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AIB raises €1 billion in first green bond issuance by Irish bank

AIB has become the first Irish bank to complete a green bond issuance. The €1bn proceeds from the green bond will further strengthen AIB's regulatory capital position and contribute to the financing of projects with clear environmental and climate change benefits.

AIB is only the second European bank to raise supplementary capital (so-called Tier 2 capital) by issuing a green bond. Banks that issue green bonds use the funds raised to finance or re-finance eligible green projects such as renewable energy projects, low carbon offices and the construction of energy efficient homes.

In order to be labelled green, the AIB bond must comply with the International Capital Markets Association's Green Bond Principles governing the use of the bond proceeds and related transparency and reporting requirements.

Chief Executive Officer Colin Hunt said "AIB's first green bond offers socially responsible investors an opportunity to support AIB as it continues to transition its business towards greater environmental sustainability and support its customers on the journey to a low-carbon future. This transaction represents a major vote of confidence by investors who are willing to provide us with new capital because they recognise that AIB has been leading the way in the transition to a green economy, not only at an Irish level, but at European level. As the first Irish bank to successfully complete a green bond issuance we are reaffirming AIB's commitment to being a sustainable and strongly capitalised bank. Through our actions, from our green mortgage product, to our €5bn green lending fund, we are determined to play our part in enabling a sustainable economic recovery."

Welcoming the transaction, Minister for Finance Paschal Donohoe said "I am delighted to hear that AIB has issued a Green bond today, which is the first by an Irish bank. It represents another important step in supporting our transition to a low carbon economy".

The €1bn print is AIB's largest unsecured transaction since the financial crisis. It priced at +330 basis points over the mid-swap, which is a minimal new issue premium. The book saw strong momentum immediately from announcement into a firmer market, with the book peaking over €2.5bn. There was impressive uptake from key accounts across Europe and the UK, with 150 individual investors in the book, including high quality green investors.

AIB published its Green Bond Framework in September 2019 and has engaged with Environmental, Social and Governance (ESG) investors across Europe on both the framework and the wider AIB sustainability strategy. The bank [recently updated the Framework](#) to align to EU green bond classification standards. The framework is available on the debt investor section of our website alongside an updated Second Party Opinion from Sustainalytics and various other documents demonstrating AIB's commitment to align to best practice.

AIB's focus in 2020 has been on optimising its capital structure. Earlier this year, AIB successfully raised €625 million in additional Tier 1 capital. Today's issuance of Tier 2 capital in the form of a

green bond effectively aligns AIB's capital and sustainability strategies. The bank also anticipates future green bond issuance in Green Senior Non Preferred format.

AIB has been leading Ireland's transition to becoming a low-carbon economy. Over the last 12 months AIB has:

- Established a €5bn Climate Action Fund for lending into the Irish economy
- Launched a new Green Mortgage Product
- Established a Socially Responsible Investment (SRI) Bond Framework & related SRI Bond Portfolio (aiming to represent 10% of the Treasury Fixed Income portfolio)
- Committed to reducing the bank's carbon emissions by 50% by 2030
- Become the only Irish bank to be a Founding Signatory of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking
- Developed a climate risk stress testing capability and reviewed the credit applications process for potential changes related to climate risk. This relates directly with AIB's support for the Task Force on Climate related Financial Disclosures (TCFD)

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