



National Australia Bank Limited  
ABN 12 004 044 937  
800 Bourke Street  
Docklands Victoria 3008  
AUSTRALIA  
[www.nabgroup.com](http://www.nabgroup.com)

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## **NAB sells £1.2bn portfolio of UK commercial real estate loans**

National Australia Bank (NAB) is to sell an additional £1.2 billion parcel of higher risk loans from its UK Commercial Real Estate (CRE) portfolio to an affiliate of Cerberus Global Investors (Cerberus).

As a result of the sale, a small gain is expected to be recognised in the March 2015 half year accounts<sup>1</sup>, and an estimated £127 million of capital will be released for the NAB Group when the transaction is settled.

Following the sale, the balance of the portfolio will be reduced to £836 million<sup>2</sup>, compared to the original balance of £5.6 billion in October 2012 when the run-off portfolio was first established.

The loans being sold 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,” Mr Thorburn said.

“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.”

NAB and Cerberus will work together on a smooth transition for impacted customers. This work will include appropriate advance notice to enable customers to understand and plan for the transfer.

Given the significant risk reduction in the portfolio over the last 2 years, the NAB UK CRE business segment will no longer be reported as a separate line of business in the NAB accounts and going forward will be reported as part of Corporate Functions and Other. The NAB UK CRE collective provision overlay will be separately assessed as part of the usual half year accounts close process, including the requirements of AASB9.

The transaction is not subject to regulatory or other external approvals, and the assets will immediately be derecognised from the NAB Group’s balance sheet.

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<sup>1</sup> The March 2015 half year accounts are proposed to be prepared incorporating the requirements of AASB 9.

<sup>2</sup> As at 30 November 2014.

For further information:

**Media**

Meaghan Telford

M: +61 (0) 457 551 211

Emily Ritchie

M: +61 (0) 477 389 438

**Investor Relations**

Ross Brown

M: +61 (0) 417 483 549

Belinda Bowman

M: +61 (0) 416 752 597