressed by the following factors:

1: EU crisis
2: EU mortgage directive
3: Olympics
4: Euro 2012
5: Diamond Jubilee

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Summary

- In Q2 2012 intermediaries dealt with on average 13 cases per month and the main product type was buy-to-let followed closely by remortgages. 80% of brokers were unable to source a mortgage for a client during the quarter
- In Q3 2012 intermediaries expect business volumes in all areas to remain the same but are more optimistic about buy-to-let (41% expect an increase) and remortgages, (35% expect an increase)
- Most intermediaries think market conditions are getting worse and think that gross mortgage lending will be lower than in 2011
- Intermediaries expect house prices to remain the same in 2012
- They also expect the base rate to remain the same accompanied by sluggish growth
- Intermediaries appear to be less optimistic now that they were at the start of the year