



Allied Irish Bank seeks 'ethical' buyers for non-performing loans

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Allied Irish Bank (AIB) reports that it had non-performing loans of €31 billion in 2013 and that it has now reduced this to €4.7 billion.

A part of this deleveraging strategy is the proposed sale of family home mortgages worth hundreds of millions of euros. The Irish Times correctly points out that:

"The bank, which is 75 per cent owned by the taxpayer, is weighed down by non-performing loans secured on primary homes, but any sale to a so-called vulture fund would provoke significant political backlash for the bank and the government."

One would hope that the aim of a sale to an 'ethical' buyer is that the homeowners would remain in their homes and that some form of plan or arrangement can be reached to reduce the arrears and manage the loans.

If the family home mortgages are to be sold, it is a positive development that a sale to an 'ethical' buyer is being considered rather than the alternative but it still remains to be seen if such a sale will proceed and what the potential ramifications of it will be.

It is also reported by the Irish Times that AIB is moving ahead with another loan book sale with a sale planned this year. It is estimated that between €800 million and €1 billion in loans are reportedly identified for the sale. One would expect that this sale will be to a typical fund and not to an 'ethical' buyer.

For advice in this area, please contact Stephen O'Connor at Stephen.OConnor@ogier.com

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