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NAB's British loan book up for grabs MOVES by National Australia Bank to distance itself from its poor performing international assets appears to be gathering steam, with the institution entering advanced talks with three global investment firms to sell almost half of its remaining £2.1 **billion** ($3.96bn) British **commercial** real **estate** loan book.

Cerberus Capital Management, Pimco and CarVal Investors were invited by NAB to bid on the "Project Henrico" process in recent weeks, sources confirmed.

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The three were involved in NAB's Project Chestnut asset **sale** process earlier this year which concluded with New York private **equity firm** Cerberus buying a portion of its British loans for £485m.

A **sale** price for the Project Henrico offering is unclear but the loans are thought to sell at a discount of about 20 per cent.

Bids were lodged this week and the off-market sales process run by Morgan Stanley could be finalised within days.

Earlier reports out of Europe suggested the loans were worth £1bn, although other sources said the value was higher.

NAB's mergers and acquisitions team are believed to have been busy of late, which could indicate more divestments are on the cards.

NAB chief executive Andrew Thorburn flagged plans in October to accelerate the **sale** of non- core assets, which includes a raft of poor performing **commercial** real **estate** loans that sat within its Clydesdale Bank.

Offloading Clydesdale would likely have more meaningful consequences for NAB, according to several analysts, although they remain sceptical as to whether the market would be prepared to even pay up to half of the book value for the business, which is between $4bn and $5bn.

NAB has already raised $US288m after selling down 30 per cent of its US bank Great Western via a float, as it shifts its focus closer to home.

Next to be hived off could be the British banking operation in its entirety, widely mooted to happen via an initial public offering.

Investment bank JPMorgan is quietly sounding out potential suitors for NAB's MLC business, with the bank set to make a **firm** decision on whether to offload the division early next year.

It is thought that NAB would need to find a partner for the business comfortable with the bank remaining in charge of distribution for MLC.

Effectively, it is expected to sell just the life insurance arm within MLC, which is likely to trade well below its $2bn book value.

Perpetual's fine start PERPETUAL'S first listed investment company has raised more than $250 million in an IPO.

The move by Perpetual Equity Investment Company exceeds its initial $150m minimum target.

Perpetual launched the offer in late October, aiming to raise between $150m and $600m.

A raising of $250m is the biggest for a LIC since the global financial crisis. PIC said it would provide investors with regular income and long-term capital growth through investment in mainly mid-cap Australian securities.

As much as a quarter of the portfolio's net asset value will also be allocated into global listed securities.

PIC is hitting the boards on December 18 after a slew of LICs have tapped the growing superannuation market, including the James Packer-backed Ellerston Capital.

CBA Equities and Taylor Collison arranged the offer, which was also jointly managed by Macquarie, Morgan Stanley and ANZ Securities.

The co-lead managers were Baillieu Holst and Lonsec.

Leighton deal drags on TAKEOVER talks between Leighton and the China Communications Construction Company are expected to extend into next week, according to a source.

The Beijing-backed China Communications Construction Co is poised to buy Leighton contractor John Holland for a price tipped to be more than $1 billion.

John Holland's large rail business is thought to be one of the more lucrative parts of the contracting operation.

There had been a suggestion that a deal between the Spanish-controlled Leighton and the Morgan Stanley-advised CCCC would be concluded by the end of the week. However, a conclusion next week is now more likely. The Chinese suitor recently arranged a $1.2bn loan with ANZ Bank, a Chinese financier and it's adviser Morgan Stanley.

What price for Pepper?

IS Australian lender Pepper Group for sale?

Recent dealings suggest it was prepared to part with its assets to secure control of General Electric's $7.5 billion Australia and New Zealand consumer lending business.

Pepper is partnering with Macquarie to buy the GE offering, but Blackstone was originally considering joining their consortium.

In need of capital to fund the acquisition, it's thought that Pepper offered to sell its business into the consortium for a price tipped to be around $460 million.

However, Blackstone took exception to what Pepper was asking, causing the private equity giant to walk away.

Pepper has been seen as somewhat of a rising star in the finance industry, increasingly competing with heavyweights when it comes to recent acquisitions of major loan portfolios. It has expertise in servicing third-party asset portfolios such as commercial and residential mortgages, and since 2001 has embarked on $3bn worth of transactions in residential mortgage backed securities.

It often goes in search of partners when competing for loan portfolios for additional funding and it is not a wild suggestion to make that Pepper could float in the next two years in a quest to gain more access to capital.

Some say its market value would likely be between $500m and $1bn. Bids for GE's Australia and New Zealand consumer lending business close today, with various private equity groups still in the contest.

It has emerged that global PE giant Kohlberg Kravis Roberts is partnering with Flexigroup and has adviser Citi in its corner, while ANZ is now understood to have distanced itself from the process, meaning none of the top four will be in the contest.

Macquarie would likely offer the debt to fund a tilt at the business with Pepper, but the consortium will be in search of capital with Macquarie and Pepper both said to be each contributing little more than $100m.

Pepper could have tipped its business into a new vehicle to own the GE portfolio on the proviso that it secured the management rights, creating an opportunity forPepper to enlarge the assets it has under management.

CO	cercap : Cerberus Capital Management LP | dwitd : Morgan Stanley | ncbnk : National Australia Bank Ltd
IN	i81402 : Commercial Banking | ibnk : Banking/Credit | i814 : Banking | ifinal : Financial Services | i81502 : Trusts/Funds/Financial Vehicles | i8150203 : Private Equity | i831 : Financial Investments | i83101 : Investment Banking | ialtinv : Alternative Investments | iinv : Investing/Securities
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