

# EBS plans to borrow €1bn on sale of bond

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EBS BUILDING society plans to borrow €1 billion on the sale of a Government-guaranteed five-year bond, making it the fourth institution to tap the bond market using the extended guarantee scheme.

The building society plans to take advantage of the positive sentiment shown towards Irish debt following the National Treasury Management Agency's raising of €1.5 billion in a bond auction on Tuesday by issuing its own bond.

EBS, which is in merger talks with Irish Nationwide Building Society, will open the book on the bond to investors today after testing market sentiment.

“It would be timely for them to announce it – we are seeing market conditions improve somewhat in contrast to last week,” said Michael Cummins, a director at Dublin firm Glas Securities, which specialises in fixed-income markets. “The investor community seems well disposed to Irish fixed income at the moment.”

Mr Cummins said he expected other institutions to follow suit and sell more bonds as market investors respond favourably to bonds sold by the Government and State-backed Irish institutions.

“You may see a chain reaction with some of the others going again,” he said.

The EBS bond sale is being managed by international banks JP Morgan, Deutsche Bank BNP Paribas and Credit Suisse.

Irish Life Permanent, Allied Irish Banks and Bank of Ireland raised funding under the extended guarantee scheme last month.

Just over €5 billion has been raised by the three following the introduction of the extended guarantee scheme in early December.

Irish Life Permanent, which relies heavily on external funding and has the highest loan-to-deposit ratio among domestic lenders, was the first to use the guarantee. The company raised \$1.75 billion (€1.3 billion) on a three-year bond, followed by Bank of Ireland with a €2.5 billion five-year bond and AIB with a €1.5 billion three-year bond.

The Government earns about €500 million a year in fees from the institutions using the two-year blanket guarantee, which expires in September. Banks pay about four times the fee for borrowing on specific bonds of up to five years on the extended guarantee.

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