Nama to issue dollar bonds

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THE NATIONAL Asset Management Agency (Nama) will issue dollar and sterling bonds in addition to euro securities to financial institutions in return for loans it is acquiring, according to documents published by the agency.

Nama plans to acquire loans of up to €81 billion from the five participating institutions at a discount price – 95 per cent of which will be paid with State-guaranteed bonds and 5 per cent with subordinated bonds.

Citibank is managing the issuing of the bonds for Nama.

About 30 per cent of the loans moving to Nama are denominated in currencies other than euro.

The issuing of dollar and sterling bonds to the institutions will "mitigate foreign exchange risk" within Nama's loan portfolio, said Michael Cummins, a director at fixed-income firm Glas Securities.

Nama has said in documents just posted on its website that it will issue a maximum of €51.4 billion in Government-guaranteed bonds. If the agency acquires a total of €81 billion in loans as expected, this means the average discount on the loans will be 33 per cent, higher than the 30 per cent originally estimated.

The State will pay a coupon twice a year – on March 1st and September 1st – starting next autumn on the guaranteed bonds at the six-month Euribor or Libor rates at which banks lend to each another in euro, sterling or dollar.

This equals a rate of about 0.945 per cent on euro bonds if paid today. The subordinated bonds will pay a coupon based on the 10-year Irish Government bond rate on the date of issue plus a margin of 75 basis points or 0.75 per cent.

This would total 5.25 per cent if the coupon was paid on yesterday's 10-year bond rate.

The payment will be made each year starting on March 1st, 2011, depending on whether the institutions help Nama to recover loans.

The subordinated debt will be withheld from the institutions as an incentive to assist Nama.