

## **UK Asset Resolution announces sale of a portfolio of equity release loans**

27 Sep 2018

UK Asset Resolution Limited (UKAR), the holding company for Bradford & Bingley plc (B&B) and NRAM Ltd (NRAM), has concluded a competitive sales process for the sale of an £860m portfolio of equity release loans to Rothesay Life Plc.

This portfolio comprises equity release mortgages from the legacy books of NRAM, B&B and Mortgage Express (MX) and is secured on residential property assets in the UK. The sale is based on the portfolio position as at 30 April 2018, from which point the purchaser will acquire the risks and rewards of ownership of approximately 6,200 NRAM, B&B and MX mortgages.

We undertook, with our advisers, an exercise to establish the likely valuation range of these assets to the taxpayer. The overall price achieved is at the upper end of this range and these mortgages were sold for a price above their book value.

Financial completion is expected within the next few weeks at which point the interest rate swaps held against these mortgages to hedge the risk of changes in interest rates will be terminated. These swaps were taken out more than ten years ago when the loans were originated in line with good risk management practice. Due to the fall in long term interest rates, there is a cost on termination which is expected to exceed the profit on the sale of the loans, resulting in a net overall accounting loss which will be reflected in our interim accounts. However, as a result of this transaction we still expect to repay approximately £1bn of the Government loan which is made up of a number of components in addition to the actual sales proceeds.

The interest on the mortgages in the portfolio is rolled up and is payable when customers pass away or move into long term care and include a No Negative-Equity Guarantee (NNEG) protection for the customers' estate. Given the performance of the housing market since the loans were originated, the NNEG is a key factor in assessing the value of the portfolio and we estimate that it is likely to have adversely impacted the sale price by around £200m.

The continued fair treatment of customers is a key consideration in asset sales and there will be no changes to the terms and conditions of the loans as a result of this transaction. The mortgages will continue to be administered by the same company<sup>1</sup>, providing continuity of service. Customers do not need to take any action. Those included in the transaction will be contacted in due course to explain the change in ownership.

UKAR was advised in the process by Perella Weinberg Partners, Milliman and Allen & Overy.

**Ian Hares, Chief Executive Officer, commented:**

“This is another step in the reduction and simplification of our balance sheet. When complete, this sale will reduce UKAR’s balance sheet to £13bn, a 90% reduction since formation. The transaction delivers against our overarching objective to dispose of assets which protect and maximise value for the taxpayer whilst treating customers fairly.”

**Notes to Editors:**

1. These mortgages will continue to be serviced for an interim period of up to 9 months by Computershare Mortgage Services, an FCA regulated company, operating under the trading name of Computershare Loan Services (CLS). The purchaser has confirmed that it intends to continue using CLS to service the customer loans following the interim period.

**UK Asset Resolution Limited (UKAR)**

UKAR, the holding company for Bradford & Bingley plc (B&B) and NRAM Limited (NRAM), was established on 1 October 2010 to facilitate the orderly management of the closed mortgage books of both B&B and NRAM to maximise value for taxpayers, while ensuring that both companies continue to treat customers fairly, deliver consistently high levels of service and support those customers facing financial difficulty. Further information about UKAR is available at [www.ukar.co.uk](http://www.ukar.co.uk).

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**Rothesay Life**

Rothsay Life was established in 2007 and has become one of the leading providers of regulated insurance solutions in the U.K. market for pensions de-risking, with c. £37bn assets under management and over 750,000 end customers. This strong growth has been achieved through the steady accumulation of pension scheme clients, significant strategic acquisitions and the reinsurance of annuity portfolios.

Existing Rothsay Life clients include the pension schemes, members and/or policyholders associated with such names as Prudential, Aegon, Zurich, RSA, British Airways, Rank, Uniq, General Motors, the MNOFP (Merchant Navy Officers Pension Fund), InterContinental Hotels, Phillips, GKN, the Post Office, Lehman Brothers and the Civil Aviation Authority.

Rothsay Life was founded on several core pillars:

- Clear and disciplined business strategy;
- Prudent underwriting;
- Meticulous management of risk and cautious investment strategy offering absolute customer security;
- Excellence in execution; and
- Robust operational processes underpinning excellent customer service

Rothsay Life has three substantial institutional shareholders, Blackstone, GIC and Massachusetts Mutual Life Insurance Company (MassMutual), which provide the company with long term support for its growth and development.

Rothsay Life is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Further information is available at [www.rothesaylife.com](http://www.rothesaylife.com)

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