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MNB PROGRAMMES TO SUPPORT A GREEN HOUSING MARKET

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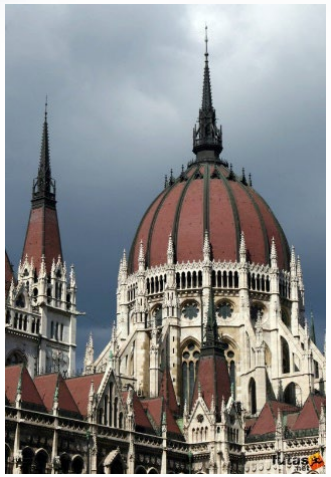
MNB RECEIVED A SUSTAINABILITY MANDATE IN 2021



In May 2021, Central Bank of Hungary (MNB) was among the first central banks in Europe to receive a sustainability mandate by the government:

„Without prejudice to its primary objective, ...and shall support the economic policy of the Government and its policy related to ***environmental sustainability*** *using the means at its disposal."*

MNB launched its Green Programme in 2019 setting out its work plan to increase the financial sector's resilience to environmental risk, and to promote green financing in Hungary.

MNB published its Green monetary policy toolkit strategy in July 2021, which lays out the goals and possible directions in green monetary policy.

THREE PILLARS OF POLICY ACTIONS TO ENCOURAGE THE GREENING OF RESIDENTIAL HOUSING MARKET

Main considerations and motivations:

- **Low energy efficiency** of the domestic real estate
- **Renewal rate** of housing market is one of the lowest in CEE
- Large rates of **homeownership** (91% of the population live in their own home)
- **Banks** did not incorporate green aspects into mortgage loan products

Supporting the green mortgage lending activity, while maintaining price stability as MNB's primary objective

1. **Green Preferential Capital Requirements (2020-)**
2. FGS Green Home Programme (2021-22)
3. Green Mortgage Bond Purchase Programme (2021-22)

GREEN PREFERENTIAL CAPITAL REQUIREMENTS: A UNIQUE PROGRAMME

Addressing transition risk and incentivizing green financial product development

1	2
Residential exposures (only housing)	**Corporate and municipal exposures (multiple sector)**
New construction	Renewable energy
Energy efficiency improvements of existing housing stock	***Commercial real estate***
	Sustainable agriculture
	E-mobility
	Energy efficiency investments
	Electric grid and energy storages
	etc.

5-7% discount of gross exposures that reduces the Pillar II capital requirements

(BUT: discount is capped due to prudential reasons)

Source | MNB

GREEN HOME PROGRAMME DIRECTLY SUPPORTED THE DEVELOPMENT OF THE ENERGY EFFICIENT HOUSING LOAN MARKET

MAIN CONDITIONS OF FGS GREEN HOME PROGRAM

- constructions or purchases of new residential real estate
- min. BB classification
- max. 80 kWh/m²/year primary energy consumption
- max. HUF 70 million loan amount
- max. 25 year maturity

The program was widely successful; its total amount has been depleted.

Source | MNB

GREEN MORTGAGE BOND PURCHASE PROGRAMME CREATED A NEW MARKET SEGMENT

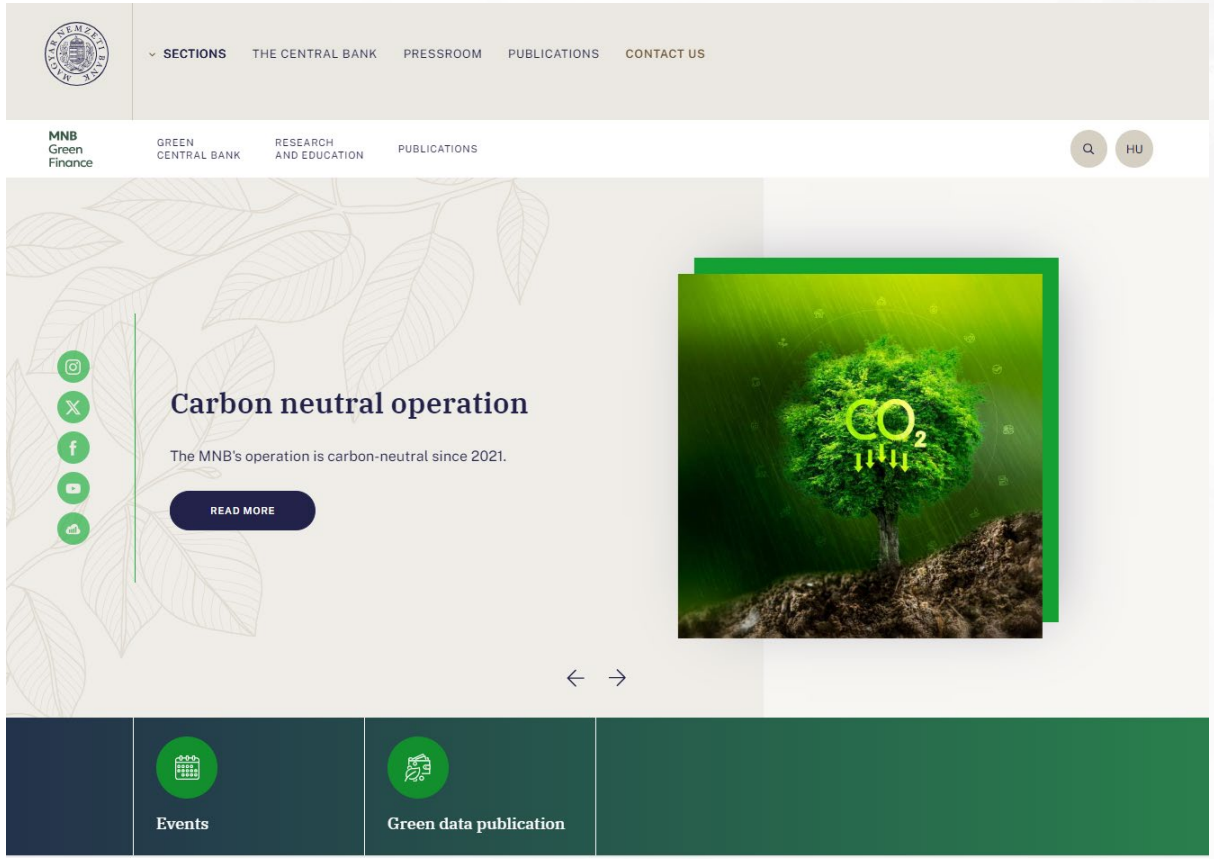
All Hungarian mortgage banks issued first green series

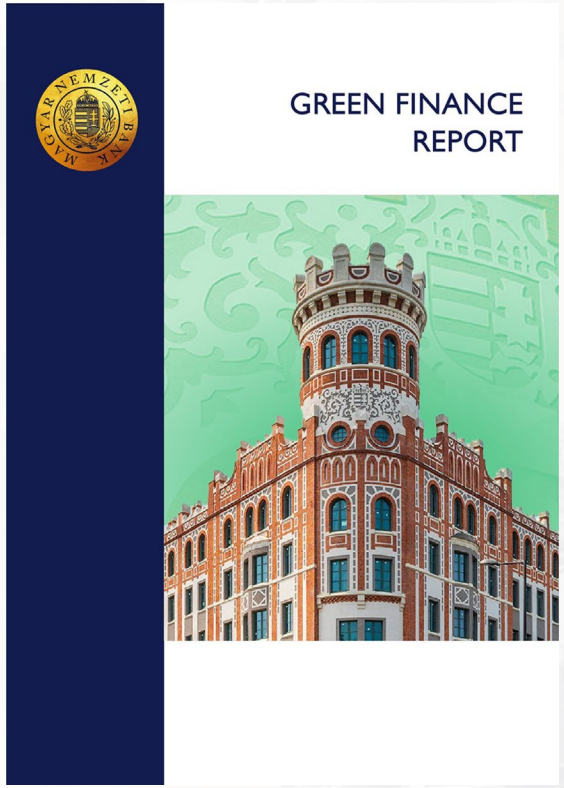
Foundation of a new market segment has been laid (11.3% share, 31.12.2023)

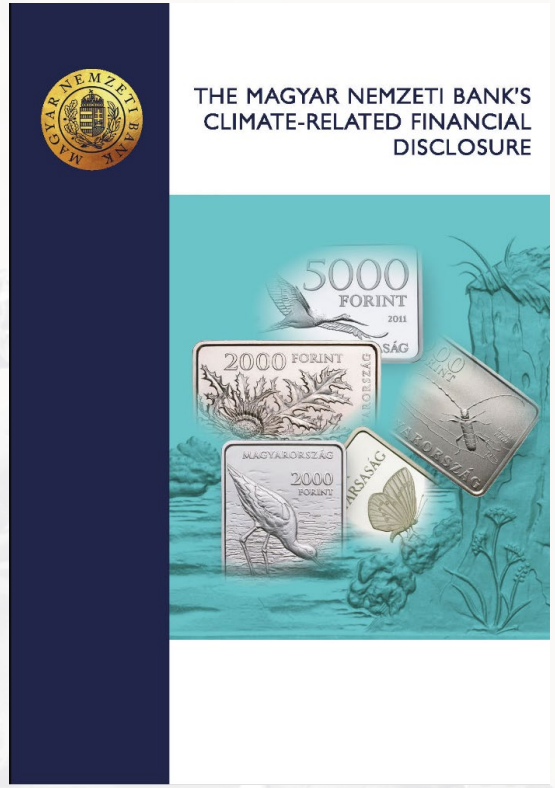
The programme is suspended in line with the monetary tightening.

Source | MNB

FURTHER DETAILS: MNB WEBSITE, GREEN FINANCE REPORT, TCFD REPORT







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THANK YOU FOR THE ATTENTION!

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