Geared Property Update - Maidenhead Fund – H1 2013

This is for information purposes only and for existing customers only. This is not an advertisement.

1. About Maidenhead Property

Maidenhead is situated 40km west of Central London in the Royal Borough of Windsor and Maidenhead. The Nicholsons' Centre comprises an enclosed shopping centre providing approximately 190,000 ft^2 (17,651 m^2) of retail and ancillary accommodation. In addition to the Centre, there is also a period retail unit nearby (also in this fund), namely 69 High Street.

2. Performance of the Maidenhead Fund

Property Valuation – June 2013

This property was purchased in 2007 for Stg£85.035m of which the fund's share (85%) was Stg£72.279m (plus costs). The fund's share of the value of the property has fallen by 2.68% to Stg£21.59m in the six months to June 2013. This decrease in value mainly resulted from a decrease in rental income due to lease expiries, tenant administrations and increased costs associated with the increase in the number of vacant units. See section 4 for further details on the valuation of the property.

Negative Net Asset Value of Fund

The current guide value of your Maidenhead policy is €0.00 because the net asset value of the fund is negative. The loan for the Maidenhead property, (Stg£49.33m) is in excess of the property value, (Stg£21.59m) and all other contributing factors to the return of the fund such as previous valuations, loan interest expense, fund costs, rental income, exchange rate movements and fund management charge have resulted in the fund having negative equity and your policy having no current value.

As you are aware, the Maidenhead Fund is a closed fund and investors cannot exit until maturity. When the fund matures, investors receive a maturity value based on the sale price achieved at the time. Given the current valuation and outstanding loan balance it is expected that there will be no return to policyholders in this fund.

The value of your plan is in your annual benefit statement and is the current guide value. This guide value also reflects any movements in the fund since 30 June 2013.

3. Fund Maturity

The loan and fund are due to mature in 2014. As the value lies with the bank and there is a breach of the LTV covenant if there is any increase in the value the bank, ptsb, could insist at any time that the property is sold and the loan is repaid. The loan balance as at 30th June is £49.33m, and the current LTV is 228%. The loan interest is being paid quarterly but due to the high running costs there is no capital being paid off the loan.

As you are aware, the decline in property values over the last few years has resulted in the value of your plan being adversely affected. The retail investment market in the UK is very challenged and should the bank require the property to be sold, the net asset value of the fund is likely to remain negative resulting in the value of your fund remaining at €0.00.

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

Investment volumes in the first half of 2013 are broadly in line with last year's figures. UK institutions and listed property companies continue to be reasonably active but the most dominant participant has undoubtedly been the overseas investor, accounting for almost half of all transactions. 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 shift towards key regional locations in response to strong completion for 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.

In the retail sector sentiment remains very subdued, with footfall figures down 0.7% on last year and shopping centres experiencing the largest decline. It is not expected that there will be the same number of administrations as in the last few years but it is not ruled out that there may still be some more to come. There are some signs of improving consumer sentiment but little expectation that this will have any significant positive impact on retail rents in the short/medium term given high vacancy rates.

Centre Update

There have been a few new tenants looking at the centre but as the rent is reducing on units which have leases that are expiring it is not expected that such new lettings would have a significant impact on the overall capital value of the property. The current contracted rent roll on the property is approximately £2.8m of this approximately £2.7m pertains to the retail element of the property. There is a vacancy rate of approximately 20% with a further 10% of tenants on a watch list.

The planning application by ING for the adjacent site was refused planning in April 2013. The site is currently being marketed for sale albeit ING only owned part of the site.

Crossrail is a new rail service to London which will cut journey times to London with the trains now being able to go direct to the heart of the west end (Bond Street) direct from Maidenhead. It is expected that with this journey time decrease the residential population of Maidenhead will increase, as commuters look to avail of the reduced journey time. There currently is a planning application in for a development in the town centre of 240 residential units by Michael Shanly who also has 2 further applications for housing estates for 136 & 12 residential units.

As previously stated the fund's interest in the property is currently valued by external valuers (CBRE) at Stg£21.59m. There is no real prospect of the valuation recovering in any significant way. Given the size of the outstanding loan of Stg£49.33m it is anticipated that there will not be any return of investment to policyholders at the closing of the fund.

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

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.