OVERVIEW OF RENOVATION FINANCING IN ITALY

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Lending to the private sector has been growing again since the begin of 2016, above the EU average.

Loans to private sector variation in Italy
(YoY % var*; monthly data)

Loans to private sector variation in Europe
(YoY % var*; monthly data)

(*) Growth rates calculated according to the common Eurosystem methodology, by adjusting the changes in the stocks to take account of loans not reported on banks’ balance sheets because securitized or otherwise transferred, exchange rate fluctuations, value adjustments and reclassifications.

Source: ABI on ECB data
New issuance of mortgage loans to purchase home
(billion of euro)

Data at the end of year

<table>
<thead>
<tr>
<th>Period</th>
<th>Jan - sept 15</th>
<th>Jan - sept 16</th>
<th>Jan - sept 17</th>
<th>Jan - sept 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (billion)</td>
<td>22.99</td>
<td>29.89</td>
<td>30.37</td>
<td>31.46</td>
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<tr>
<td>Source</td>
<td>ABI</td>
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STOCK OF RESIDENTIAL REAL ESTATE MORTGAGE LOANS ON GDP IN EU

Source: EMF
MAIN TOPICS OF ITALIAN RESIDENTIAL MORTGAGE MARKET

- **Interest rate**
  - Fixed: 67%
  - Variable: 33%

- **Size**: 126,000
- **Maturity**: > 20 y
- **LTV**: 71%
- **Transactions funded by loans**: 50%

*Source: OMI, CRIF, Prometeia, Assofin*
DESTINATION OF RESIDENTIAL MORTGAGE LOANS

Source: OMI, CRIF, Prometeia, Assofin
Main Topics of Demand for Residential Mortgage Loans Dedicated to Renovation for Energy Efficiency

- Fiscal drivers (reducing expenses)
- Cultural drivers (raise awareness)
- Improving the real estate «quality» (and «market value» for future investments)
- Positive macroeconomics impacts (access to credit)
- Savings from lower utilities bills (more money available)
POSSIBLE KEY ELEMENTS FOR THE FUTURE DEVELOPMENT OF RESIDENTIAL MORTGAGE LOANS DEDICATED TO RENOVATION FOR ENERGY EFFICIENCY

- Recognition of lower supervisory Risk Weight for these loans
- Fiscal benefits for lenders
- Public guarantee funds
- Awareness of importance of energy efficiency investments
- **Greener properties should not** mean LUXURY properties for property register!
The **ultimate objective** is a pan-European private bank financing mechanism, based on a standardised approach, to encourage energy efficient improvement by households of the EU’s housing stock by way of financial incentives linked to the mortgage, and in this way support the EU in meeting its energy savings targets. Independent from, but complementary to, public funds or tax incentives.

**Underlying business case:**

- Increased loss mitigation capacity
- Enhanced loan-to-value via green value
- Lower probability of default
- Reduced capital charges
Energy Efficient Mortgages Initiative

Incentive Chain

Borrower:
- Lower energy bills
- Energy Efficiency Behaviour
- Lower interest rate on mortgage for energy efficient property
- Free capital for retrofitting

SME/ Real Economy:
- SMEs active in the retrofitting of buildings and dwellings to become more energy efficient
- Juncker Plan

Issuer/Originator:
- Access to funding cost advantages
- Increased loss mitigation capacity
- Lower capital requirements as a result of lower PD
- Reputational benefits

Society:
- Reduction in energy consumption
- Wealth conservation
- Reduction in greenhouse gas emissions

Investor:
- Diversification of investor portfolio
- Allocation of energy efficient investment buckets
- Green added value vs brown discount

Government:
- Pan European plan to stimulate energy efficient investment in residential property
- Improvement of existing housing stock
- Compliance with 1997 Kyoto Protocol – COP21
- Access to quantitative & qualitative database on energy efficient mortgages & covered bonds
THANK YOU FOR YOUR ATTENTION

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