



Cerberus wins Ulster Bank's giant Project Aran and NAB's Project Henrico

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Cerberus Capital Management has won Ulster Bank's giant Project Aran non-performing loan portfolio and National Australia Bank's Project Henrico, completing a sweep of four major commercial real estate (CRE) loan portfolio wins in the last week.

Royal Bank of Scotland Group, Ulster Bank's parent company, has announced this morning that Cerberus has paid £1.1bn (€1.38bn) for Project Aran, which had an unpaid loan balance of €5.6bn and gross liabilities of £4.8bn (€6bn).

Cerberus and RBS signed this deal in the early hours of this morning, fending off still competition from Lone Star and a consortium comprised of CarVal Investors, Goldman Sachs' special situations fund and Apollo Global Management.

Project Aran was comprised of approximately 1,300 borrower groups, over 6,200 loans with around 5,400 properties. More than 75% by loan balance is secured by Irish assets and about 20% in Northern Ireland, with more than 90% of the loan portfolio in default.

RBS said in the statement that the carrying value of the loans is circa £1bn and generated a loss of £0.8bn, principally impairment provisions, in the year to 31 December 2013.

The statement continued: "The transaction, which represents RWA equivalent of c£1.2bn as at 30 September 2014, is part of the continued reduction of assets in its RBS Capital Resolution division and is in line with the bank's plan to strengthen its capital position and reduce higher risk exposures."

Completion is expected in the first quarter of 2015.

Project Aran was upsized from an initial circa €1.7bn portfolio, back in October. For the last report on the portfolio, [please click here](#).

Cerberus has also paid around £950m for Project Henrico, NAB's second portfolio of UK non-performing CRE loans from.

Project Henrico - comprised of 1,300 borrower groups and 5,400 properties throughout the UK - had a nominal value of £1.2bn, implying a discount of 21%.

CoStar News revealed last week that Cerberus, PIMCO and CarVal Investors were exclusively invited by NAB to bid on the bank's Project Henrico portfolio as the three finalists on the Project Chestnut UK non-performing loan sale which traded to Cerberus for £485m, [as revealed by CoStar News](#).

As a result of the Project Henrico sale, a small gain is expected to be recognised in NAB's March 2015 half year accounts, and an estimated £127m of capital will be released for the NAB Group when the transaction is settled.

The Project Henrico loans are mainly defaulted, watch and high loan-to-value loans, with the sale reducing the higher risk loans in the portfolio by 93%.

NAB group chief executive Andrew Thorburn said: "NAB had accelerated the run-off of the NAB UK CRE portfolio, with the great majority of the remaining non-performing loans being sold.

"This is an important step forward, effectively bringing closure to one of our legacy positions. The sale of these higher risk loans in the NAB UK CRE portfolio is another important milestone in our strategy of reducing our low returning legacy assets and sharpening our focus on our core Australian and New Zealand franchises.

"Pleasingly the remaining NAB UK CRE loans are largely strong performing loans, and we will look at other options to manage this small remaining portfolio."

Cerberus, whose European real estate division is headed by managing director Ron Rawald, [last week won](#)

[Nationwide's Project Carlisle, paying just above £680m.](#)

Also last week, Cerberus won a portfolio of Denmark non-performing loans – dubbed Project Mermaid – with a face value of DKK 7.5bn (circa €1bn) from Finansiell Stabilitet, the country's bad bank.

In April, Cerberus won NAMA's loan book of Northern Irish property loans, dubbed Project Eagle, paying around £1.2bn for the £4.5bn nominally valued loan portfolio.

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