
EBA opinion on green loans and mortgages

Ali Erbilgiç, EBA

EFBS Financial Affairs Committee
18 April 2024

Contents

1 Background

2 Key findings from industry survey

3 Policy advice

4 Q&A / Discussion



01

Background

EBA's roadmap on sustainable finance



Overall objective is to build an adequate framework for EU banks and their supervisors to mitigate ESG risks and support an orderly transition to a sustainable economy

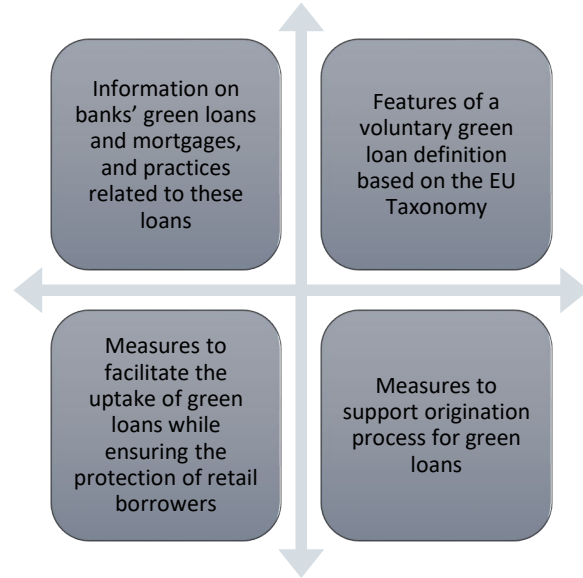
- ensuring a thorough but proportionate application
- fostering resilience of the EU banking sector and broader economy
- facilitating convergence at EU and international levels

through a holistic and sequenced approach

Source: <https://www.eba.europa.eu/eba-publishes-its-roadmap-sustainable-finance>

EU Commission request and EBA industry survey

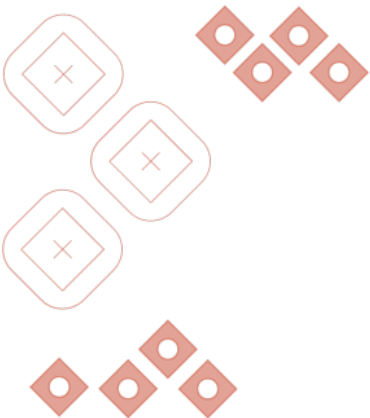
Four key elements in the Commission request



EBA approach to address the request

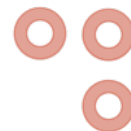
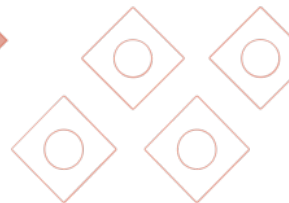
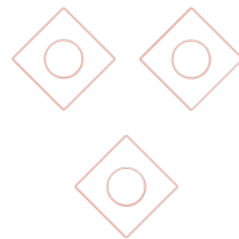
- An industry survey covering lending to households, retail and non-retail SMEs and large corporates (February – May 2023)*
- A complementary qualitative questionnaire on costs and benefits of green lending (September – October 2023)
- Key findings and policy advice are included in the final report and the opinion published on 15 December 2023

*Link to the templates: <https://www.eba.europa.eu/publications-and-media/press-releases/eba-seeks-input-credit-institutions-green-loans-and-mortgages>

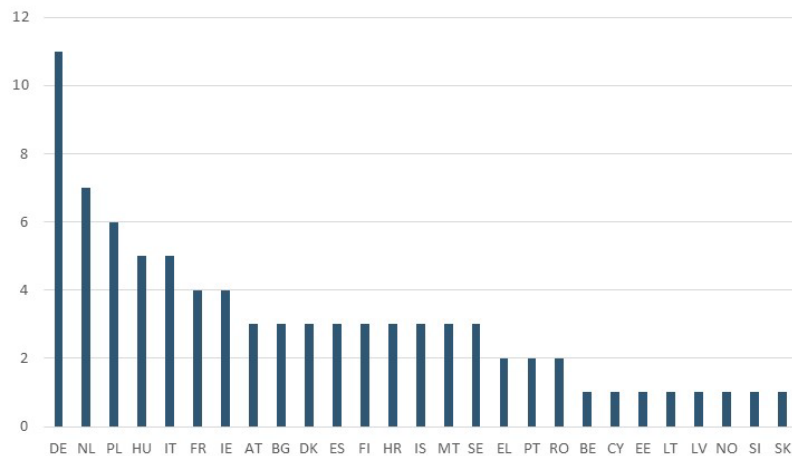


02

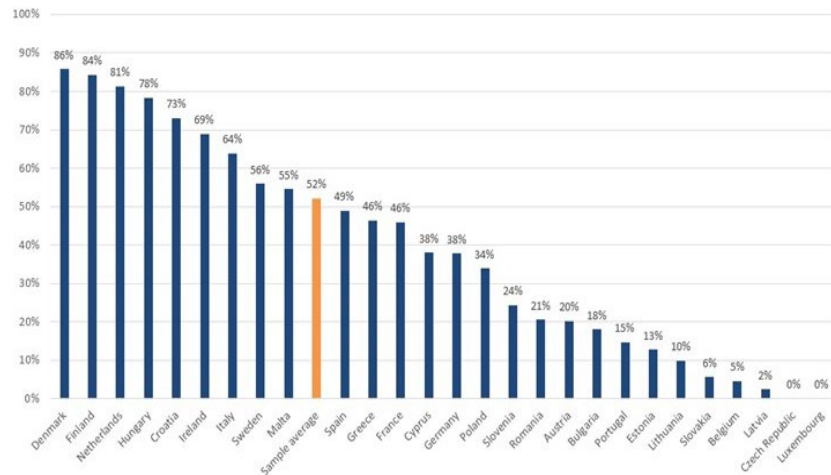
Key findings from industry survey



Survey sample: 83 (mostly universal) banks from 27 countries participated in the exercise, covering 52% of total assets in EEA

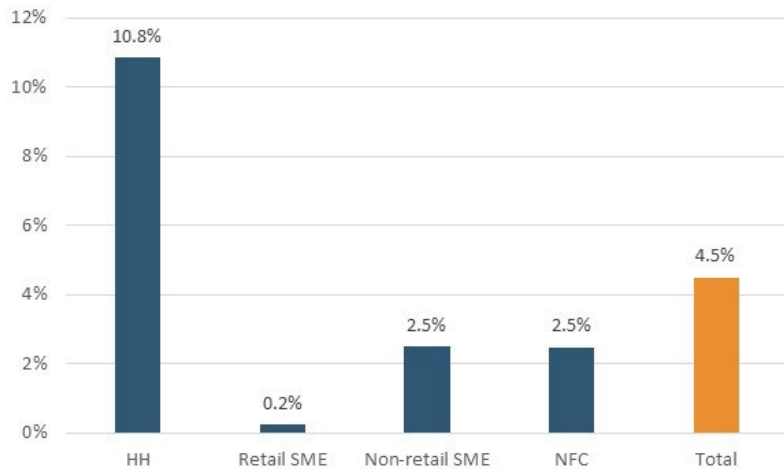


Participation: number of banks by country

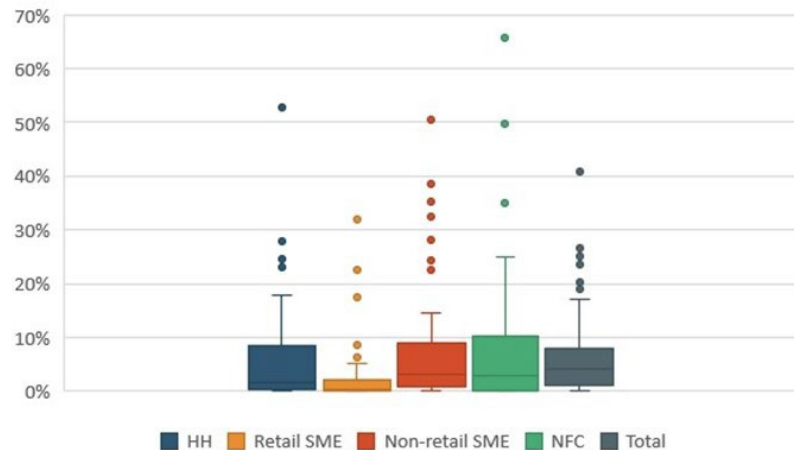


Coverage: total assets by country

Green loans are on average 4.5% of total loans with significant variations across banks and business lines

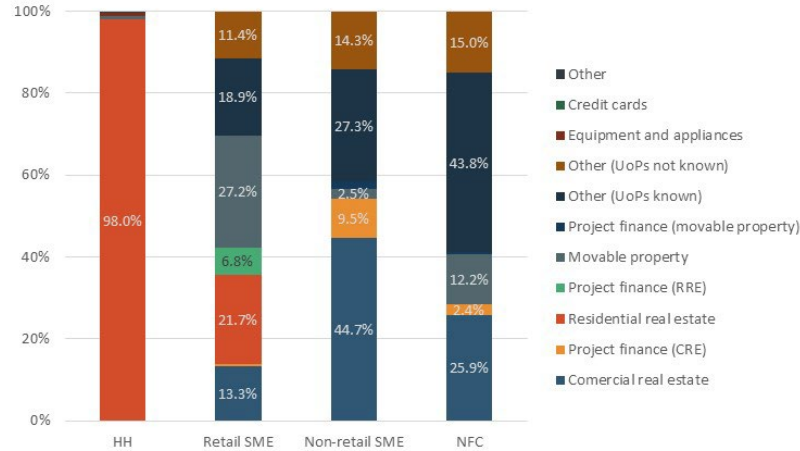


Share of green loans in total loans by business line



Variations of ratio of green loans across banks and per business line

Green loan portfolio composition by business lines

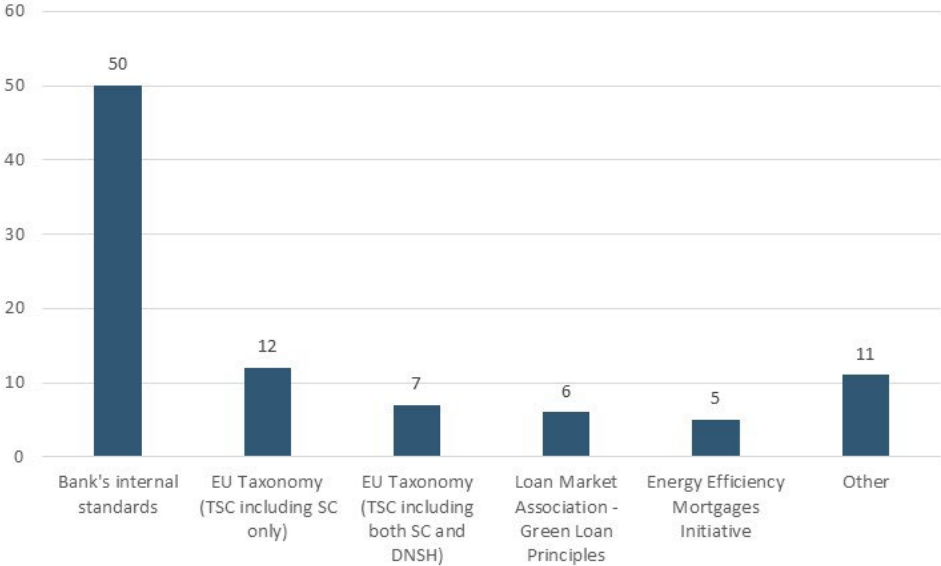


Loans financing RRE is the main driver in banks' household green portfolio.

However, green loans to households financing RRE target mostly new buildings instead of renovation of existing buildings.

Other business lines appear to be more diversified.

Banks use their internal criteria to define green loans based on market principles and CCM Taxonomy objective, where possible



Patterns in identification and management

Green finance

1

Green finance framework with a link between green funding and lending

Market principles

2

Bank frameworks build on current market standards, e.g. LMA GLP

Process

3

In the process banks:

- identify green lending areas
- link with technical criteria, e.g., UN SDGs, EU Taxonomy
- evaluate / select eligible projects
- manage proceeds
- develop external reports and SPO

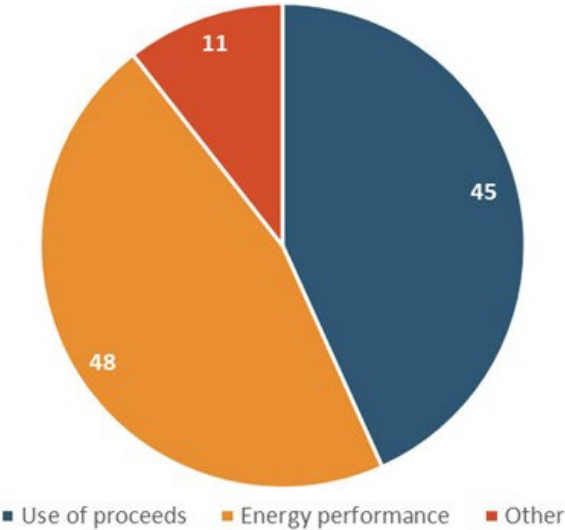
Public schemes

4

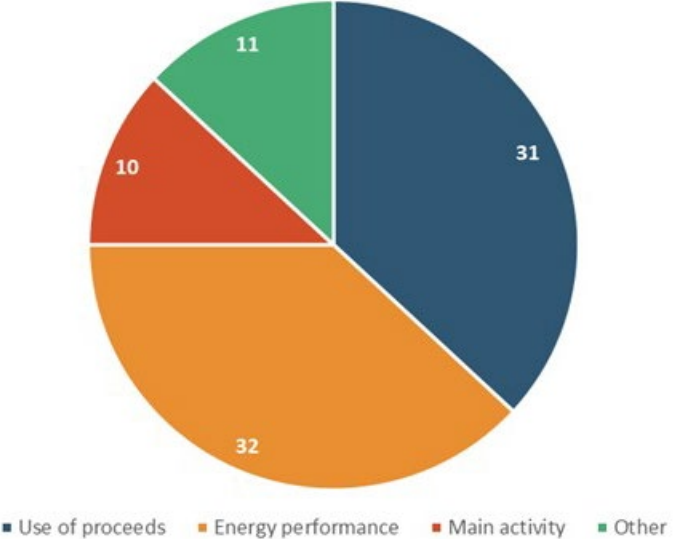
Schemes impact banks' green loan definition and origination

- preferential financing conditions
- public guarantees and subsidies
- tax incentives

Banks' approaches to define green loans financing immovable property

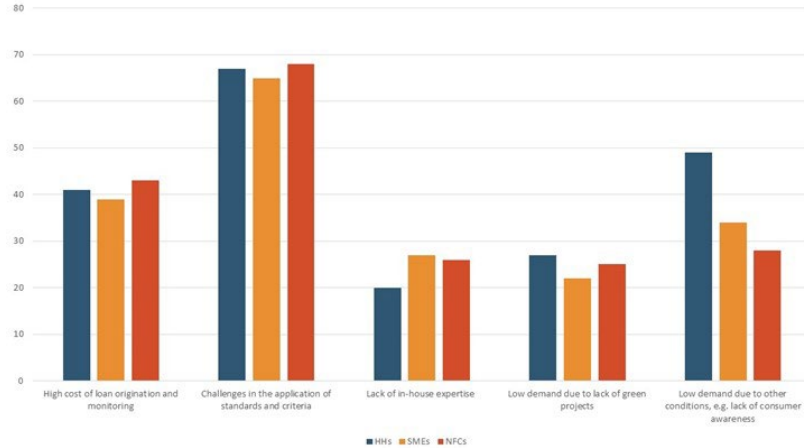


Green RRE lending to households

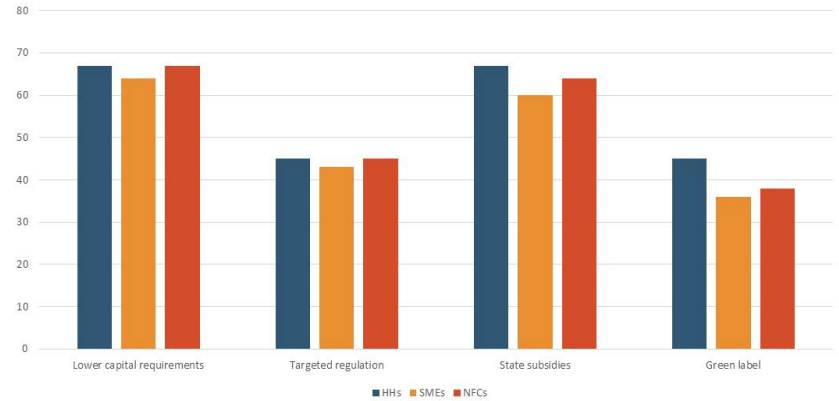


Green CRE lending to non-retail SMEs

Challenges and effective measures to green loan origination

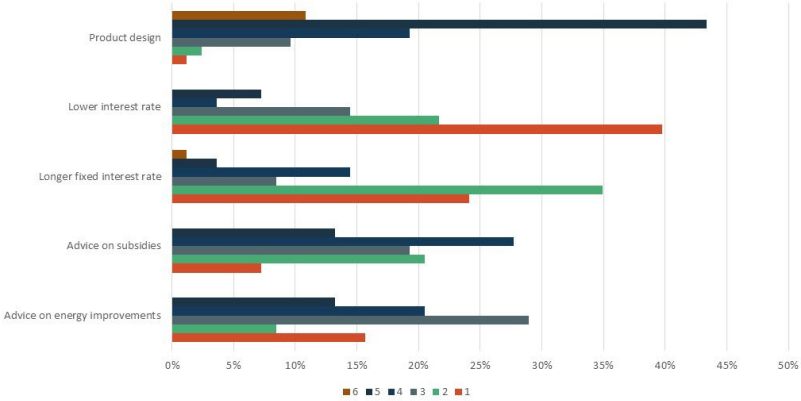


Main obstacles to origination of green loans

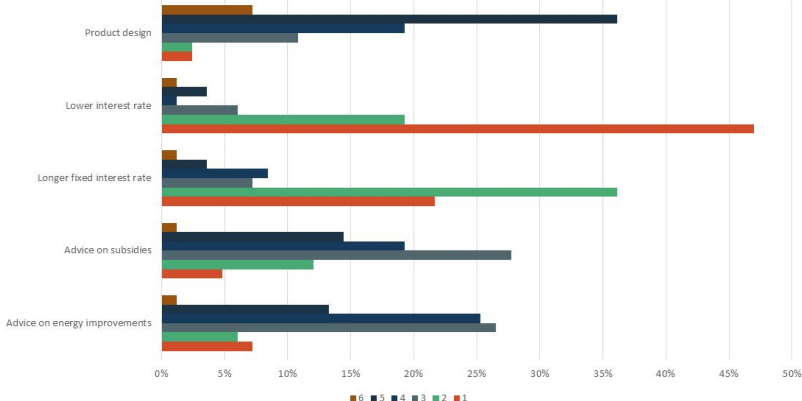


Banks' views on possible effective measures

Incentives for the uptake of green loans



Households



(Retail and non-retail) SMEs

Aspects on consumer lending and protection

- There are several challenges consumers/households face throughout a standard loan origination process, and especially in green lending
- The report discusses several points to support green retail loans market, including:
 - increasing the quality and adequateness of information provided in advertising, marketing and pre-contractual phase
 - enhancing consumer knowledge about the processes, risks and opportunities from green loans
 - providing enhanced advice from credit institutions to consumers
 - implementing specific training for sales staff
 - broadening the spectrum of incentives both for credit institutions and consumers
- Effective monitoring, oversight and governance of the products are other milestones to ensure a successful contractual relationship.



03

Policy advice

Policy advice (short-term)

1

Harmonised definition

Harmonised green loan definition where the proceeds are allocated to activities aligned with the Taxonomy technical screening criteria

- considering current market practices as much as possible in the formulation of such a definition
- linking this definition with the features of the EuGB

2

Flexible approach

Challenges in usability of EU Taxonomy technical screening criteria in the short-term

Transition period until markets reach a certain level of maturity

Other efforts that contribute to EU environmental objectives but not aligned with EU Taxonomy technical screening criteria

Policy advice (medium- to long-term)

Voluntary loan label

3

Recommendations or a legislative proposal

Two-tiered approach for Taxonomy alignment and transition

Further consideration

5

Not use-of-proceeds-based loans, e.g. sustainability-linked loans, covering transition finance

Public schemes

4

Incorporation of such label in the existing and future public schemes for green loans

MCD

6

In Mortgage Credit Directive review to consider the inclusion of:

- concept of green mortgages
- EPC of the collateral in pre-contractual information
- minimum requirements for skills and knowledge for staff



04

Q&A / Discussion





Floor 24-27, Tour Europlaza
20 Avenue André Prothin
92400 Courbevoie, France

Tel: +33 1 86 52 70 00
E-mail: info@eba.europa.eu

<https://eba.europa.eu/>