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Bank of Ireland Offers 2.9 Billion-Euro Note Exchange (Update2)
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By Dara Doyle and Louisa Fahy

Feb. 2 (Bloomberg) -- Bank of Ireland Plc, the country's biggest lender by market value, offered to swap as much as 2.9 billion euros (\$4 billion) of securities for new, longer-dated notes to boost capital.

Bank of Ireland asked investors to exchange securities relating to five Lower Tier 2 notes denominated in euros, dollars and pounds, for new notes, the Dublin-based bank said today in a statement.

The new securities in euros and pounds will be 10-year fixed-rate Lower Tier 2 capital "reflective of current market pricing expectations," the Dublin-based company said. "The transaction is expected to be equity accretive."

Financial institutions including UBS AG and Allied Irish Banks Plc have bought back different types of subordinated bonds at discounts to face value. The profit generated by such purchases goes into reserves, and can be used to bolster Tier 1 capital, a form of funding that regulators insist banks hold to cushion more senior lenders and depositors against loss.

"It could generate a pretty significant capital gain, depending on the take up," said Sebastian Orsi, an analyst at Merrion Stockbrokers in Dublin, who has a buy rating on the stock.

Bank of Ireland rose 4.5 percent to 1.32 euros in Dublin trading, having fallen as much as 5.1 percent earlier. Investors who want to take part in the Bank of Ireland offer can apply from today. The results will be announced on Feb.11.

The company would make a capital gain of about 800 million euros if the offer is fully subscribed, Glas Securities, which specializes in fixed-income markets, said today.

"While it is unrealistic to expect 100 percent exchange, we would anticipate a high level of participation given the uplift in the coupon and on the basis that the exchange ratio is attractive relative to current market levels," Fergal O'Leary of Glas said.

Deutsche Bank AG and UBS AG are managing the exchange.

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