# BANKS AND CLIMATE RISKS

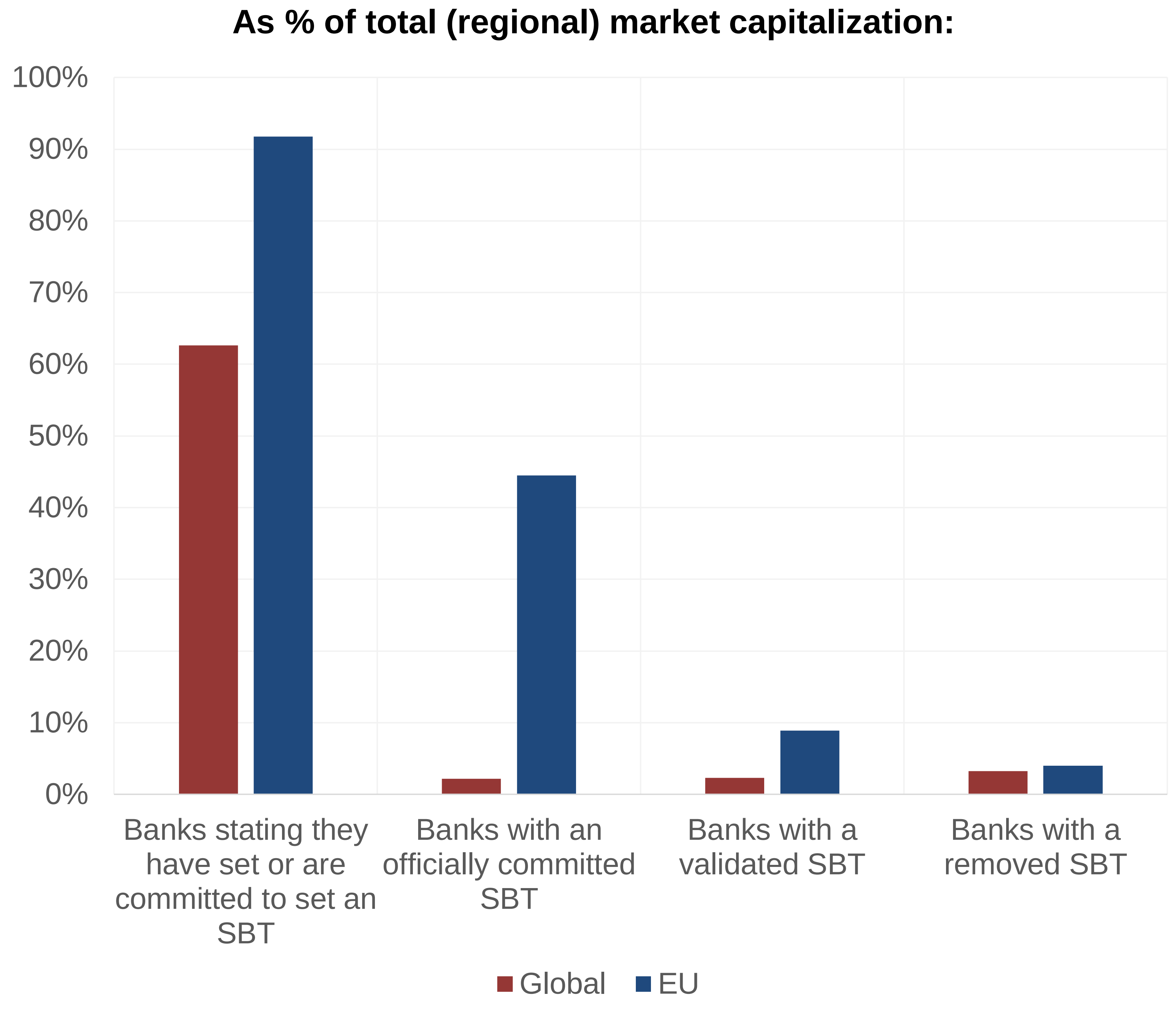
- **Banks are gatekeepers to the transition due to their role in allocating funding across the economy.**

- **Bank loans to firms in high-emitting economic sectors are around 75% more emissions-intensive than shares in economic activity**, and high-emitting households typically comprise 60-80% of total mortgage borrowers in euro area countries. Banks are therefore highly exposed to climate-related risks.

- **Only about 25% of banks report financed emissions in CDP's Climate Change questionnaire.** For those that disclose, financed emissions dwarf operational ones. Banks' carbon footprint has not significantly decreased in recent years, so exposure to climate-related risks remains high.

- ESRB finds that banks' vulnerability towards combined transition and credit risk via their loan portfolios could triple in the event of a pronounced shock.

# NET ZERO TARGETS: do banks walk the talk?




Source: Own calculations based on data from Bloomberg LP; SBTI

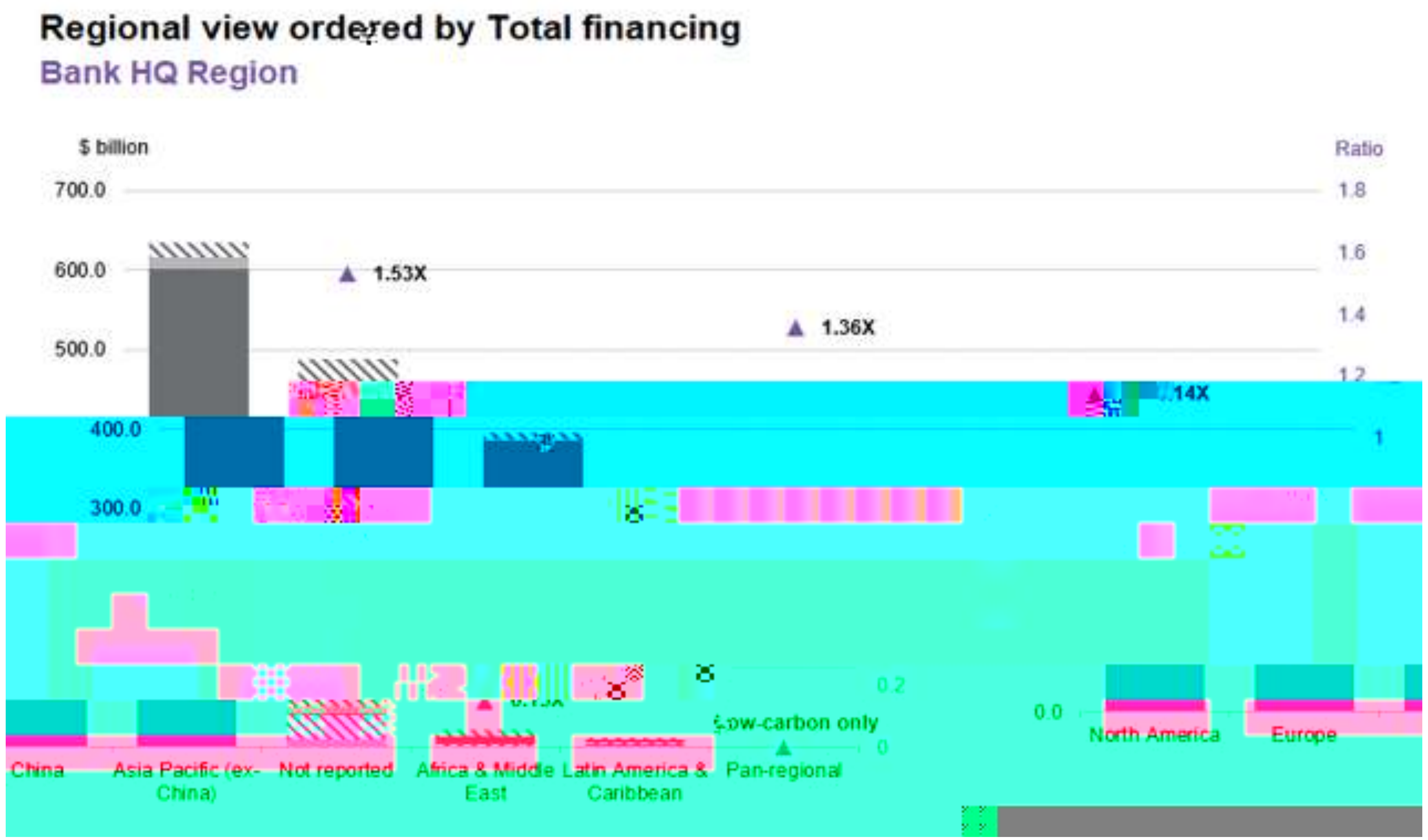
**SAMPLE:** 129 banks representing ca. USD 6 trillion in market capitalisation (iShares Global financials +)

In the EU sample, more than 90% of the banks explicitly state that they either have set or are committed to set a Science Based Target (SBT) for emission reduction.

But only 44% have formal commitments approved by the SBT Initiatives, and only 2% have validated SBTs.

The gap between talk and action is larger outside the EU.

# LENDING: greening loanbooks




Source: Bloomberg BNEF

In 2021 banks globally financed 80% as much low-carbon energy supply as fossil supply. For European banks, the figure was higher (153%). Research shows that this proportion will need to rise to 4x or above.

The Green Asset Ratio will offer a more detailed view into the broader sustainability of banks' loan books – a welcome addition to disclosure.

Yet the pace of loan book greening seems slow.

# Thank you!