



Geared Property Update – Tour Esplanade Fund – H1 2013

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1. About Tour Esplanade

Tour Esplanade is located in the west of Paris in the business district of La Défense. It is a 36-storey office building providing 53,598m² with conference facilities, auditorium, restaurant, sports centre and 251 private car parking spaces.

2. Performance of the Tour Esplanade Fund

Property Valuation and Fund Return (unit price movements) – June 2013

This property was purchased in 2007 for €380m of which the fund's share (18.21%) was €69.198m (plus costs). The property value increased by 21% in the six months to June 2013 (18.21% share of the value of the property increased to €55.89m).

This valuation and all other factors contributing to the return on the fund such as the outstanding loan balance (€46.7m), loan interest expense, fund costs, tax, rental income and fund management charge* resulted in the units in the fund being valued at 0.372 at 30 June 2013. See section 3 for further details on the valuation. This means that the value of units in the fund has decreased 63% from launch in May 2007 to 30 June 2013.

As you are aware, the Tour Esplanade 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. This guide value also reflects any movements in the fund since the 30 June 2013.

*As previously outlined, the fund management charge on your fund is 2.25% per annum of the net asset value. This includes a Tishman Speyer charge of 0.1% per annum on the gross property value (currently 0.58% of the net asset value), with the remainder (currently 1.67% of the net asset value) paid to Irish Life as a fund management charge.

3. Factors impacting the performance of the fund

Source: Irish Life

Market Overview

Property investment in Paris is seeing a decline in 2013 compared to 2012. The inertia of economic growth, uncertainty about how sovereign debt is managed and hardship on the letting markets are holding back investment.

Despite investors' interest, risk aversion still prevails. Buyers are mainly aiming for secure properties in the most liquid business districts. In the first half of 2013 the most challenged occupier sector was office space above 5,000 m². Relocations are being held back by the economic environment and occupiers are adopting a "wait-and-see" approach. Significant commercial incentives are available to tenants with an average of 2 months' rent free on every year of lease contracted.

Property Update

As advised in previous communications, SFR (French telecoms operator) have occupied the entire property since 2004 under a standard 9-year lease at a rent of €26.3m which ends in December 2013. Under the terms of the lease, SFR formally notified the landlord in June 2012 of their intention to vacate the building at the end of the lease in December 2013.

We are very pleased to report the signing of a single lease with two French government ministries - (French Ministry of Ecology, and the Ministry of Housing) - for 100% of Tour Esplanade. Commencing in July 2014, the new 53,600m² lease is for a 13.5 year firm duration with an initial annual rent of €24.6m. The tenant will also receive incentives in line with market practice (18 months rent free). Typically, leases in Europe are for 3, 6 or 9 years duration and it is exceptional to achieve a lease of this length.

The transaction represents the largest new lease ever signed in La Défense Paris for an existing building, and was achieved in an extremely challenging leasing market. Given the size of the transaction, this was a complex and detailed process with a huge level of engagement by the local Tishman Speyer (TS) team which culminated in final authorisation from the French Parliament in late December 2012.

The new lease contains an option for the tenant to purchase the property at any time between 1 July 2015 and 30 April 2016 at an agreed price. This purchase option coincides with the planned maturity of the fund and the loan.

The loan in the fund is a 10 year interest only loan maturing in 2016. There is a 10-year SWAP in place at 4.21% to hedge the interest rate risk. The return on the fund will depend on a number of factors including the strength of the investment market in 2016.

As part of the conditions of the new letting, the landlords are required to carry out comprehensive refurbishment works to the property. These are projected to start from the departure of SFR in December 2013, with most of the space scheduled to be delivered to the new tenant in July to October 2014. TS have indicated that additional cash will be required to facilitate the new letting. Since 2009 TS have been anticipating that the building would require a refurbishment and/or a rental incentive and to this

effect they have been building up a cash reserve to partly finance this. While there is a significant build-up of cash, more equity is required to fund the cost of works, the rent-free period and to cover loan interest and other costs while the building is vacant.

TS have put us on notice that they will be reverting in due course giving all investors in the fund the opportunity to invest by way of additional equity. Irish Life originally invested €25.5m in the fund on behalf of policyholders. The portion of additional equity to be requested from Irish Life is approximately €8.8m. Investors are not obliged to invest this additional equity but in the event additional equity is not provided, there will be a penalty interest cost to the fund of 9%. We will be communicating individually with policyholders on this in due course.

4. 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.