



Geared Property Update – Broad Street Fund – H1 2013

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1. About Broad Street

Bristol is the regional capital for the southwest with major commercial and financial centres. The property National Westminster Court, Broad Street is a freehold office complex totalling 117,596ft² (10,925m²) with 84 car spaces. The property is fully let to RBS Insurance Services Limited on a lease expiring in 2033.

2. Performance of the Broad Street Fund

Property Valuation – June 2013

This property was purchased in 2006 for Stg£22m (plus costs). The value of the property has remained unchanged at Stg£14m in the six months to June 2013. See section 4 for further details on the valuation.

Fund Return (unit price movements)

31 December 2012 to 30 June 2013

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (Stg£12.27m), loan interest expense, fund costs, rental income, exchange rate movements and fund management charge has resulted in the value of the units in the fund falling from 0.156 to 0.139 in the six months to 30 June 2013.

Net Asset Value of Fund

As the net asset value of the fund (i.e. the value after deduction of the outstanding loan) is close to zero and could become negative in the near future, your policy would then have no remaining value. If this occurs, negative equity will need to be recovered before the net asset value of the fund increases to a

positive value and before the policy will be valued at greater than €0.00. As you're aware, the fund is a closed fund and investors cannot exit until maturity. When the fund matures, investors will receive a maturity value based on the sale price achieved at the time. The value of your plan is in your annual benefit statement and is the current guide value reflecting any movements in the fund since the 30 June 2013.

3. Fund/Loan Maturity

The loan on the property, which is held with permanent tsb, matured in June 2013. The amount outstanding on the loan in June 2013 is Stg£12.27m and the loan to value (LTV) ratio of the property is currently 88%.

As advised in previous reports, permanent tsb has indicated that it will not be extending the existing loan. Discussions are being held with them on a regular basis in order to explore other possible options. A short-term extension is being allowed to facilitate these discussions.

In parallel we are actively progressing alternative re-financing options and have received indicative terms for a new 5-year facility from an alternative debt provider. The proposed terms reflect the high loan to value position of 88%. We are currently assessing the implications of the terms and we will keep you informed of progress on this.

While we continue to explore all options, if no solution is found and permanent tsb's position does not change, it is possible that we will be required to put the property up for sale to repay the loan. Should Irish Life have to sell the property, the current value

of your plan may be further impacted depending on the sale price achieved which could result in the loss of your investment in the fund.

As explained in the terms and conditions, when the geared pension property fund ceases, the value of the fund will be the amount received from the sale of the fund assets less any outstanding balance on the loan of the fund. Your accumulated fund at that time could be valued at zero.

4. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

Property investment transactions in the UK in the first half of 2013 have been strong at approximately £16 bn. UK institutions and listed property companies continue to be reasonably active but the most significant participants have undoubtedly been the overseas investors, who have been focussed on the Central London market. A continued widening of the gap between prime and secondary asset pricing also remains a key factor of the market. More recently however, investor demand has started to extend to some key regional locations in response to strong competition and limited availability of prime stock in London.

The deleveraging by the banks has been ordered to date but there is an expectation that further deleveraging must take place to bring exposure by the banks to more modest levels. Commercial property debt has still been difficult to raise and although there is an emergence of insurance firms and pension funds entering the market the focus for this debt is on prime assets. Occupier demand remains soft and availability rates high resulting in limited expectation of rental growth, other than in selective locations. The over-rented nature of properties has a large gap to close before landlords will see increases in passing rents.

In relation to Bristol, the market has seen an

improvement since the end of 2012 and a number of buildings which struggled to sell in 2012 are now under offer. As far as the Bristol occupational market is concerned, the overall vacancy rate remains high albeit there is limited availability of quality Grade A stock.

Property Update

RBS Insurance Services Limited fully occupy the property on a long-term lease with 20 years remaining. The current value of the property as at June 2013 is Stg£14m based on a yield of 6.75%. There has been no change in value in the 6-month period to June 2013. As previously communicated, one of RBS Group's operating areas, RBS Insurance Services Limited, took over the lease on the NatWest building in 2012. They have recently refurbished parts the building and the entire building is used as a call centre for the RBS Insurance business which provides specialist commercial and business insurance advice from this Bristol business centre.

5. Keeping you up-to-date on your fund

Property valuations are completed in June and December each year. This property update reflects the last property valuation as at 30 June 2013. The accompanying benefit statement reflects an up-to-date value of your investment. You can call your adviser or contact our Geared Property Services Team on 01 704 1831 to get an up-to-date value at any stage on your investment. In the interest of customer service, we will record or monitor calls. The information provided is a guide only and may be subject to change. The valuation details regarding the asset(s) in question are confidential and should be considered price sensitive information.