

SE COMPANIES
HD **Cerberus backs recovery with property loan buys; General financial**
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Cerberus has acquired two portfolios of distressed **property** loans for £2.3bn as the US private equity **group** bets on a strengthened recovery in regional values in the UK and Irish **commercial property** markets.

Already one of the biggest buyers of distressed real **estate** from banks seeking to de-risk their loan books, Cerberus agreed yesterday to acquire a £1.2bn portfolio of **commercial property** loans from National Australia Bank, and a further £1.1bn portfolio of Irish **commercial** real **estate** loans from the Royal Bank of Scotland.

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At a time when overseas investors are driving down yields on trophy assets in central London, private equity groups and hedge funds have become increasingly interested in the long-term recovery prospects of debt secured on regional **property** assets, which they perceive as better value.

The RBS portfolio comprises loans on more than 5,000 **commercial** properties in Ireland. Roughly three-quarters of the assets are in the Republic of Ireland and a quarter in Northern Ireland - markets where **commercial property** values plunged after the financial crisis.

RBS announced the asset **sale** an hour after it was revealed to have passed stress tests set by the Bank of England. The Cerberus deal is expected to complete in the first quarter of next year.

RBS said that the carrying value of the **property** loans was about £1bn, but the value of the gross assets was close to £4.8bn. The portfolio generated a loss of £800m in the year to December 2013 "primarily in impairment provisions".

The £1.2bn NAB deal builds on a £625m parcel of largely non-performing loans that the bank **sold** to Cerberus in July as the bank's new chief executive accelerates its British exit.

NAB, one of Australia's Big Four lenders, has long sought to extract itself from a pre-crisis era expansion into the UK, where its biggest remaining holdings are the Clydesdale and Yorkshire banks - for which it is examining options that include an initial public offering.

"This is an important step forward, effectively bringing closure to one of our legacy positions," said Andrew Thorburn, NAB chief executive.

The portfolio consists of mainly defaulted, at-risk or high loan-to-value **property** loans, the bank said. The **sale** leaves NAB with an £836m portfolio of performing loans for which the bank said it would examine other options.

When completed, yesterday's **sale** would release £127m of capital, NAB said, adding that it would no longer report its UK loan portfolio as a separate line of business.

Shares in NAB were flat in Sydney trading in Sydney yesterday, beating a 0.8 per cent slide in the wider market.

CO ncbnk : National Australia Bank Ltd | cercap : Cerberus Capital Management LP

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