Allied Irish Bank's inaugural UK non-performing loan portfolio, Project Pivot, has drawn more than 20 first-round bids at discounts ranging from 50% to 65%, CoStar News understands.

Description: http://www.costar.co.uk/Global/Company%20logos/AIB%20big%20logo.jpgCitigroup, which is running the sales process for AIB, is this week assessing the first round bids and is expected to finalise a three-strong shortlist by the end of the week.

CoStar News was first to reveal AIB's Project Pivot portfolio last month.

The original teaser document outlining the 115-strong Project Pivot loan portfolio put the nominal value of the outstanding debt at £397m. However, CoStar News understands that this total related to the aggregate value of all outstanding senior loans, which is reduced slightly given AIB's syndication of a small number of 115 senior loans.

AIB's Project Pivot, after the syndication deductions, is therefore closer to £340m, with the circa 20 separate bids pricing the UK non-performing loan portfolio at between £170m and £119m.

Among the bidders which submitted offers by last Friday's first round deadline are, inter alia: Cerberus Capital Management, Blackstone, Lone Star, Starwood Capital, Goldman Sachs Whitehall Funds, Chenavari, Forum Partners and a joint bid by Kennedy Wilson and Deutsche Bank.

Given the granularity of the portfolio – which comprises 251 UK properties from 40 separate borrowers – as well as the quality of the assets, and the overall size of the deal post discount, the transaction is expected to be a straight cash trade.

The wide variation in the bids received so far is typical of the loan portfolio sales process, in which different bidders' price the deal across differing rationales: either a deemed "fair value" – which it has been suggested is near the 60% mark – or the level needed to get through to the second round, after which the price is often chipped away in subsequent negotiating rounds.

Project Pivot's inclusion of partially syndicated senior loans makes for a more complicated workout process for the eventual winner, which would need to acquire the debt sold to third parties to gain overall control over the underlying asset and impose either an LPA or fixed charge receiver, as required.

The process is potentially complicated further if the debt has been subsequently traded in secondary markets.

The notable sector weighting in Project Pivot is towards the hotel and leisure sector, at 28%, which marks the loan portfolio's key differential from previous sales.

After which 23% of loans by outstanding value are backed by residential property, including built but unsold residential schemes.

The remaining sector composition of the portfolio is: 19% of offices; 6% pubs; and the balance miscellaneous market segments. The three largest geographic weightings of Project Pivot are: South East, at 31%; Midlands, at 17%; and South West, at 15%.

The average loan is just under £3m, while the average property value is £632,000, with no significant large properties in the portfolio.

The maturity profile of the loans is spread across four years: 25% of the loans are past due, having matured in 2011; 35% of the loans fall due this year, presumably some have already matured; 21% of loans fall due next year; the balance, 19% of loans, matures in 2014.

Allied Irish Bank and Citigroup declined to comment.