

# Green Financing Opportunities

Eurobank's Perspective

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*Spyros Venetsianos, Head of Structured Finance*



# Why we need to act now/Market and regulatory dynamics

The key drivers on immediate action on Climate Change and ESG matters:

## What are the key drivers?

## Impact

## For Whom

1

Global Challenges



- **Climate change** and degradation of the **natural environment**
- Urgent need to address **Paris Climate Agreement** and **EU Green Deal** commitments

- Reduced Carbon Emissions
- Resilience, Adaptation & mitigation

2

Rating agencies & Investors



- Introduction of **ESG / climate risk section/agenda item**
- **ESG/climate change** is a key item in the **investors' agenda**

- Ratings scores
- Funding costs
- Fund managers selection criteria

3

Business needs



- **Mitigation of climate risks** creates **business opportunity**
- **Commercial strategies shifts / Stay Relevant**
- **Reduction of operating costs (energy, efficiency, etc)**

- Debtors capital needs
- Portfolio exposure to Climate & ESG Risk
- Sustainable Business Model

4

Regulatory expectations



- Increasing **compliance requirements** by regulator
- Integration of climate risks in the Bank's annual **assessment**
- **Increasing disclosure obligations**

- Regulatory pressure
- Data & processes
- Transparency of Disclosures & avoidance of greenwashing



**For both banks and debtors / Issuers**

## What we see from market (apart from issuance data) ?



**+30%** increase in rating agencies questionnaires (adding more detail in ESG/climate risk management areas). Starting from 2021, S&P and Moody's introduced climate risk as an agenda item focusing on Sustainable Financing and ESG Risk Pillar III disclosures.



Peer banks are disclosing initiatives to a more ESG cautious portfolio, initiatives and products, enhancing disclosures



**3** climate risk related regulatory exercises/thematic reviews conducted already within H12022



~ **65%** of European Banks have performed "poorly" in the Climate Risk Stress Test

# Main Product Categories (in the context of evolving regulation)

	Characteristics	Examples	(1) Outlook, (2) Challenges & (3) Prospects
1 Green / Sustainability Linked Public Bonds	<ul style="list-style-type: none"> <li>Issuers raise publicly traded debt to support their Green transition</li> <li>Targets are set for the transitional targets and usage of funds</li> </ul>	5 Public Bonds are o/s in Athex (€1,15bio) issued between '19 and '22 + 5 Eurobonds (in total €4bio)	<ol style="list-style-type: none"> <li>Yields are high and investors are not preferring to lock in (bond issues are in general not preferred at this point)</li> <li>Not suitable for projects</li> <li>Increasing traction for Investors and corporate Issuers</li> </ol>
2 Sustainability Linked Bank Loans	<ul style="list-style-type: none"> <li>Issuers raise bank (bilateral or syndicated) debt to support their Green transition</li> <li>Targets are set for the transitional targets</li> </ul>	Hotel Financing with Sustainability linked targets (e.g. lower energy consumption, better waste management / recycling, efficient water usage)	<ol style="list-style-type: none"> <li>Limited cases and historical data</li> <li>Increased complexity for (currently) moderate benefit (bonus – malus).</li> <li>Banks aim to motivate issuers, whilst educated / high profile Issuers are looking at it</li> </ol>
3 Green Loans	<ul style="list-style-type: none"> <li>Issuers raise bank (bilateral or syndicated) debt to implement a “Green Project”</li> <li>Dedicated usage of funds and end product specs.</li> </ul>	(a) Green Buildings (offices, hotels, logistics) (b) Renewables <b>Bonus: RRF</b>	<ol style="list-style-type: none"> <li>Amazing demand, boosted by RRF</li> <li>RRF restrictions and difficulties in projects’ maturing</li> <li>Necessity for such projects, in combination of RRF solution, investor interest for Greece and the sectors and Greek banks know how, liquidity and appetite → <b>Significant area of growth</b></li> </ol>

*Eurobank set as one of its key ESG transition pillar targets, 20% of new corporate loan disbursements of 2022 to be in green and sustainability linked loans, a target that was achieved. More to be announced...*