

Financing the Supply of Sustainable Homes

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LLOYDS BANK

Why Should I Care?

Equity



Debt



Mortgage Finance



Bank of England

Climate change

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

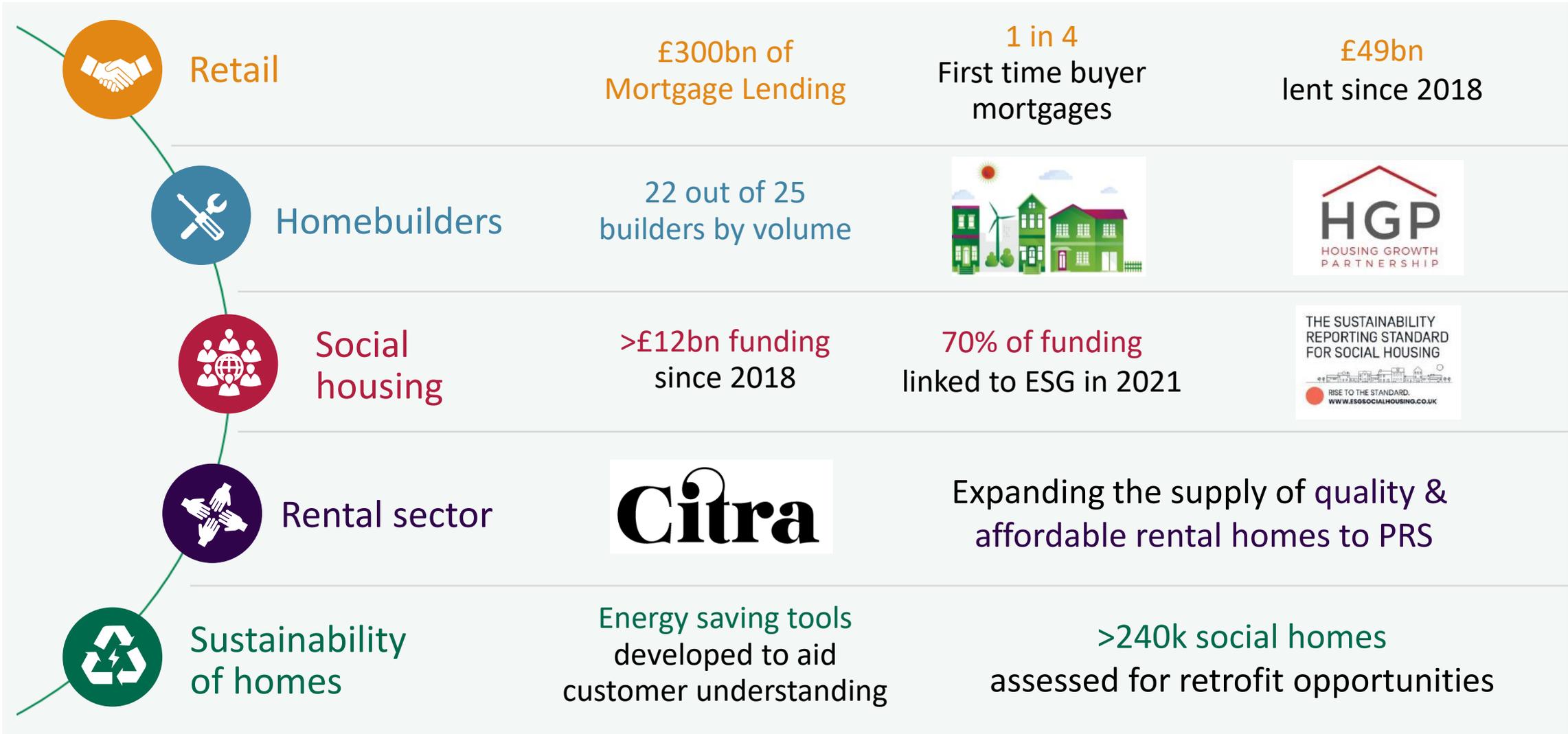
Net-Zero Banking Alliance

Industry-led, UN-convened

COP26



The Context



Sources: ESG report (Lloydsbankinggroup.com) Annual report and accounts 2021 (Lloydsbankinggroup.com)

Decarbonisation

The Decarbonisation Challenge

22%

of all UK emissions come from Residential housing¹

£250bn

Potential cost to decarbonise all UK homes by 2050 (The UK Committee on Climate Change)²

\$500bn

Amount invested globally in decarbonisation in 2020³

New Builds Self-Serving on Decarbonisation⁴

Energy efficiency ratings (EER): existing and new domestic properties, England, October to December 2021



What does this mean for private finance to the new build sector?



Standards



Sustainable Finance Propositions



Tighter Policies



Pricing & Availability

Sources: ¹www.housing.org.uk/news-and-blogs/blogs/rob-wall/decarbonise-homes. ²Decarbonising heat in homes - Business, Energy and Industrial Strategy Committee (parliament.uk) ³www.insidehousing.co.uk/insight/insight/how-will-the-housing-sector-finance-decarbonisation-of-its-stock-69925. ⁴Energy Performance of Building Certificates in England and Wales: October to December 2021, gov.uk

The Mortgage Market

Green Mortgage Developments

- Activity in the Green Mortgage market is growing at an ever increasing rate
- Product incentives: Purchase, refinance, retrofit
- 353 products on the market in March¹
- Lloyds Bank's response:

Education



Green
Living
Reward



Cashback

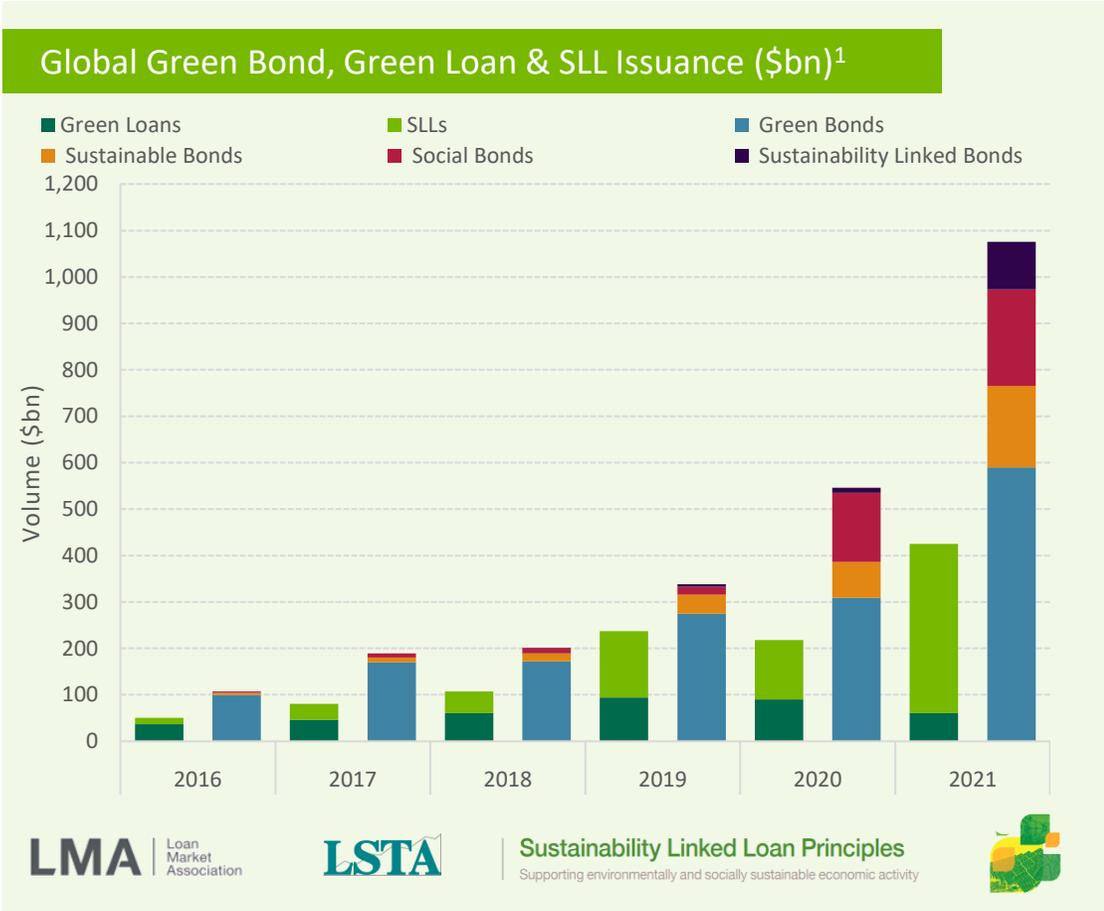


Sustainability Trends in Retail Mortgage Offers

Activity in the Green Mortgage market is growing at an ever increasing rate

					
Purchase incentive Incentivising the purchase of energy efficient properties	Residential £250 cashback when purchasing a property with an AB EPC or PEA	Residential & Buy-to-let Lower interest rate when purchasing a New Build with an AB EPC or PEA	Residential & Buy-to-let Lower interest rate (BTL) or £350 cashback (Residential) when purchasing a property with an AB EPC	Residential Up to £500 cashback when purchasing a property with an AB EPC or PEA	Residential Lower interest rate when purchasing a New Build with an AB EPC or PEA
Refinance incentive Incentivising the refinance of energy efficient properties	-	-	Residential & Buy-to-let Lower interest rate (BTL) or £350 cashback (Residential) when remortgaging a property with an AB EPC	-	-
Retrofit incentive Incentivising energy efficient home improvements	Residential & Buy-to-let Up to £1000 cashback for energy-efficient home improvements (available via Direct channels only)	-	-	Residential & Buy-to-let Lower advance interest rate when 50% (Residential) or 100% (BTL) spent on energy-efficient improvements	-

Commercial Borrowing



Recent Sustainability / ESG Transactions

£3.5bn ESG finance delivered to the Housing Sector by Lloyds Bank in 2021

<p>Vistry Group</p> <p>£500m Multi-bank SLL</p> <p>ESG Coordinator</p> <p>December 2021</p>	<p>Hill</p> <p>£220m Multi-bank SLL</p> <p>ESG Coordinator</p> <p>December 2021</p>	<p>Berkeley Group</p> <p>£400m Green Bond</p> <p>Joint Bookrunner</p> <p>August 2021</p>
<p>origin HOUSING</p> <p>£75m SLL</p> <p>December 2021</p>	<p>home group</p> <p>£125m SLL</p> <p>August 2021</p>	<p>Paradigm</p> <p>£425m Bond & RCF Sustainability Linked</p> <p>May 2021</p>

Supporting Clients on the Journey



Source: ¹Graph = Data extracted from Bloomberg as at 31st December 2021

Good News

New builds at the forefront of decarbonisation in the built environment



Accelerating the supply of sustainable homes is underway



Sector & Finance community is responding



How is 'value' achieved / recognised



The Future – 2022 & Beyond

Bank of England
Climate change

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Credit assessments



Terms / covenants



Pricing



ESG assessments



Carrot vs Stick



Availability





Sustainability

- Complex interaction of regulation, consumer, business & finance
- Accelerating pace of change
- All businesses need to adapt to survive
- It's going to be some journey!

Thank You



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By the side of business

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