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Growing number of KBC customers benefitting from EPC discount on home loans

Follow-up to successful pilot for supporting energy-efficient renovations.

Since the beginning of this year, anyone purchasing a home with a low energy rating in Flanders now has to thoroughly renovate their property within five years. To help them achieve this, KBC¹ has been giving customers an EPC discount on their new home loan since mid-December 2022. Customers taking out a home loan receive a discounted interest rate for the remaining term of the loan if – within seven years of purchasing a property – they carry out renovations resulting in an ‘A’ or ‘B’ energy-efficiency rating (the ‘EPC label’). Customers purchasing, building or renovating a property with a good energy rating will also receive this discount at the time they take out a home loan.

In the past two months, a quarter of customers taking out home loans at KBC received their EPC discount right away, and over 60% were given a contractual undertaking that KBC would grant this discount as soon as EPC rating ‘A’ or ‘B’ had been obtained.

KBC is also seeing more and more younger² customers taking out home loans (up from 40% in 2017 to 60% at the end of 2022).

Installing energy-saving technologies (such as solar panels, home batteries and heat pumps) is crucial if a property is to obtain EPC label ‘A’ or ‘B’. Here, too, KBC is keen to encourage customers to make their homes as energy-efficient as possible. Late last year, KBC launched a pilot project among 300 employees for the coordination, supervision and implementation of renovation projects in collaboration with specialist external professionals. In view of the extensive interest in this solution, and to further optimise the process, KBC will be rolling out a follow-up project on an even bigger scale in the near future.

The EPC label: key to a cheaper home loan

A market survey conducted by KBC in February 2023 among 1 000 respondents spread across various age groups in Belgium showed that there is still a **considerable lack of knowledge about the EPC certificate**. Just about everyone thinks it is important for their own home to be energy-efficient, but many homeowners have a distorted view.

- Almost three-quarters of people who own homes that are more than 50 years old describe their home as ‘(moderately) energy-efficient’
- However, one in two do not know their home’s EPC rating, with this percentage rising to 85% among owners of older homes (more than 20 years old)

¹ Customers of KBC Brussels and CBC also receive this discount.

² Customers younger than 35.

Nonetheless, the **EPC label** is a factor that allows customers to directly claim a **rate discount for a KBC Home Loan**. In practice:

- People who buy or renovate a property with energy label ‘C’, ‘D’, ‘E’ or ‘F’ and upgrade it to an ‘A’ or ‘B’ within seven years receive an interest rate discount of 10 or 5 basis points, respectively, for the remaining term of the loan
- A person who buys or renovates a property that already has energy label ‘A’ or ‘B’ receives this discount immediately

This represents a substantial financial benefit for the customer. For example, someone buying a property with energy label ‘A’ after taking out a mortgage loan of 200 000 euros for 20 years will have received a total discount of around 2 300 euros on the total cost of the loan after 20 years. For a property with a ‘B’ label, the discount amounts to around 1 150 euros.

EPC discount clearly meets a need

The EPC home loan discount clearly meets a consumer need:

- **Almost half of properties purchased (both houses and flats) did not receive an EPC discount right away, but did receive a contractual undertaking that they would receive the discount within seven years**
These are homes with lower energy ratings, which also account for the lion's share of the housing market.
- **16% of loans qualifying for immediate EPC discounts of 10 basis points were for properties with an ‘A’ label, while 11% of loans received a 5-basis-point discount on the purchase of a property with energy label ‘B’**

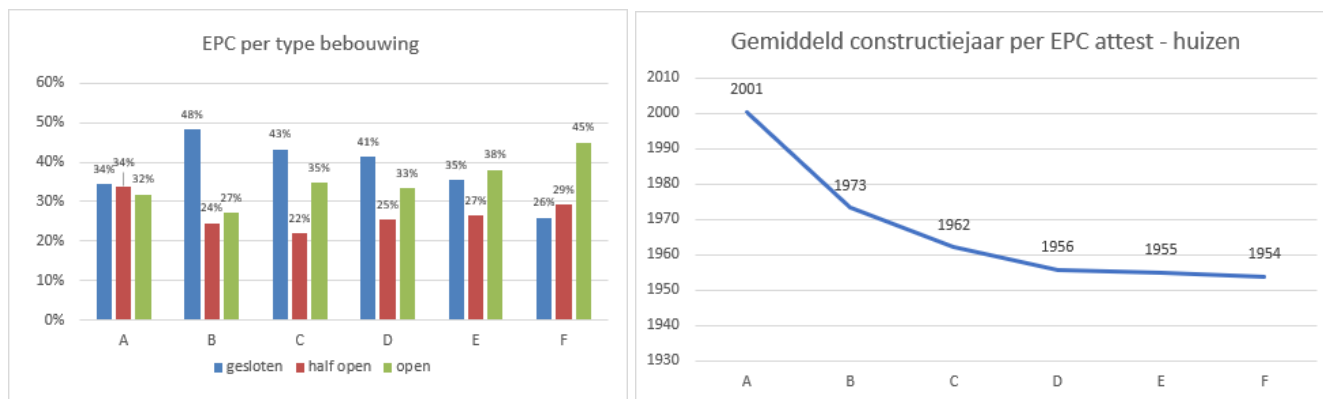
Moreover, a homeowner who raises the EPC rating of their property from ‘B’ to ‘A’ within seven years will also receive a 10-basis-point discount for the remaining term of their loan from that point on.

The proportion of young people taking out a home loan with KBC has risen steadily since 2017, going up from around 40% to almost 60% at the end of last year.

This simultaneously translates into **extended loan terms**. Over the same period, the share of home loans with long terms (more than 20 years) rose from around 30% to 60%, also due in part to rising interest rates in recent months.

The popularity of home loans offering an EPC discount is also due to the **composition of the housing stock in Belgium**.

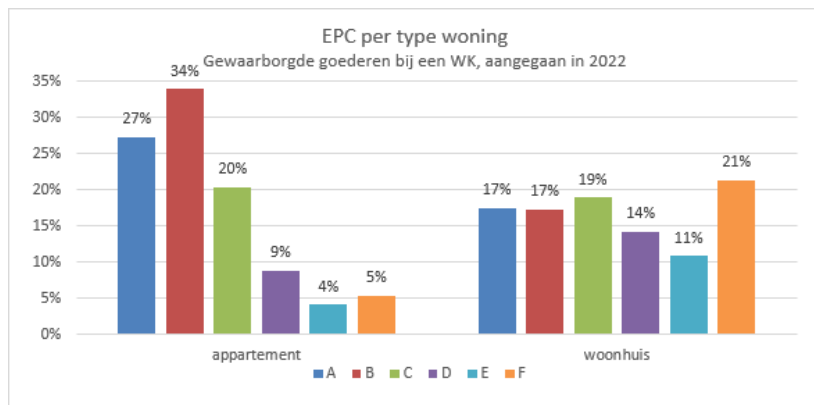
- Detached dwellings are obviously the least energy-efficient: they account for almost half (45%) of all ‘F’-rated properties, while almost half the properties with a ‘B’ label are flats.
- However, the newer the property, the better the energy rating: on average, properties with an ‘A’ label date from 2001 or later, whereas those with an ‘F’ label date from 1954 on average.



Source for graphs: KBC Home Loan portfolio in 2022

These percentages are also reflected in lending:

- **Of all flats financed by KBC in 2022, three out of five already had an ‘A’ or ‘B’ energy label. The figure for houses is substantially lower, at just one in three.**



Source for the graph: KBC Home Loan portfolio in 2022

Pilot project among KBC employees off to a strong start

Upgrading a home with a less favourable energy rating to an 'A' or 'B' label obviously requires investment. In addition to 'quick wins' such as better insulation and high-efficiency glass, technological upgrades are often a determining factor in obtaining the best energy rating and receiving the maximum EPC discount on a home loan.

This situation prompted KBC to launch a pilot project at the end of last year. Working closely with specialist external partners, the project enabled around 300 employees to install solar panels and/or a home battery in their homes. A smart energy management system is an integral part of the installation. The preliminary feasibility study, the request for quote, the technical installation and the after-care are routed via these KBC partners, who take care of all the practical aspects for the prospective renovator. In turn, KBC can then provide the appropriate financing and insurance arrangements.

- The level of interest far exceeded expectations, with the registration period closing early (after just three days)
- The first installations are scheduled to take place in early March

To fine-tune the interaction between the KBC partners throughout the integrated process and to refine the engagement with those participating in the pilot project, KBC will soon be shifting things up a gear. **Over the next few weeks, hundreds more KBC employees will have the opportunity to be guided through the installation of energy technologies.** Thanks to a fully coordinated approach, KBC is able to offer them – and eventually customers, too – the chance to save time and money, and allows KBC to fulfil its role as one of the driving forces towards a more sustainable society.

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