**Annex 14: Sample calculations related to the green corporate and municipal preferential capital requirement**

1. *Method of calculating the discount (in the case of 5% discount) and its impact on the TSCR ratio*

|  |  |  |
| --- | --- | --- |
| **Calculations related to preferential capital requirement** | *HUF (million)* |  |
| Outstanding corporate loan exposure | 200 000  |  |
| of which green (e.g. 10%) | 20 000  | *=200 000 \* 10%* |
| Discount (5%) | 1 000  | *=20 000 \* 5%* |
| Total Risk Exposure Amount (TREA) | 600 000  |  |
| Change in SREP Capital Requirement (TSCR) | 0.17% | *=1 000 / 600 000* |
|   |   |  |
| SREP capital requirement BEFORE discount | 80 000  |  |
| SREP Capital Requirement ratio (TSCR) BEFORE discount | 13.33% | *=80 000 / 600 000* |
|   |   |  |
| SREP capital requirement AFTER discount | 79 000  | *=80 000 - 1 000* |
| SREP Capital Requirement (TSCR) ratio AFTER discount | 13.17% | *=79 000 / 600 000* |
|   |   |  |
| Decline in TSCR due to preferential capital requirement | 0.17% | *=13.33% - 13.17%* |
|  |  |  |
| **Maximum discount** |   |  |
| Capital requirement recognised in respect of green portfolio | Capital recognised for HUF 20 billion with 0% risk weight |
|  |
| 1.5% of TREA | 9 000  | *=600 000 \* 1.5%* |  |

1. *Calculations related to the enforcement of the preferential treatment*

*The example below illustrates the degree of preferential treatment that an investment can benefit from having 60% green investment.*

|  |  |  |
| --- | --- | --- |
| **Lending** | *HUF (million)* |  |
| Loan amount | 500  |  |
| Of which: green | 300  |  |
| Capital requirement (with 100% risk weight) | 24  | *=300 \* 8%* |
| Capital requirement discount | 15  | *=300 \* 5%* |
| Capital requirement after discount | 9  | *=24 - 15* |

*If the financial organisation has the aforementioned single green loan (i.e. only 0.3% of the loan portfolio is green), the preferential capital requirement will be calculated as follows during the ICAAP review.*

|  |  |  |
| --- | --- | --- |
| **ICAAP review** | *HUF (million)* |  |
| Outstanding loans | 100 000  |  |
| Pillar 2 capital requirement recognised for credit risk BEFORE discount (e.g. 10%) | 10 000  | *=100 000 \* 10%* |
|  |
| Pillar 2 capital requirement recognised for credit risk AFTER discount | 9 985  | *=10 000 - 15* |  |
|  |