

AIB raises €3bn from State-guaranteed bonds

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ALLIED IRISH Banks (AIB) has raised a further €3 billion on two bonds covered by the extended Government bank guarantee in the second public issuance of debt by the bank under the scheme.

This brings to €13.4 billion the total debt raised by AIB, Bank of Ireland, Irish Life & Permanent and EBS building society this year under the extended guarantee.

Anglo Irish Bank and Irish Nationwide Building Society have also signed up to the extended bank guarantee, but have yet to raise funding under the scheme.

The banks have raised about half the €25 billion to €30 billion in debt maturing this year, according to Dublin firm Glas Securities, which specialises in fixed-income markets. Some €25 billion falls due before the two-year State blanket bank guarantee expires on September 29th next.

AIB raised €2 billion on a five-year fixed-rate bond and a further €1 billion on a two-year floating-rate note. The bonds were over-subscribed, with orders of €3.3 billion and €1.2 billion respectively.

Donal Murphy, head of wholesale treasury at AIB's capital markets division, said that the bank had decided not to take all of the funding offered, as the bank was "conscious of future issuances from the Irish system".

Both bonds are covered under the Eligible Liabilities Guarantee (ELG), the extended bank guarantee introduced last December.

The five-year bond was priced at a rate of 155 basis points (1.55 percentage points) over the midswaps rate, the European reference point for pricing debt, while the two-year note was priced at the equivalent of 95 basis points over.

AIB raised €1.5 billion on a three-year bond at 1.35 basis points over midswaps in January.

Total debt covered under the ELG across the domestic lenders stands at €37 billion, according to Department of Finance figures.

AIB has raised between 66 per cent and 75 per cent of its total expected funding requirements for 2010, according to Glas.

Fergal O'Leary, a director of Glas, said that this would “help open the door for both AIB and Bank of Ireland” to start raising debt falling outside the State guarantee.

He does not expect all the debt maturing this year to be refinanced using the State guarantee.

The fees charged to the banks under the extended guarantee are about four times more expensive than under the blanket guarantee, which was introduced in September 2008 to help banks raise funding.

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