



GREEN FINANCE REPORT



2026



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Act CXXXIX of 2013 on the Magyar Nemzeti Bank designates achieving and maintaining price stability as the primary objective of the Magyar Nemzeti Bank (MNB), the central bank of Hungary. Without jeopardising the primary objective, the MNB is also responsible for supporting the stability and increasing the resilience of the financial intermediary system, providing a sustainable contribution to economic growth, and supporting the economic and environmental sustainability government policies with its tools.

Based on the decision of the Parliament on 28 May 2021, the MNB's mandate was expanded to supporting the government's environmental sustainability policy, making it the first central bank in the EU to receive a green mandate. Environmental sustainability covers the areas of climate change mitigation and adaptation, the sustainable use of water resources, the transition to a circular economy, the prevention and reduction of environmental pollution, and the protection and restoration of biodiversity and ecosystems. The main objective of the present "Green Finance Report" is to provide an annual overview on the environmental sustainability-related risk exposure of the Hungarian financial sector and its financing activities promoting sustainability and of the related sustainability programmes of the MNB.

The analysis was prepared under the overall supervision of Ildikó Edit Zátrok, Head of the Strategic, Sustainable Finance and IT Supervision Directorate, in coordination with the Department General for Sustainable Finance. The following members of the Department General for Sustainable Finance contributed to the analysis: Dr. Gabriella Bánáti-Szabó, László Filep, Norbert Holczinger, Viktória Horák-Deák, Laura Jókuthy, Adrienn Németh-Lékó, Renátó Ritter, Balázs Sárvári, Bálint Várgedő, Lora Verebélyi and Katalin Zeke. Ákos Bereczki, Balázs István Horváth and Beáta Szabó from the Financial Stability and Monetary Policy Instruments Directorate; Zsófia Agárdy and Patrik Tischler from the International Institutional Relations Directorate; Zsófia Gulyás from the International Strategic Cooperation Directorate; András Sulyok from the Monetary Policy and Financial Market Analysis Directorate; Rebeka Ágota Bábel from the Central Bank Programmes Directorate; Dr. Laura Péter and Zsófia Szikráné Lindner from the Insurance, Pension and Health Funds Supervision Directorate; Gergely András Szóts from the Capital Markets and Market Supervision Directorate; and Dr. Gabriella Györgyi Hajdu, Nikolett Kovácsné Bóta and Dr. Tímea Tályai from the Regulation Department also contributed to the report. The report was approved for publication by the Financial Stability Council. During the preparation of the report, we received valuable guidance from Dr. Levente Sipos-Tompa, Deputy Governor responsible for the supervision of financial institutions and consumer protection.

The report was prepared primarily based on the data available as of 31 December 2025. Data in different reporting periods are updated at various intervals; therefore, the time horizon of the analyses may vary in some cases. The document was printed using a solution with the lowest possible environmental impact. Please print the electronic version only when necessary.

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Preface

Dear Readers,

The major geopolitical changes of recent years have increasingly diverted attention away from the protection of the natural environment. In order to preserve competitiveness, attention today is focused more on reducing the excessive administrative burden imposed by the regulatory environment. Rationalisation can always enhance competitiveness; however, it is important not to lose sight of the fact that climate change and environmental degradation also pose risks to competitiveness. Physical and transition risks affect the profitability of companies operating in the sectors concerned as well as the value of their investments, and indirectly also the financing and insurance services involved, thereby impacting the financial system as a whole.

In many respects, geopolitical developments themselves also create opportunities to mitigate these risks. For example, renewable energy generated locally can provide an effective response to energy supply uncertainties. The negative impact of high energy prices can be offset by energy efficiency investments, which also contribute to emission reductions.

The Magyar Nemzeti Bank actively safeguards the stability and sound functioning of the financial intermediary system. As part of this mandate, it pays particular attention to ensuring that financial system participants adequately integrate the management of financial risks arising from climate change and environmental degradation into their operations.

By now, sustainability is no longer merely a moral or scientific issue, or a distant and vague objective; it has become a fundamental part of everyday life. It is a responsibility everybody shares to make use of today's opportunities while preserving the prospects of future generations.

In line with the Bank's sustainability mandate, we are publishing the Green Finance Report for the sixth time this year. The publication provides a detailed overview of the financial risks arising from climate change, domestic and global developments in sustainable finance, as well as the measures taken by the Magyar Nemzeti Bank in this area.

We hope our report will be informative for our readers.

*Dr. Levente Sipos-Tompa
Deputy Governor of the Magyar Nemzeti Bank*

Executive Summary

In 2025, the increase in global average temperature was 1.44 degrees Celsius, remaining somewhat below the 1.5-degree-Celsius threshold set out in the Paris Agreement; however, following the 1.55-degree-Celsius level recorded in 2024, it continued to fluctuate close to the critical limit. Although some may have become accustomed to the terms global warming and climate change, or even taken on lower priority compared to other issues such as armed conflicts or economic tensions, this has not halted adverse climatic processes. At the same time, today's geopolitical tensions highlight more clearly than ever how sensitively economies and ecosystems are interconnected, and that human and economic capital may be directed, both directly and indirectly, to the fight against climate change. To borrow a metaphor from chaos theory, the flutter of a butterfly's wings may trigger a tornado on the other side of the world. One striking manifestation of this is the expanding energy crisis, which is prompting countries and their citizens to operate more energy-efficiently and make greater use of locally generated renewable energy. These measures represent low-hanging fruit in the fight against climate change.

Alongside mitigation, adaptation – that is, adjusting to the adverse effects of climate change – is playing an increasingly prominent role. The financing gap continues to put pressure on markets: according to a recent study by the Austrian National Bank (OeNB), investments worth USD 90,000 billion supporting the green transition will need to be implemented by 2035. While the willingness of banks outside the EU to finance decarbonisation remains insufficient, EU banks have reduced the financing of CO₂ emissions by nearly one-third over the past five years. Without accelerating the sustainability transition and the development of green financing, global economic performance could decline noticeably even within the next few years.

Global warming is not sparing Hungary either: Since 1901, June 2025 has been the driest June on the record, while the top ten historically warmest years in the country have occurred since the 2000s. Increasingly hot summers and the uneven distribution of precipitation affect agriculture the most. In electricity generation, which is crucial from the perspectives of both decarbonisation and energy independence, the share of solar energy rose to 27.3 per cent, which is outstanding by international standards. However, further efforts are needed across the entire Hungarian economy in order to achieve the climate policy targets set for 2030 and the climate neutrality goal for 2050.

The climate risk exposure of the domestic banking system has remained unchanged. No material increase can be identified in transition risks, and according to the results of the short-term climate stress test, the impact on the banking system remains manageable. At the same time, a larger share of bank portfolios finances activities associated with high GHG emissions. Further development of risk management practices is necessary to ensure resilience over the long term.

The MNB supports the development of the domestic green financing environment, and thereby the financing of the necessary green transition, through several incentive programmes. The Green Preferential Capital Requirement Programme introduced five years ago to promote green bank financing has been extended by another year, while the range of eligible green objectives has been significantly broadened and additional financing schemes have also been included in the programme.

The stock of green loans continues to grow dynamically. The value of green exposures included in the Green Preferential Capital Requirement Programme reached HUF 1,728 billion, representing annual growth of 28 per cent. Including other green loans as well, green housing loans accounted for 6.3 per cent of the domestic housing loan market, with 40 per cent of these loans used to finance properties with the highest energy performance ratings. In the case of corporate and municipal loans, the green share stood at 7 per cent.

The domestic green capital market presents a mixed picture. Although the stock of green government securities increased by approximately HUF 500 billion and the volume of green mortgage bonds also grew, no new corporate issuance took place. At the same time, in line with the positive trend observed across the EU, the penetration of ESG and sustainable

investment funds, as well as unit-linked asset funds incorporating ESG considerations, also increased in Hungary. The continuation of this trend may be supported by the 2025 regulation promoting greater transparency in investment funds, as well as by the further development of the Green Financial Product Finder of the MNB.

In recent years, EU sustainable finance regulations have been shaped by parallel processes moving partly in different directions, and this duality is expected to continue influencing developments in the period ahead. At the current development phase of the framework, efforts aimed at simplification and reducing administrative burdens in order to improve competitiveness are emerging alongside measures designed to deepen the regulation and strengthen its coherence, while, in parallel to these, the regulatory architecture also continues to expand. In this environment, the role of supervisory authorities in supporting legal interpretation and consistently communicating regulatory expectations is becoming increasingly important.

The MNB has supported the domestic financial system in complying with the increasingly complex sustainable finance regulatory framework through several recommendations, management circulars and guidelines. Among the supervisory regulatory instruments issued in recent years, particular emphasis should be placed on the new green banking recommendation, which supports the integration of ESG risk management into banking operations in line with the legislative changes entering into force in January 2026 and the relevant guidelines of the European Banking Authority. In the capital market, the recommendation on the use of fund names strengthens the dimension of investor protection, particularly through reducing the risks of greenwashing.

Today, sustainable finance capacity building has become a key factor in both the stability of the financial system and the success of the green transition. In recent years, sustainability-related educational and research capacities have expanded significantly in Hungary, with the MNB also playing an active role in this process. Given the need to adapt to rapidly expanding international regulation, address data gaps and train experts, spreading sustainability-related knowledge will remain of key importance in the future as well.

In 2026, the MNB also plans to implement a number of measures to ensure that sustainability considerations are properly integrated into the operations of supervised institutions. In addition to ensuring legal compliance, the supervisory measures also support the preparedness of the domestic financial sector.

Overall, it can be stated that international financial organisations are giving greater priority than ever before to supporting the sustainability transition, identifying and managing climate risks, and, more broadly, greening the entire financial system. In this professional environment, it is a particularly significant achievement that the sustainability-related activities of the MNB continue to rank among the international frontrunners.

1 The economic impacts of climate change and environmental degradation – global and domestic challenges

The impacts of climate change did not ease in 2025 either: the global average surface temperature exceeded the 1850–1900 average by 1.44 degrees Celsius. As a result, the top eleven warmest years in nearly 180-year record occurred during the 2015–2025 period. One of the most important elements in the fight against global warming is the replacement of fossil fuels in energy production, and in this respect it is an extremely positive development that, in 2025 H1, renewable energy became the world's leading source of electricity generation, surpassing coal, which had held the leading position for more than 50 years. This is critically important, as certain short-term scenarios suggest that climate-related disasters could reduce global economic growth by as much as 3 per cent by 2030, while warming of between 2.3 and 3.8 degrees Celsius above pre-industrial levels could represent a critical tipping point for the sustainability of household sector debt. Far more ambitious carbon pricing, along with substantially higher levels of state support and private financing than currently available, will be needed globally to minimise adverse impacts and support adaptation to changing climatic conditions.

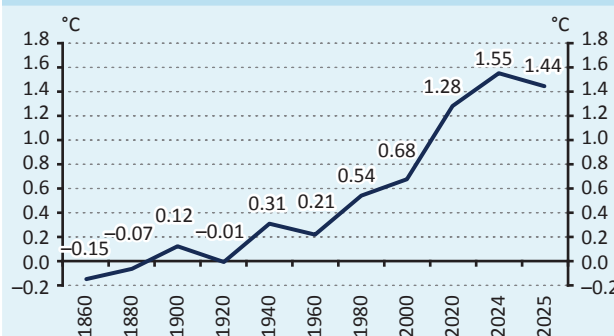
Global warming is not sparing Hungary either, with the clearest impact being the rise in annual average temperatures. The trend is clearly illustrated by the fact that the top ten warmest years in the country have occurred since the 2000s. Last year faced the driest June on record since 1901, with only one-sixth of the usual amount of precipitation falling on average nationwide. Agriculture also suffered from the hot and dry weather conditions, although the sector demonstrated significantly greater resilience than during the severe drought of 2022. The 27.3-per-cent share of solar energy in domestic electricity generation is outstanding by international standards; however, further efforts are needed in order to achieve the climate policy targets set for 2030 and the climate neutrality goal for 2050. In addition to the impacts of climate change, the risks arising from environmental degradation are also becoming increasingly tangible; therefore, Hungary is also taking steps to preserve and sustainably use biodiversity.

1.1. GLOBAL OUTLOOK

Global warming (which is becoming increasingly severe) is not a cliché, but a disturbing reality already in existence. According to data compiled by the World Meteorological Organization (WMO), the combined analysis of eight datasets¹ showed that in 2025 the global average surface temperature was 1.44 degrees Celsius above the 1850–1900 average (Chart 1.1). These datasets indicate that last year was the second or third warmest year in the 176-year record. This can also be felt first-hand, as in Europe, the pace of warming in 2024 was twice the global average, with land temperatures already 2.1 degrees Celsius above the pre-industrial level. This occurred despite the fact that 2025 both began and ended with the cooling effect of the La Niña phenomenon; however, its impact was offset by the heat-trapping greenhouse gases accumulated in the atmosphere. High land and ocean temperatures fuelled extreme weather

events – including heatwaves, heavy rainfall and intense tropical cyclones – once again highlighting the vital importance of early warning systems.

Chart 1.1
Change in global average surface temperature, 1850–2024



Source: Berkeley Earth, WMO.

¹ [WMO confirms 2025 was one of warmest years on record](#)

Global warming becomes all the more tangible the more closely we examine recent years. Across all eight datasets measuring global warming, the three warmest years in the 176-year record all occurred during the 2023–2025 period. The consolidated 3-year average temperature of the past three years was 1.48 degrees Celsius higher than in the pre-industrial era. The analysed data also show that, unfortunately, every year between 2015 and 2025 is among the top eleven warmest years in all eight data sources.

Global warming is not sparing the oceans either. Ocean temperatures in 2025 were among the highest on record, reflecting the long-term accumulation of heat within the Earth climate system.² Approximately 90 per cent of the excess heat generated by global warming is stored in the oceans, making ocean heat a critical indicator of climate change. According to the study, between 2024 and 2025 the estimated heat content of the upper 2,000 metres of the global ocean increased by approximately 23 ± 8 zettajoules compared to 2024 (equivalent to roughly two hundred times the world's total electricity generation in 2024). Measurement data on global ocean temperatures are available for the period between 1958 and 2025. According to these data, in 2025 approximately 57 per cent of the world's oceans recorded temperatures that ranked among the top five warmest observed during the examined period. These areas include tropical ocean regions, the South Atlantic Ocean, the Mediterranean Sea, the North Indian Ocean and the Southern Ocean surrounding Antarctica, further indicating the widespread warming of ocean basins. The study found that the global annual average sea surface temperature in 2025 was 0.49 degrees Celsius above the 1981–2010 baseline and 0.12 degrees Celsius lower than in 2024, consistent with the emergence of the La Niña phenomenon; nevertheless, it was still the third warmest year on record for ocean temperature data. The warming of the oceans has severe consequences: in addition to the destruction of ecosystems and the migration of species, it leads to more intense storms and, over the long term, rising sea levels.

Global warming is not an abstract concept, but a phenomenon that affects the economy and its participants through countless channels. According to a study by the Austrian National Bank (OeNB),³ warming of more than 2.3 degrees Celsius above pre-industrial levels could trigger a global wave of corporate bankruptcies. The study examines the relationship between the economic damage caused by climate change and household sector debt dynamics using the IDEE (Integrated Dynamic Environment-Economic)

integrated assessment model. The economic damage caused by climate change, together with investments aimed at mitigating climate change and adapting to its impacts, impose significant financial burdens on the household sector. For these reasons, a key question is whether the household sector is capable of bearing these burdens simultaneously alongside its existing debt stock. The study focuses on the following two main research questions:

- How do climate-related damages, as well as mitigation and adaptation costs, affect private debt, default risk and long-term economic growth?
- Can the economic damage caused by climate change trigger a critical tipping point in the sustainability of household sector debt (a private debt tipping point)?

Using the IDEE model, the researchers concluded that a global warming range of between 2.3 and 3.8 degrees Celsius may represent a critical tipping point for the sustainability of household sector debt. The study concludes that, in order to avoid a global wave of corporate bankruptcies, far more ambitious carbon pricing will be required than the one currently in place (including the introduction of a carbon tax of at least USD 300 per tonne by 2030) alongside substantially greater state support (with approximately USD 90,000 billion in green transition investments needing to be implemented by 2035).

The impacts of climate change on economic growth are clear and undeniable. According to the short-term climate scenarios of the Network for Greening the Financial System (NGFS),⁴ climate disasters could reduce global economic growth by as much as 3 per cent by 2030 – within the next five years – although governments can limit the potential damage if they continue their efforts to promote the green transition. The analysis outlines four scenarios: two focus on transition risks arising from the orderly or abrupt implementation of green policies, one concentrates on physical risks stemming from extreme weather events, while the fourth – the most severe scenario – combines physical risks with transition risks and disruptions in the supply chains of raw materials needed for the shift to renewable energy. Under the most optimistic short-term scenario, climate change would have only a limited impact on growth and employment, as governments around the world would fulfil their emission reduction commitments through the gradual increase of carbon taxes and the reinvestment of the resulting revenues into green technologies.

² [Ocean Heat Content Sets Another Record in 2025](#)

³ [Extreme Climate Risks and Financial Tipping Points](#)

⁴ [NGFS scenarios foresee climate hit to global growth before 2030](#)

The scenarios associated with physical risks project significantly greater losses; for example, severe droughts in Africa could reduce the GDP of the continent by as much as 13 per cent. The issue of inflation becomes more pronounced in the transition scenario, as an abrupt transition could lead to higher carbon pricing. The fourth, combined scenario could have the most severe impact: global growth could drop by as much as 2.8 per cent in 2028, with effects potentially persisting in the future alongside a lasting increase in the unemployment rate of up to 1.7 percentage points.

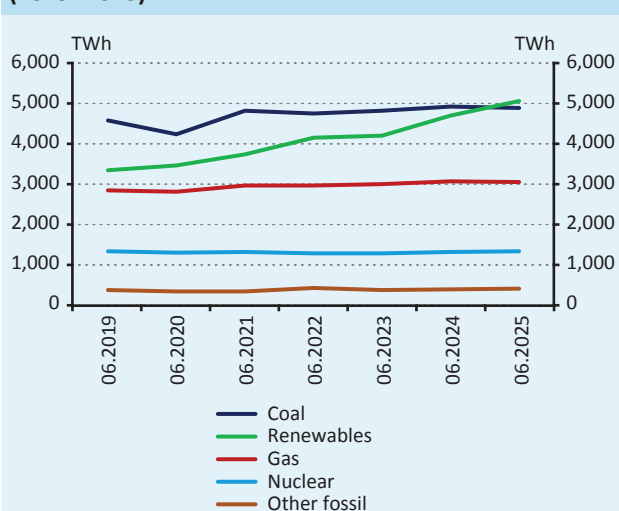
One of the most important elements in the fight against climate change is the replacement of conventional energy sources through the widest possible use of renewable energy. It is a development of historic significance that, in 2025 H1, electricity generation from renewable energy sources surpassed coal⁵ as the world's leading source of electricity generation (Chart 1.2), even though coal (which contributes significantly to global warming) was still the world's largest single source of power generation in 2024, a position it had held for more than 50 years. Global electricity demand continued to increase worldwide, but the expansion of solar and wind power in the energy mix was so strong that it covered 100 per cent of the additional electricity demand and even contributed to a modest decline in coal and gas consumption. Solar energy accounted for 83 per cent of the increase in the

share of renewable energy and remained the world's largest renewable energy source for the third consecutive year.

More than half of global solar power generation now takes place in low-income countries, thanks to the increasing affordability of the technology.⁶ It can be said of last year that developing countries, particularly China, led the push towards clean energy.

- Although China continues to expand the capacity of its coal-fired power plants, the growth in clean energy capacity far outpaces this expansion. Solar and wind energy capacity expanded more in China than in the rest of the world combined. The growth in renewable energy generation exceeded the increase in electricity demand, allowing fossil fuel-based power generation to decline by 2 per cent. China's dominance in clean technology industries remains unquestionable: in August 2025, its clean technology exports reached a record USD 20 billion, driven by rising sales of electric vehicles (up by 26 per cent) and batteries (up by 23 per cent).
- India experienced slower growth in electricity demand last year and also added significant new solar and wind energy capacity to its power generation mix, which meant that it reduced its coal and gas consumption likewise.
- In Africa, imports of solar panels increased by 60 per cent compared to 2024. South Africa led the way, while Nigeria overtook Egypt to become the second largest market, with 1.7 GW of solar capacity installed (sufficient to meet the electricity demand of approximately 1.8 million European households). Several smaller African countries recorded even faster growth: Algeria increased its solar panel imports thirty-threefold, Zambia eightfold and Botswana sevenfold.

Chart 1.2
Global electricity generation, January–June per year (2019–2025)



Source: EMBER.

More advanced economies need to demonstrate stronger commitment in the area of sustainability. During 2025, wealthier nations relied more heavily than before on fossil fuels that contribute to global warming in electricity generation. The gap compared to developing countries is likely to become even more pronounced, as according to a report by the International Energy Agency (IEA),⁷ renewable energy sources are expected to grow less strongly than previously anticipated. Further commitments from the international community are therefore essential to achieve the climate targets set for 2035. This issue was at the centre of the COP30 climate summit held in 2025 (Box 1).

⁵ [Global Electricity Mid-Year Insights 2025](#)

⁶ [Renewables overtake coal as world's biggest source of electricity](#)

⁷ [Renewables 2025: Executive summary](#)

Adaptation to climate extremes is essential, even if it entails significant resource requirements. The United Nations Environment Programme Finance Initiative (UNEP) “Adaptation Gap” report provides a science-based assessment of global progress on adaptation to climate extremes, covering planning, financing and implementation aspects. The report⁸ shows that developing countries receive less than one-tenth of the financing needed for successful adaptation to climate change, resulting in a “meaningful gap” in spending on projects such as flood protection and irrigation. According to UN estimates, by the middle of the next decade adaptation costs in developing countries could range between USD 310 and 365 billion per year. By comparison, international financing declined to USD 26 billion in 2024 from USD 28 billion a year earlier, falling well short of the agreement reached at the 2021 Glasgow UN Climate Change Conference (COP26), under which countries committed to mobilising around USD 40 billion per year by 2025 for adaptation to extreme climate conditions. The adverse effects of climate change have accelerated, while adaptation financing has been unable to keep pace, leaving the world’s poorest countries most exposed to these impacts. Strengthening global financing for adaptation to climate extremes is therefore a key priority.

Progress among banks towards achieving net-zero emissions targets has stalled. According to a report by the TPI Global Climate Transition Centre at the London School of Economics (LSE),⁹ apart from financial institutions headquartered in the European Union, banks worldwide have made only negligible progress in combating climate change, despite their commitments to achieving net-zero emissions. The report assessed the decarbonisation efforts of the 36 largest global banks based on market capitalisation and total asset value. According to the report, the overall performance of banks’ climate policies is inadequate. None of the banks examined has committed to avoiding new on- and off-balance-sheet exposures related to petroleum, natural gas and coal investments in the future. Moreover, 61 per cent of the banks assessed in the report did not have any internal corporate policies in place to encourage the decarbonisation of their high-emitting clients. On average, the banks assessed scored only 18 per cent in terms of transition readiness, while progress in decarbonisation remained stalled at this low level, with

95 per cent of the results unchanged compared to 2024. This is well illustrated by the fact that banks that updated their internal corporate policies tended to move towards weakening existing frameworks rather than strengthening decarbonisation efforts, for example, by scaling back net-zero commitments in climate-related financial disclosures. Some banks even withdrew earlier commitments altogether or adopted less precise wording, replacing terms such as “commitment” or “target” with softer expressions like “ambition” or “aspiration”. Finally, the report also finds that only 34 per cent of banks’ decarbonisation efforts were aligned with the 1.5-degree-Celsius or below-2-degrees-Celsius benchmarks set out in the Paris Agreement, with non-compliance being particularly evident in commitments related to the aluminium, oil, gas and steel industries.¹⁰

Carbon pricing aimed at reducing CO₂ emissions remains an effective tool for advancing countries’ policy objectives.

Carbon pricing helps countries reduce emissions, increase fiscal revenues in an already constrained fiscal space, and promote green growth and job creation. A World Bank Group report¹¹ highlights that global revenues from carbon pricing exceeded USD 100 billion in 2024. More than half of the revenues allocated to government budgets were directed to environmental, infrastructure and development projects, representing a moderate increase compared to previous years. According to the report, there are currently 80 carbon pricing instruments operating worldwide, five more than in the previous year. All major middle-income economies have already introduced or are considering introducing direct carbon pricing, with the vast majority of planned new instruments consisting of emissions trading systems (ETSs). Over the period since 2003, and particularly over the past decade, significant changes have taken place: average prices have nearly doubled, coverage of emissions by carbon pricing instruments has increased from 12 per cent to 28 per cent, and global fiscal revenues have tripled.

In the European Union, regulatory efforts aimed at easing sustainability requirements are being used as a means to support competitiveness.¹² The so-called “Omnibus legislative package” aims to simplify EU requirements for businesses and improve competitiveness, while ensuring that the EU’s economic, social and environmental objectives are not undermined. (The details of the regulation are presented in Chapter 4.2).

⁸ [Adaptation Gap Report 2025](#)

⁹ [State of the Banking Transition 2025](#)

¹⁰ [Global bank progress on net-zero goals has stalled, report finds](#)

¹¹ [Global Carbon Pricing Mobilizes Over \\$100 Billion for Public Budgets](#)

¹² [Simplification of EU rules](#)

The European Union, however, continues to place a strong emphasis on sustainability considerations in other areas.

The European Commission has expanded the framework of the existing Ecodesign for Sustainable Products Regulation (ESPR) with new delegated and implementing acts.¹³ The aim of the adoption of the new measures is to prevent the destruction of unsold clothing, accessories and footwear. The destruction of unsold goods is a wasteful practice. In France alone, approximately EUR 630 million worth of unsold products are destroyed each year. Online shopping also exacerbates the problem: in Germany, nearly 20 million returned products are discarded each year. The rules help reduce waste and environmental damage, and create a level playing field for companies adopting sustainable business models, enabling them to benefit from the circular economy. This is also necessary because in Europe, an estimated 4–9 per cent of unsold textiles is destroyed each year before they are ever worn. This waste generates approximately 5.6 million tonnes of CO₂ emissions, which is nearly equivalent to Sweden's total net emissions in 2021. To reduce this wasteful practice, the ESPR requires companies to disclose information on unsold consumer products that are discarded as waste. It also introduces a ban on the destruction of unsold clothing, accessories and footwear.

The European Union has reached another important milestone in renewable energy generation.

It is of outstanding significance that June 2025 was the first month in which solar energy became the largest energy source in the European Union. In 2025, electricity generation from wind and solar energy was higher than that from all fossil sources combined.¹⁴ Wind and solar energy accounted for 30.1 per cent of EU electricity generation (an increase of more than 10 percentage points over five years), while the share of fossil energy fell from 36.7 per cent to 29 per cent over the same period. Although the share of wind energy within renewable electricity generation declined, this was offset by the increase in solar power generation, which reached a record 369 terawatt-hours (TWh), marking more than 20 per cent growth for the fourth consecutive year. Positive developments were reported from several countries: in Germany, solar power generation exceeded gas-fired generation for the first time; in Italy, battery storage capacity increased by 40 per cent compared to 2024; while Ireland completely phased out coal from its electricity generation in the summer of 2025. A decade ago, coal accounted for a quarter of Europe's electricity generation; however, its share in the EU fell to 9.2 per cent

in 2025. Hungary is among the EU leaders in solar energy, with a 28-per-cent share of solar power generation (for further details, see Chapter 1.2).

The European Central Bank (ECB) has introduced a new indicator in its climate-related financial disclosures to measure nature losses.¹⁵

The indicator measuring the exposure of the ECB and the Eurosystem corporate portfolios to sectors with significant dependencies on or impacts on nature contributes to greater transparency and to a better understanding of the close links between nature losses and climate change. According to the results, around 30 per cent of the euro area monetary policy corporate bond holdings are concentrated in three sectors most exposed to nature-related losses: (i) utilities, commercial and professional services, (ii) the food industry, and (iii) the real estate sector. The ECB also reported that carbon emissions associated with the Eurosystem monetary policy portfolios and the ECB FX reserve continued to decline. In 2024, the share of green bonds within the assets backing the own funds of the ECB increased to 28 per cent (from 20 per cent in the previous year), directing more than EUR 6.4 billion towards financing the green transition. The ECB set a target of further increasing this share to 32 per cent by 2025.

In Europe, banks are financing increasingly lower levels of CO₂ emissions.

According to an analysis by the Central Bank of the Netherlands (DNB) and the European Central Bank (ECB),¹⁶ euro area banks are financing decreasing levels of CO₂ emissions through loans to European companies: while in 2018 European banks financed 165 million tonnes of carbon emissions and Dutch institutions 5.6 million tonnes, these figures fell to 116 million tonnes and 3 million tonnes respectively in 2023 (a decline of 29 and 47 per cent). In the ranking of emissions financed by euro area banks, the Netherlands thus ranks ninth, while in terms of the size of its financial sector it follows directly after Germany, France, Spain and Italy, which occupy the top four positions in the emissions ranking. The decline in emissions financed by banks can be attributed to several factors. On the one hand, corporate market values have increased both in the Netherlands and in the euro area, which has reduced banking contribution to corporate financing relative to corporate value, resulting in proportionally lower emissions financing. On the other hand, in the Netherlands banks tend to lend more to companies with lower carbon emissions, while at the European level total emissions have declined.

¹³ [New EU rules to stop the destruction of unsold clothes and shoes](#)

¹⁴ [European Electricity Review 2026](#)

¹⁵ [ECB reveals exposure of Eurosystem portfolios to nature loss](#)

¹⁶ [Drop in carbon emissions from European bank loans](#)

Box 1**The COP30 climate summit**

The COP30 climate summit held in 2025 in Belém (Brazil) had one of its key tasks for all participating countries to set new climate targets up to 2035 – that is, updated nationally determined contributions (NDCs). Despite global criticism of climate policy and geopolitical tensions, the legitimacy and functionality of the COP system were maintained in Belém. The European Union and China played a decisive role in this. The conference's main objective was achieved, as virtually all countries submitted updated, more ambitious climate commitments. The EU's new commitments for 2035, on the one hand, reaffirm that the EU will reduce greenhouse gas emissions by net 55 per cent by 2030, and will also accelerate the phase-out of fossil fuels in the energy sector; on the other hand, they include an indicative emissions reduction target of 66.25–72.5 per cent as a contribution towards achieving carbon neutrality by 2050.¹⁷ With the submission of the new NDCs, the international community can now enter the implementation phase, where the focus shifts to policy coherence, reducing investment barriers, and accelerating the transition of the financial system.¹⁸

In terms of sustainable finance, COP30 placed significant emphasis on expanding and structuring climate-related financing mechanisms, underlining that the transformation of the real economy is inseparable from the transformation of the financial system. The parties refined the Baku to Belém Roadmap, under which at least USD 1.3 trillion per year should be mobilised by 2035 for climate finance in developing countries, integrating public and private sources.¹⁹

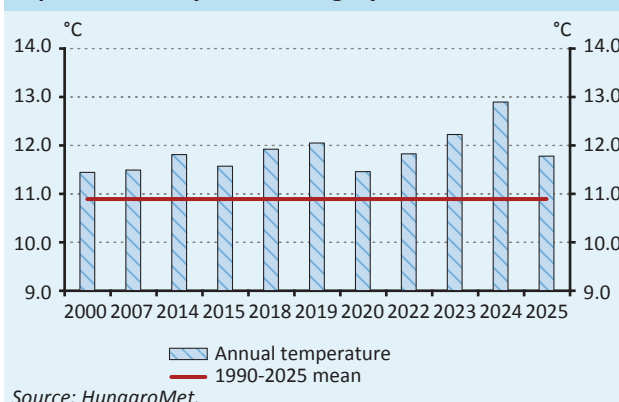
One positive takeaway from COP30 is that actors in the financial system remain committed to financing the green transition and, given the necessary policy guidelines, are ready to make rapid progress. At the conference, participants also held technical discussions on improving risk transparency, enhancing climate-related financial disclosures, and aligning financial market regulation with transition objectives. Governments and financial supervisors were encouraged to integrate physical and transition risk assessments into public debt management, banking supervision and insurance regulation.²⁰

Looking ahead, COP31 – to be hosted by Turkey in 2026 – will serve as a key platform for translating the political commitments made at COP30 into workable financial mechanisms. The emphasis is shifting towards operational guidelines, market structures and supervisory expectations, which can ensure the efficient mobilisation of capital and the consistency of transition pathways.²¹

1.2. SUSTAINABILITY OF THE HUNGARIAN ECONOMY

One of the most evident impacts of climate change in Hungary is the rise in the annual average temperature. The average mean temperature in 2025 (11.78 degrees Celsius nationwide) was lower than the record-warm year of 2024 (12.91 degrees Celsius), but it still exceeded the 1991–2020 climate average by 0.88 degrees Celsius, according to the data²² (Chart 1.3). The longer-term trend also shows a clear pattern: meteorological observed data have been available in Hungary since 1901, and based on these data, the top ten warmest years in the country have occurred since the 2000s.

Chart 1.3
Top ten hottest years in Hungary, since 1901



¹⁷ [Paris Agreement: in preparation for COP30, the EU submitted to the UN its updated nationally determined contribution including an indicative target for 2035](#)

¹⁸ [“A” for ambition, “D” for implementation? COP30 showed that it is time to move from commitments to action](#)

¹⁹ [COP29 and COP30 Presidents present Baku to Belém Roadmap to mobilize US\\$1.3 trillion in climate finance](#)

²⁰ [COP30 Climate Change Summit, Belém \(Brazil\)](#)

²¹ [The next chapter for Loss and Damage after COP30: Building the systems countries and communities need](#)

²² [The weather in recent years](#)

The most pronounced manifestation of the increasing warming is observed in changes in the average temperature of the summer season. The average summer temperature in 2025 exceeded the 1991–2020 climate average by 1.2 degrees Celsius nationwide, making it the seventh warmest summer since 1901. However, warming is not only supported by the rise in average temperature, but also by changes in the frequency of temperature extremes. The warming trend is also reflected in the frequency of exceeding key temperature thresholds: in 2025, the number of summer days (daily maximum temperature above 25 degrees Celsius) exceeded the 1991–2020 average by 12 days, the number of warm days (daily maximum above 30 degrees Celsius) by 16 days, and the number of hot days (daily maximum above 35 degrees Celsius) by 5 days (totalling 78, 43 and 8 days respectively).²³

Long-term changes in precipitation are less evident than the rise in average temperature. Over the 125-year period between 1901 and 2025, a moderate average decline of 5.6 per cent was observed in precipitation levels; however, the decrease was not statistically significant. However, 2025 was the fourth driest year since 1901, with an average nationwide precipitation amount of 453.3 mm. From the perspective of the temporal distribution of precipitation, spring rainfall at the beginning of the growing season and summer precipitation are the most significant, given that this coincides with the most intensive growth phase of most arable crops. In 2025, spring precipitation was broadly in line with the long-term national average, while summer precipitation was significantly below the long-term average both at the national and local level. Extremely dry conditions characterised the first month of summer, with June last year being the driest since 1901; on a nationwide average, only one-sixth of the usual amount of precipitation fell, while its spatial distribution was also highly uneven. The least precipitation fell in the Great Plain, with its central and southern areas experiencing extremely dry conditions. In addition, the changing distribution of precipitation amounts is also notable: summer rainfall is increasingly occurring in the form of short, intense showers and thunderstorms.

Agriculture also suffered from the hot and precipitation-deficient weather in 2025, although the sector demonstrated significantly greater resilience than during the severe drought of 2022. The year 2025 was again characterised by drought, which primarily damaged sunflower, maize and soybean crops. In the previous year, agricultural producers reported drought damage on approximately 556,000 hectares nationwide to cover significant losses;²⁴ however, this area represents only about one-third of the area affected by the 2022 drought. This indicates that the agricultural sector has begun adapting to the new climatic norms, and that drought protection and water retention measures, precipitation conservation, and reduced-tillage farming practices have all contributed to ensuring that summer weather affected Hungarian agriculture significantly less than during the severe drought of 2022. Proper crop selection that takes the impacts of climate change into account can also contribute to reducing future drought damage; for example, reducing the cultivated area of water-intensive maize may create space for the more widespread cultivation of crops that are more tolerant of water scarcity, such as sunflower, peas, sorghum or poppy.

The impacts of climate change on agriculture are no longer merely difficult-to-predict risks, but a reality experienced in everyday practice. In three of the four years between 2021 and 2024, at least 70 per cent of the country's territory was affected by drought, whereas in the twenty years between 2000 and 2020, this level of drought occurred only seven times in total. In addition to summer droughts, spring frosts, irregular and severe thunderstorms, as well as the emergence of new pests and pathogens previously not native to the region, further underline the need for comprehensive adaptation measures. In addition to arable crops, viticulture and wine production are also being affected by climate change (Box 2). Through its Green Preferential Capital Requirement Programme, the MNB contributes to the broader adoption of sustainable agricultural practices (see Section 3.1.3 for details).

²³ [Weather in recent seasons](#)

²⁴ [Measures aimed at mitigating drought damage reduced crop losses](#)

Box 2**The Hungarian grape and wine sector under dual pressure: the economic cost of climate change and phytoplasma infections**

In 2025, the Hungarian grape and wine sector faced a dual supply shock: (1) yield and quality deterioration caused by climate change, and (2) structural production losses resulting from infection by Flavescence dorée (FD). Meanwhile, on a global scale, changing consumer preferences have led to declining demand. These factors weaken the sector's profitability and competitiveness, as well as the quality of bank financing portfolios.

The global area of vineyards is continuously declining, largely due to the increasing frequency of extreme weather events: heatwaves, fires, droughts, extreme precipitation patterns and infectious diseases. According to projections by the International Organisation of Vine and Wine, global wine production in 2025 is expected to range between 228 and 235 million hectolitres,²⁵ implying a 3 per cent increase compared to the 2024 low point (based on data from 2000–2025). The 2024 low is attributed to climatic factors, while the 2025 increase still remains 7 per cent below the 5-year average.

In Europe, climate change is leading to earlier ripening, drier summers and more extreme precipitation patterns, which are significantly reshaping the geography and production structure of wine production, reducing the viability of traditional wine-growing regions. EU production in 2025 is expected to be around 140 million hectolitres, remaining 8 per cent below the 5-year average, and potentially marking the second lowest production level since 2000. Due to the restructuring of production and the impact of Flavescence dorée disease, two of the world's three largest wine producers (France and Spain) are also recording a shortfall of 15–16 per cent relative to the 5-year average.

The Hungarian wine sector in 2025 was characterised by spring frost damage, drought, water scarcity and the spread of Flavescence dorée. In recent years, yield losses have ranged between 20 and 30 per cent, and the harvest period has shifted earlier by one month.²⁶ Declining acidity and faster sugar accumulation also highlight the need for climate-resilient grape varieties, shading techniques, precision irrigation, hail nets and pest control measures. The investment needs generate higher demand for subsidies and credit, but increased lending risk may raise the financing costs of producers.

After an outbreak of Flavescence dorée, production volumes decline persistently, and long-term, costly control measures are required. In Hungary, the infection has spread to 21 of the country's 22 wine regions, may reduce grapevine yields by 20–50 per cent, and the number of infected plants may increase tenfold each year. Due to the geographical spread of the vector and milder winters, the infection wave may mark the beginning of a longer expansion phase. Almost all European grapevine varieties are susceptible to the disease. Control measures (such as vine removal, vineyard eradication and insect vector management) lead to declines in production, revenue and profits, while increasing plant protection costs. New vines take three to five years to reach full production, creating significant liquidity and financing pressures, and in the medium term the share of non-performing loans in the sector may increase. The climatic challenges and the spread of the infection are weakening the competitiveness of the Hungarian wine sector, which has already been under significant pressure from strong international price competition, the more efficient economies of scale of Southern European producers, and declining consumer demand driven by changing consumption patterns.

²⁵ International Organisation of Vine and Wine (2025): World Wine Production Outlook, First Estimates 2025

²⁶ [The most destructive phytoplasma disease of grapevine is Flavescence dorée \(FD\); Spring measures against grapevine Flavescence dorée disease](#)

Overall, the Hungarian wine sector is affected by climate change and Flavescence dorée, with declining volumes and profitability in the short term, weakening market position in the medium term, and emerging financial stability risks. The sector's contribution to GDP and the risk profile of the agricultural loan portfolio may weaken. Sustainability would be supported by investments in climate adaptation measures (such as the introduction of resilient crop varieties, efficient water management and comprehensive plant health strategies), targeted subsidy policies, structural reforms and risk management tools. Sustainable agricultural and food industry practices are also supported by the Green Corporate and Municipal Preferential Capital Requirement Programme, which has been expanded from 2026 to include sustainable irrigation development as an eligible loan purpose (see Section 3.1 for details).

The tangible impacts of climate change also highlight the need for further regulatory steps in the areas of mitigation, adaptation and resilience. In 2020, Hungary codified its commitment to reduce greenhouse gas emissions by at least 40 per cent by 2030 compared to 1990 levels, and to achieve climate neutrality by 2050, meaning that remaining domestic greenhouse gas emissions and capture will be balanced by 2050.²⁷ The Constitutional Court annulled Section 3(1) of the Climate Act with effect from 30 June 2026, on the grounds that it violates the principles of intergenerational justice, precaution and prevention. It also found that the legislator had failed to comprehensively and explicitly regulate the instruments for reducing greenhouse gas emissions, taking into account the specific characteristics of Hungary and the Carpathian Basin.²⁸ The Parliament must remedy this deficiency by 30 June 2026. The Constitutional Court also stated that climate protection measures must be adopted in legislative acts, in a form that is accessible, enforceable and transparent in general. It is also required that emission reduction targets be formulated in light of the continuously evolving findings of climate science and be subject to regular review. Climate protection rules must also give effect to the principles of precaution, prevention, responsibility towards future generations (the public trust doctrine), and the polluter pays principle.

Further efforts are needed to achieve the climate policy targets set for 2030 and the climate neutrality goal for 2050. In Hungary's Fourth Climate Neutrality Progress Report,²⁹ the Green Policy Center found that based on 2022–2023 data, Hungary shows a medium level of performance in international climate policy rankings. It is nevertheless worth highlighting that Hungary's GHG emissions fell by 9 per cent between 2022 and 2023, thereby also outperforming the climate target set for 2030. According to the authors of the report, the favourable

outcome was supported by investments driven by energy prices, behavioural changes and policy measures, although weaker economic performance and a mild winter also played a role. According to the findings of the report, almost all sectors showed improvement in terms of GHG emissions between 2022 and 2023. The only exception is the land use sector, where carbon dioxide capture decreased, although it remains at a relatively favourable level. Based on the progress assessed across eleven dimensions of the climate neutrality goal, a mixed picture emerges: progress is on track in three dimensions (Agriculture and Land Use, Industry, Buildings), slow in three dimensions (Energy, Finance, Technology), stagnating in two (Carbon capture, Climate governance), deteriorating in two (Transport, Lifestyle), while one dimension (Just Transition) cannot be evaluated due to data limitations.

Hungary has made significant progress over recent decades in decoupling economic development from environmental pressures. The European Environment Agency (EEA) publishes a report on the state of the environment every five years. Hungary's country profile in the "Europe's Environment 2025" report³⁰ highlights that a number of policy measures have been introduced to promote environmentally friendly transport, improve the energy efficiency of buildings, increase the use of renewable energy, spread green technologies and enhance waste recovery. According to the Report, ensuring the security of energy supply and increasing energy sovereignty are key priorities, which Hungary seeks to achieve through diversification and the utilisation of renewable energy sources, as well as through electrification measures aimed at reducing energy consumption and improving energy efficiency. To achieve the environmental and climate policy targets set for 2030, further efforts are needed in certain areas, particularly in the protection and sustainable use

²⁷ [Act XLIV of 2020 on Climate Protection](#)

²⁸ [The Climate Act is unconstitutional for several reasons](#)

²⁹ [Hungary's Fourth Climate Neutrality Progress Report 2025](#)

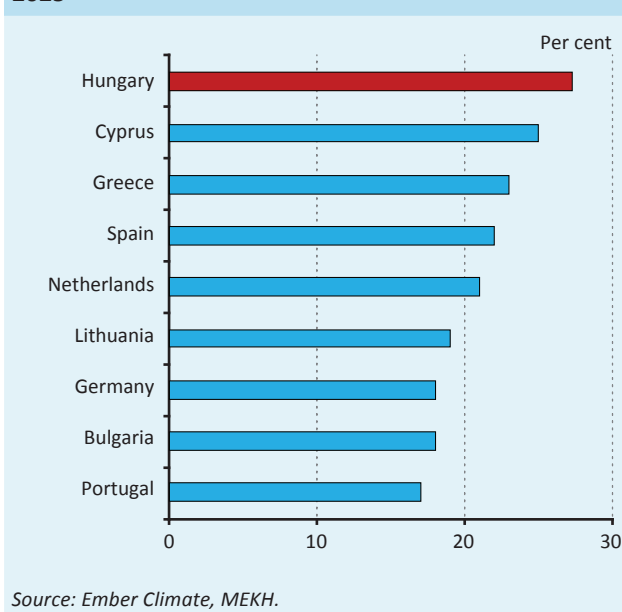
³⁰ [Europe's environment 2025: Hungary](#)

of biodiversity and water resources, as well as in waste prevention. The latter is linked to the transition from a linear model to a circular model (Box 3).

In addition to the impacts of climate change, the risks arising from environmental degradation are also becoming increasingly evident. Hungary is also taking steps in relation to the conservation and sustainable use of biodiversity. As a member of the Convention on Biological Diversity (CBD), Hungary developed a national strategy in 2023 extending to 2030. In 2025, the Ministry of Agriculture carried out a mid-term evaluation of the progress in implementing the National Biodiversity Strategy.³¹ Based on quantitative assessments and qualitative descriptions, out of the 336 measures defined to achieve the 19 main objectives, 15 are considered fully implemented, 46 largely implemented, 122 partially implemented, 114 have been initiated, while 39 have not yet started. Hungary performs well in meeting objectives such as the preparation of management plans for all Natura 2000 sites, the establishment of an agri-environmental support scheme aimed at conserving species of community interest associated with arable land, and the regular inspection of plant and animal trade activities. However, achieving objectives such as the identification and prioritisation of key species with small population numbers but significant ecological functions, as well as the selection and conservation-oriented assessment of non-protected indicator species, will still require particularly substantial additional efforts.

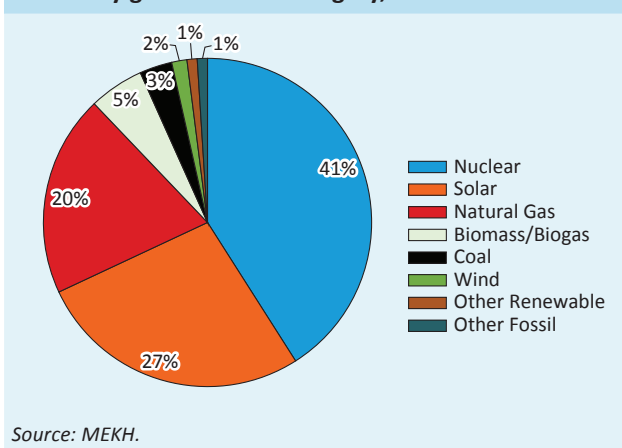
To mitigate the impacts of climate change, further reductions in GHG emissions are necessary, to which the energy sector has so far contributed the most. The positive trend continued in 2025, with the composition of domestically generated electricity becoming increasingly green.³² Seven of the world's ten countries with the highest share of solar energy are located in the European Union, and Hungary is also a clear frontrunner in this group. The expansion of solar power plants continues to be dynamic: within electricity generation, the share of electricity produced by solar panels reached 19.5 per cent in 2023, 24.2 per cent in 2024, and 27.3 per cent³³ in 2025 (Chart 1.4), making it the second largest source of electricity generation in Hungary. In the European Union, more than 10 per cent of domestically generated electricity is produced from solar energy in 16 countries. In Hungary, 70 per cent of solar power generation comes from solar parks, while 30 per cent is generated by rooftop solar installations.

Chart 1.4
Share of solar energy in total electricity generation in 2025



In 2025, renewable energy also exceeded the contribution of fossil fuel power plants in electricity generation. Total annual electricity consumption in Hungary (including network losses) increased only marginally (by 0.4 per cent) to 48.3 GWh compared to 2024, while this occurred alongside a 3.6-per-cent increase in domestic electricity generation to 39.3 GWh.³⁴ In Hungary's electricity generation mix, nuclear energy remains dominant (41 per cent), while renewable energy is steadily the second largest source of electricity generation (35 per cent) (Chart 1.5).

Chart 1.5
Electricity generation in Hungary, 2025



³¹ [Mid-term assessment of the implementation of the National Biodiversity Strategy up to 2030 \(2025\)](#)

³² [European Electricity Review 2026](#)

³³ Preliminary data published by the Hungarian Energy and Public Utility Regulatory Authority (MEKH)

National budget expenditures are important sources for the implementation of the green transition. In 2022, the European Union established the Green Budgeting Reference Framework,³⁴ which provides guidance to Member States on developing their own green budgeting systems. In addition, the European Commission has provided technical assistance and training to support the implementation of the framework at Member State level and has required a significant share of the EU budget and the recovery fund to be allocated to climate protection objectives. Within the framework of green budgeting, budget items are expected to be labelled according to their environmental impact, and the “Do No Significant Harm” (DNSH) principle must be taken into account in all decisions. The system operates effectively if it not only makes environmental considerations transparent in the budget, but also genuinely supports the adoption of environmentally friendly government decisions. The pilot green budgeting screening classified central government expenditures into three categories based on their environmental impact:

- Dark green expenditures are items whose primary objective is climate or environmental protection, and which make a significant contribution to the environmental objectives of the EU Taxonomy.
- In the case of light green appropriations, environmental impact is not the primary objective but is nevertheless significant.
- The white category includes items in which the share of environmental spending is low, but which are still worth mentioning due to their green impact.

The Hungarian pilot of green budgeting has been launched in 2026, which includes the environmental and climate related evaluation of the budget appropriations³⁵. The appropriations have been categorised into shades of green based on the level of contribution to environmental goals, expressing the intensity of sustainability involved. The pilot project involved exclusively the identification and presentation of green budget appropriations, but still no analysis on the amounts. The share of budget appropriations including green expenditures reaches 6 per cent within the total number of budget appropriations. This rate provides a glimpse of the green budget appropriations appearing in the central government budget but does not provide sufficient means for international comparison without an amount analysis. This is due to significant differences in the budgetary

systems, structure and granularity of budget appropriations of individual countries, hence the ratios on the number of green budget appropriations do not reflect the real weight of green expenditures. Figures on the extent of green expenditures within the budget appropriations are planned to appear in the 2027 budget for the first time. Further methodological development is planned in the following years so that the green budget can provide an increasingly precise support of environmental and climate related considerations during the budget planning process. Based on a survey³⁶ conducted by the European Commission in 2025 the budget of Greece (66.1 per cent) and Slovenia (48.8 per cent) include outstanding numbers of budget appropriations including green expenditures, while most countries (Austria, Spain, France, Ireland, Luxembourg and Portugal) reported 5-10 per cent rates, followed by Finland (2.3 per cent) and Italy (1 per cent) reaching the lowest rates.

Green budget practices have been spreading rapidly in the last two years: the 2023 survey identified ten Member States using green budget instruments, and four planning their introduction, in 2025 twenty Member States implemented some form of green budget practice. Hungary did not apply green budgeting for the 2025 budget at the time, but launched the pilot green budget project in 2025 for the 2026 budget, which was noted in the survey of the European Commission.

The MNB sets an example for participants in the domestic financial sector through its own operations, which incorporate sustainability considerations. The MNB was among the first central banks and domestic financial institutions to prepare a Climate-related Financial Disclosure (TCFD),³⁷ which aims to identify, measure and transparently disclose climate-related risks associated with the operational activities and financial instruments of the MNB as comprehensively as possible. The preparation of the report is also justified by the fact that the MNB considers climate-related risks to be a source of systemic risk, the effects of which may potentially have a negative impact on the achievement of the primary and secondary MNB objectives as defined by law. The report assesses exposures by portfolio, along the two main risk categories (transition and physical risks). In addition, in line with the double materiality principle, emphasis is also placed on assessing the environmental impact of financed assets. Furthermore, the analytical framework has been expanded to include an assessment of broader nature-related risks, as ecosystem services, biodiversity loss and climate change are closely interconnected.

³⁴ [Green budgeting in the EU](#)

³⁵ <https://www.parlament.hu/irom42/11864/11864KIEGSZ003.pdf>

³⁶ https://economy-finance.ec.europa.eu/document/download/be62969f-3076-46a1-ab9c-ad3c348eb373_en?filename=Key%20Findings%20-%202025%20European%20Commission%20Survey%20on%20Green%20Budgeting.pdf

³⁷ [The MNB's Climate Change-related Financial Report](#)

Box 3**Transition to a circular economy**

It is becoming increasingly clear that the linear economic model based on a “consume and discard” approach is not sustainable. The rapidly growing population, scarce resources, rising commodity prices, supply chain uncertainties and environmental pressures have made it clear that a shift in mindset is needed. According to an international survey,³⁸ increasing material consumption is responsible for two-thirds of greenhouse gas emissions, as well as more than 90 per cent of biodiversity loss and water stress. A single-use consumption-based economy is, however, not only an environmental issue but is increasingly becoming a matter of supply security as well, particularly in regions that are poor in critical raw materials needed for the energy transition, such as the European Union. Based on a report by the European Court of Auditors,³⁹ it is particularly problematic when the import dependency of the EU on a single country exceeds 65 per cent for critical raw materials, a situation that applies to several materials, including lithium (Chile), rare-earth metals, magnesium and gallium (China), and boron (Turkey).

The solution lies in the concept of a circular economy, which goes beyond the notion of waste management. The circular approach treats materials as value and aims to keep raw materials in the economic cycle for as long as possible. The logic of the circular economy is illustrated by various “R-models”, with the 9R model⁴⁰ presenting circular measures in order of priority (Table 1).

Table 1**The 9R model of the circular economy**

 Circular economy Linear economy	Smarter product use & manufacturing	R0 – Refuse	We do not buy unnecessarily.
		R1 – Rethink	We use products differently, e.g. by sharing them.
		R2 – Reduce	Reduced material and energy use in manufacture.
		R3 – Reuse	The product is used by another consumer without any modification.
		R4 – Repair	Repair of a defective product.
	Extending the product's lifespan	R5 – Refurbish	Restore an old product in its original function.
		R6 – Remanufacture	A new product made from the used parts of a discarded product with the same function.
		R7 – Repurpose	A discarded product with a different function.
	Useful application of materials	R8 – Recycle	Processing and recycling of materials.
		R9 – Recover	Energy recovery.

Source: Based on J. Potting et al., edited by the MNB

The European Commission is expected to submit the draft legislation on the circular economy⁴¹ for approval by the European Parliament in 2026 Q3. The new rules promote the use of secondary raw materials and strengthen the recycling chain, thereby supporting the achievement of the 2030 targets: a 14.5-per-cent reduction in material use and a 17-per-cent reduction in waste generation. Italy is a good example, ranking second among European countries – after the Netherlands – according to a report by the Circular Economy Network.⁴² By 2023, the resource productivity of the Southern European country had increased by 20 per cent compared to 2019, while its recycling rate had risen to 50.8 per cent, representing an improvement of 3.2 percentage points over four years. In 2024, the results achieved in the circular economy had tangible effects on industrial efficiency and public finances in Italy, as manufacturing companies collectively saved EUR 16.4 billion, reducing their dependence on energy and supporting the decarbonisation of production.

³⁸ [Circularity Gap Report 2025](#)

³⁹ [Special report 04/2026: Critical raw materials for the energy transition – Not a rock-solid policy](#)

⁴⁰ [Circular Economy: Measuring Innovation in the Product Chain](#)

⁴¹ [Circular Economy: The EU aims to transition to a circular economy for a cleaner and more competitive Europe](#)

⁴² [Economia circolare, l'Italia seconda in Europa: tra eccellenze e dipendenze da superare](#)

In Hungary, the transition to a circular economy is still at an early stage: the focus is on waste management and, within that, on meeting the target values set out in European Union legislation. In 2023, Hungary introduced a waste management concession system covering the collection, transport, pre-treatment, trading and transfer for treatment of municipal waste, waste falling under the extended producer responsibility (EPR) scheme, and waste under the deposit redemption system (DRS). The concession model has created a nationally unified system which, in principle, enables the exploitation of economies of scale and the financing of large-scale developments. The positive shift is also visible in practice: in the deposit redemption system (RePONT), more than 3 billion beverage containers were returned in 2025, corresponding to 88 per cent of all beverage packaging placed on the market (the EU has set a 90-per-cent target for 2027).⁴³ In other areas, however, achieving the EU waste management targets still requires significant additional investment, particularly with regard to increasing the recycling rate of municipal waste (EU target for 2035: 65 per cent – Hungary: 60 per cent under a derogation; domestic 2023 figure: 33.4 per cent) and reducing the landfill rate (EU target for 2035 – Hungary: 10 per cent under a derogation by 2040; domestic 2023 figure: 54 per cent).⁴⁴

The development of a comprehensive circular economy strategy extending beyond waste management is still pending. In 2023, the OECD prepared a report to support the development of a national circular economy strategy,⁴⁵ proposing targets to be achieved by 2040 (including doubling resource productivity and the circular material use rate, as well as increasing the number of circular economy jobs by 30 per cent) and identifying the sectors where the greatest impact could be achieved (biomass and the food industry, construction and the plastics industry). The development of a national circular economy strategy could also provide a predictable framework for planning domestic circular economy investments, the annual volume of which was estimated by the European Commission to be at least EUR 316 million in 2025.⁴⁶

The principles and application of the circular economy have not yet become deeply embedded among Hungarian companies. According to the 2025 survey conducted by the Business Council for Sustainable Development Hungary (BCSDH),⁴⁷ around two-thirds of Hungarian companies already apply some form of circular model in their business operations; however, objectives related to more complex circular activities still remain of secondary importance. Corporate targets are primarily formulated in the areas of waste management and the sustainable sourcing and use of renewable resources. Respondent member companies rely primarily on their own resources to finance circular activities (34 per cent), while external financing sources currently play only a limited role (8 per cent of companies use commercial bank loans, 3 per cent raise funds through bond issuance, and 10 per cent make use of non-repayable grants).

To promote circular investments and support awareness-raising, the MNB expanded its Green Corporate and Municipal Preferential Capital Requirement Programme. From 2026 onwards, credit institutions may benefit from preferential capital requirement covering the entire product life cycle, including the design, manufacturing and use phases of products, as well as waste management. The expansion is supported on a risk basis by an analysis conducted by the Italian Bocconi University,⁴⁸ which, based on data from around 200 listed European companies, concluded that firms with a higher degree of circularity exhibit lower credit risk over both 1-year and 5-year horizons. Business model diversification, the use of secondary raw materials – which reduces risks stemming from raw material price volatility and supply chain disruptions – as well as compliance with an increasingly stringent legal environment and rising customer expectations, all contribute to lower default risk among companies applying circular economy business models.

⁴³ [More than 3 billion bottles, cans and glass containers were returned in 2025](#)

⁴⁴ [Database – Waste – Eurostat](#)

⁴⁵ [Towards a National Circular Economy Strategy for Hungary](#)

⁴⁶ [Commission Staff Working Document 2025 Country Report](#)

⁴⁷ [No Circular Breakthrough Without a Strategy – Survey on the State of the Circular Economy in Hungary](#)

⁴⁸ [New research shows circular economy has de-risking effect and drives superior risk-adjusted returns](#)

2 Measuring sustainability-related financial risks and negative external environmental impacts

Sustainability-related financial risks are playing an increasingly important role in the functioning of the Hungarian financial system, particularly with regard to climate-related transition and physical risks. The Hungarian financial sector – in line with international trends – is gradually integrating climate risks into its risk management, strategic and supervisory processes; however, it continues to face significant challenges related to measurement, data quality and uncertainty surrounding long-term impacts.

Based on the available indicators, the climate exposure of the banking system overall remains stable. The value of the Bank Carbon Risk Index has remained broadly unchanged in recent years, suggesting that transition risks have not increased materially; nevertheless, exposures related to carbon-intensive sectors continue to be significant. The sectoral breakdown highlights that agriculture, the chemical industry and the energy sector in particular contribute to climate-related risks. The results of the Climate Risk Matrix confirm that a significant share of banking portfolios remains exposed to the regulatory and economic transition associated with climate change. More than half of the exposures are linked to sectors that are sensitive to increasingly stringent climate policy measures, while nearly half finance activities with high GHG emission intensity. At the same time, the climate risk profile of the banking system overall shows signs of moderation, which is also reflected in a reallocation towards less risky categories.

Based on the results of the short-term climate stress test, transition risks have a material yet still manageable impact on the banking system. Under a scenario assuming a significant increase in carbon prices, a deterioration in the macroeconomic environment and a rise in the riskiness of corporate and household loan portfolios can be observed, particularly in the case of high-emission sectors and properties with low energy efficiency. Nevertheless, the capital position of the institutions examined remains stable overall, indicating the resilience of the sector. Overall, these findings suggest that the preparedness of the Hungarian financial system to manage climate-related risks is improving; however, maintaining long-term resilience will require the further development of risk management practices, improvements in data quality, and stronger cooperation between regulators and market participants.

2.1 TRENDS IN THE BANK CARBON RISK INDEX

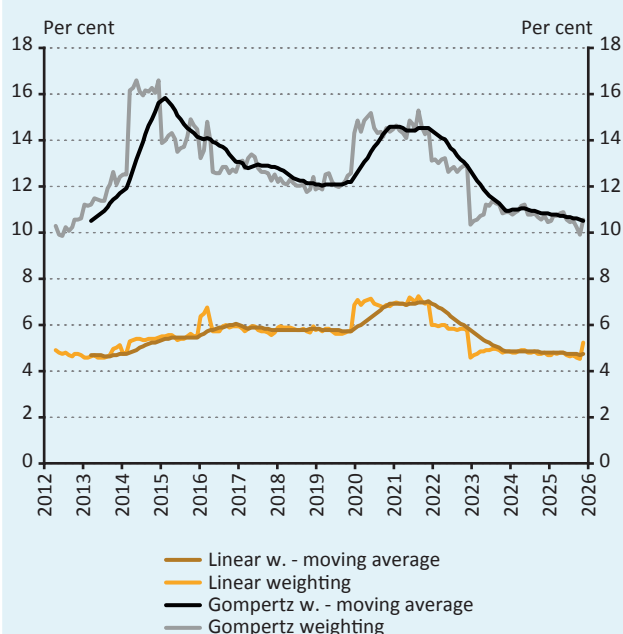
Based on the MNB's Bank Carbon Risk Index, the level of transition climate risks remained unchanged in 2025. The MNB has been publishing the Bank Carbon Risk Index (BCRI), which measures the climate risks of the Hungarian banking system, since 2021. The indicator captures the transition climate risks of domestic corporate loan exposures through two functions. According to the linear function, the higher the GHG emission intensity of the financed activity, the greater its riskiness. It can be assumed that the level of GHG emission intensity influences the extent to which the exposure will be affected by future climate change mitigation regulations. Increasingly stringent regulatory measures may also affect debtors' repayment capacity. Contrary to this, the Gompertz function considers the risks

from GHG intensity as negligible up to a certain threshold, and then, after a rapid rise, considers activities with a high GHG intensity as equally risky.

The value of the index is significantly influenced by annual changes in GHG emission intensity levels. Eurostat updates the GHG intensity (GHG emissions per 1 EUR value added, in grams) for each sector, on an annual basis. The MNB takes sectoral GHG emission intensity into account using values adjusted by the individual emission levels of companies participating in the EU Emissions Trading System. The value of the index is impacted by the new annual values published by Eurostat, any possible retrospective revisions of the previous values, and the annual updates of the individual GHG emitters' data. Since the GHG intensity values are published 2.5 years later, the new values published change not only the most recent values, but also affect subsequent values starting from

the reference year of the new data.⁴⁹ The most significant change in the latest available Eurostat data for 2023 is related to the energy sector (D). The value added generated by the sector increased substantially, while the sector's emissions declined moderately, with both developments contributing to a reduction in the sector's GHG emission intensity. Given that the energy sector had previously been one of the sectors contributing most significantly to the value of the BCRI, this change had a particularly strong impact on the index's earlier values. The value of the BCRI was also affected by the review of debtors' sectoral classifications. As a result, the value of exposures increased most significantly in the agriculture sector, while exposures to the energy sector and the food manufacturing sector declined over the time series.

Chart 2.1
The banking system's monthly BCRI and annual retrospective moving average

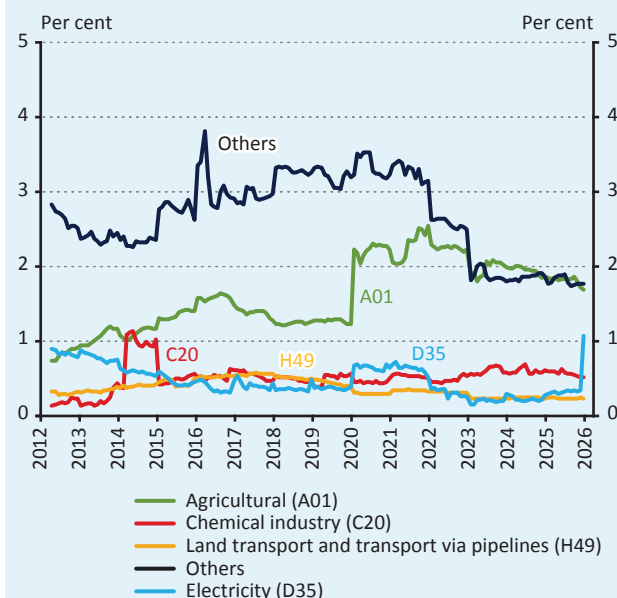


Source: MNB.

Based on the more rigorous approach of the BCRI, at the end of 2025, 10.6 per cent of the domestic corporate loans were considered risky. Following a moderate increase in 2023, the index remained unchanged in both 2024 and 2025 based on the Gompertz function (considered the more stringent specification) (Chart 2.1). At the end of 2025, the index indicated an exposure value of 10.6 per cent – similar to the end-2024 level calculated on the basis of updated GHG intensity data – suggesting that banks' climate risk exposure remained broadly unchanged compared to the previous year.

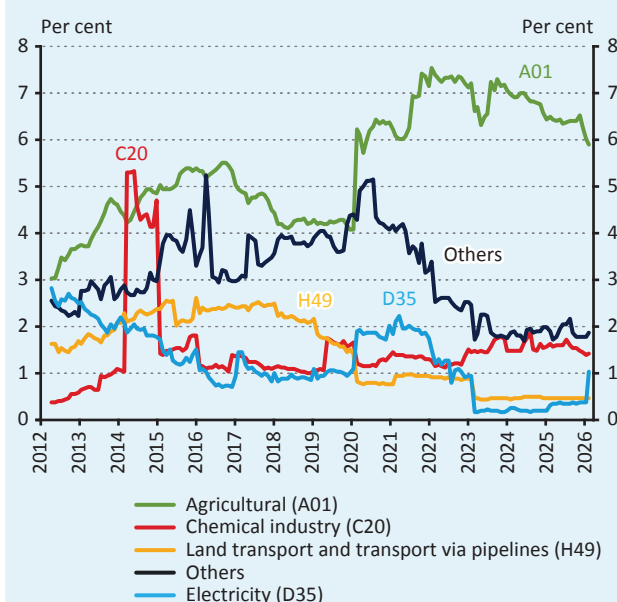
Exposures to the agriculture sector and the chemical industry contributed most significantly to the value of the BCRI. Despite the decline in GHG emission intensity data mentioned above, the contribution of the energy sector increased by the end of 2025 (Charts 2.2 and 2.3).

Chart 2.2
Monthly sectoral BCRI (Linear weighting)



Source: MNB.

Chart 2.3
Monthly sectoral BCRI (Gompertz weighting)



Source: MNB.

⁴⁹ In preparing the 2025 report, the BCRI used the 2022 GHG intensity values for 2022 and all later dates. In the preparation of the 2026 report, the BCRI was calculated using 2023 GHG emission intensity values, which affected the values for 2023 and subsequent reference periods. Due to the updating of the GHG intensity data, the BCRI calculated for 2023–2024 was reduced, compared to the previously published values.

2.2 CLIMATE RISK MATRIX – A SNAPSHOT OF THE HUNGARIAN BANKING SYSTEM

Based on the Climate Risk Matrix, banks' climate exposures also remained broadly unchanged. The Climate Risk Matrix quantifies the transition climate exposure of domestic corporate loans extended by banks, as well as the corporate equities and bonds held by them, using two different methodologies. The first methodology is the classification of the sectors affected by the climate change regulations (hereafter referred to as the "CPRS"),⁵⁰ which determines the riskiness of the debtor based on its principal activity. The sectors considered to be high-risk were identified by Stefano Battiston and co-authors.⁵¹ Of the nine defined groups, the first six are considered sectors that are more sensitive to the tightening of climate change-related regulations (CPRS 1–6 exposures). Examples of stricter regulation include the introduction of higher and more broadly applied carbon taxes than currently in place, as well as measures prohibiting the use of fossil fuels. The following sectors fall into this category: (1) fossil fuels, (2) utilities/electricity, (3) energy intensive, (4) buildings, (5) transportation, (6) agriculture. The second analytical tool, similarly to the BCRI, categorises exposures based on the GHG emission intensity associated with the main economic activity. This methodology classifies exposures into one of the following six GHG groups, based on the GHG intensity value: (i) very low, (ii) low, (iii) medium, (iv) medium/high, (v) high and (vi) very high. Activities classified within GHG groups (iv)–(vi) can be considered the most vulnerable from a climate exposure perspective (GHG exposures). Both methodologies treat green exposures⁵² as risk-free in terms of climate transition risks.

54 per cent of the analysed assets⁵³ can be considered exposed to climate change regulations. Furthermore, 46 per cent of the exposures are financing high-GHG-intensive activities. The buildings CPRS sector received the largest share of non-green financing (HUF 3,565 billion). The second largest non-green exposure (HUF 2,388 billion) is attached

to the transport sector. Financing energy-intensive activities (HUF 1,197 billion) and agriculture (HUF 1,090 billion) is also a significant item on the banks' balance sheets.⁵⁴ Examining the GHG groups, the largest non-green exposure belongs to the group with very low GHG emissions (HUF 4,296 billion), followed by the high-emission (HUF 4,163 billion), medium-emission (HUF 3,030 billion) and moderately high-emission (HUF 2,617 billion) groups. The volume of exposures associated with very high GHG emissions was negligible, amounting to HUF 311 billion in banks' portfolios.

33.3 per cent of the banking system falls into the second riskiest quarter of the Climate Risk Matrix, the upper-middle quarter. Based on the results of the two methodologies, each institution can be classified into one of the five climate exposure categories: (i) upper quarter, (ii) upper-middle quarter, (iii) lower-middle quarter, (iv) lower quarter or (v) the grey zone (Chart 2.4). Institutions in the upper quarter are considered the most vulnerable to climate risk, while the lower quarter is the least exposed. Institutions within the grey zone are identified as risky by one analytical tool, while the other classifies them as less risky. Although no significant changes were observed in the stock of climate exposures at the aggregate level, reclassifications between risk categories took place at the institutional level. The upper quarter was still empty at the end of 2024; however, one small institution can now be classified into this category. A more significant reallocation took place between the upper-middle and lower-middle quarter groups. The share of the former decreased from 58.6 per cent to 33.3 per cent, while the latter increased from 28.9 per cent to 53 per cent, indicating a reduction in the risk profile of certain institutions. As shown in the chart, several institutions are clustered around the boundary between the two aforementioned categories; consequently, even minor changes in portfolio composition may alter the classification of the credit institutions located in this range. The grey zone increased from 7 per cent to 8 per cent, while the lower quarter, considered the least risky category, continued to account for 5 per cent.

⁵⁰ Climate Policy Relevant Sectors

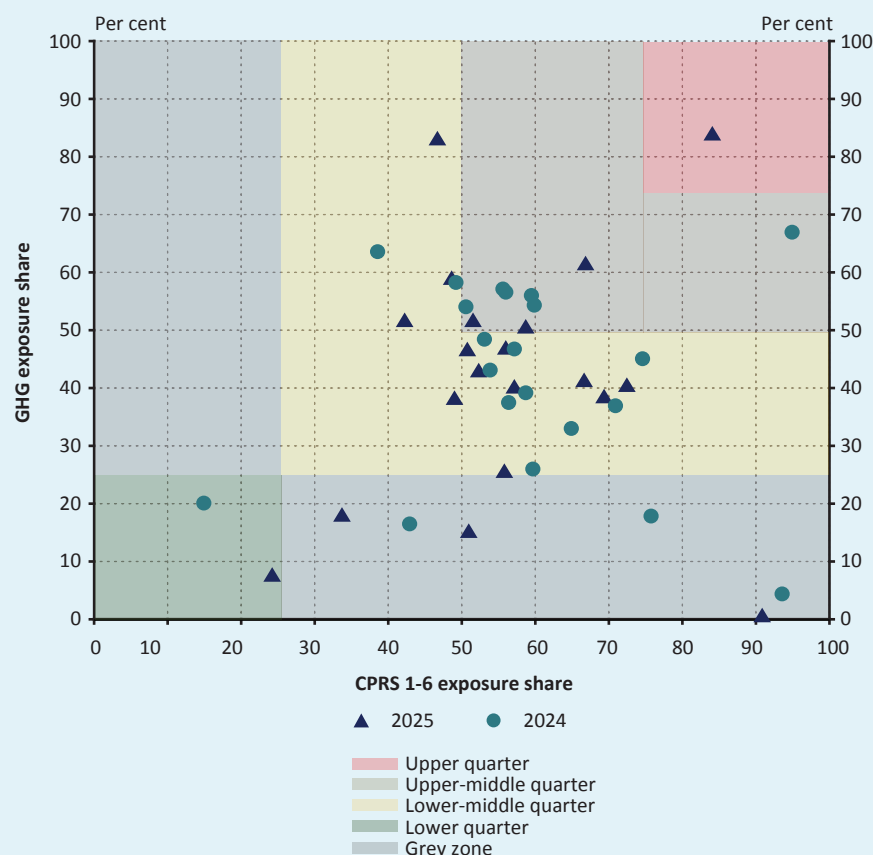
⁵¹ The CPRS classifications and the methodology used to define CPRS sectors are available [here](#).

⁵² Information on the definition of green exposures and developments in their stock is provided in the MNB's quarterly [Green Finance Data Publication](#).

⁵³ The analysed assets include loans extended by credit institutions to domestic non-financial corporations, as well as bonds and equities issued by domestic non-financial entities and held by credit institutions.

⁵⁴ For the exposure values for each sector, the MNB's [Green Finance Data Publication](#) contains further information.

Chart 2.4
Climate Risk Matrix of the Hungarian banking system



Source: MNB.

2.3 SHORT-TERM CLIMATE STRESS TEST

The MNB's 2025 short-term Climate Stress Test assesses the resilience of the banking sector under a transition risk-focused scenario. The exercise aims to measure transition risks and identify, among the eight participating large and medium-sized banks, those that are more sensitive to this type of risk. According to the scenario narrative, Hungary is hit by a significant increase in carbon prices, which, on the one hand, raises the probability of default among companies with substantial greenhouse gas emissions and, on the other hand, increases both the probability of default and the loss-given-default rate for household sector mortgage loans collateralised by less energy-efficient properties. In this stress scenario, by the end of the 2-year horizon, GDP levels are 4 per cent lower and household incomes 9 per cent lower than in the baseline scenario. Under the climate stress scenario, inflation is more than 7 percentage points higher after one year.

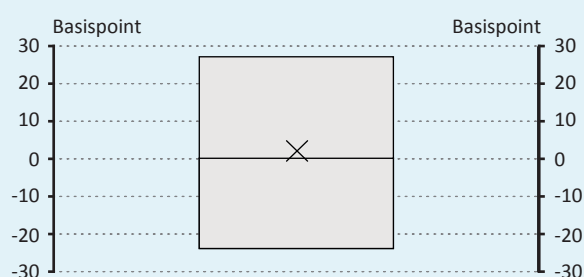
The impact of the stress scenario on the Hungarian economy was similar in magnitude to that observed in previous exercises. In this stress scenario, the probability of default (PD) values for companies are consistently

higher than in the baseline scenario, for example, in the second year, they are 1.6 percentage points higher than in the baseline scenario. This increase in the probability of default is distributed across sectors in proportion to their GHG emissions. Accordingly, in relatively more polluting sectors – such as the energy and utilities sectors – corporate probabilities of default are 5 and 3 percentage points higher, respectively, in the second year compared to the baseline scenario. An exception is made for green loans and loans to green companies identified on the basis of granular loan- and client-level information, which face a smaller increase in probabilities of default. Relatively less polluting sectors – such as financial services, trade, professional activities and hospitality services – are among the less affected sectors according to the exercise.

This year, for the first time, the MNB also assessed the credit risk of household sector mortgage loan portfolios using a climate risk-specific methodology. In line with the narrative of the carbon pricing scenario, (1) the value of more energy-intensive collateral declines relative to properties with better energy performance, while (2) borrowers' loan repayment capacity also deteriorates due to higher household expenditures. As a result, mortgage

loans collateralised by less energy-efficient properties exhibit higher loss-given-default rates and probabilities of default compared to mortgage loans backed by energy-efficient properties. The methodology calibrates the magnitude of the credit loss impact on the overall mortgage loan portfolio – that is, the change in the risk profile of mortgage loans with average energy efficiency – in line with the macroeconomic path. Collateral with the lowest energy efficiency rating, “I”, is around 70 basis points more likely to fall into delinquency than collateral with an “A” or better rating, considered the most energy-efficient category. By their nature, loss-given-default rates depend heavily on the collateralisation of the loan; however, according to the methodology, energy intensity also has a substantial impact on these values.

Chart 2.5
Impact of sectoral differences and variations in mortgage collateral on credit institutions’ Common Equity Tier 1 capital ratio



Note: The ranges show the minimum and maximum values, while X shows the median value for the given institution.

Source: MNB.

The results of this year’s stress test again suggest that transition risks are not dramatically concentrated in the balance sheet of any individual credit institution. At the bank level, the effects observed for corporate portfolios yielded results similar to last year’s analysis, as the sectoral composition of banks’ portfolios has not changed significantly over the past year. For the bank with the corporate loan portfolio most exposed to changes in energy prices, the average probability of default of its loans increases by 14 basis points due to the higher share of clients operating in energy-intensive industries. Similarly to last year, banks are subject to an additional impairment-increasing effect stemming from the fact that loans to large corporations operating predominantly in carbon-intensive sectors typically have below-average collateral coverage. For banks with household loan portfolios most exposed to changes in energy prices, impairment losses on mortgage loans increase by more than HUF 5 billion due to the fact that their clients hold less energy-efficient

property collateral than average, combined with lower collateralisation levels. Overall – taking household and corporate portfolios together – the fact that its debtors are more exposed to climate risks than average reduces the Common Equity Tier 1 capital (CET1) ratio of the bank with the most exposed loan portfolio by around 20 basis points by the end of the second year of the scenario (Chart 2.5).

The impact of transition risks on the banking system is tangible, yet remains manageable in magnitude.

Despite the stress effects, all institutions in the banking system remained stable over the examined time horizon. Accurate assessment of climate risks by banks is, however, essential for maintaining the long-term resilience of the Hungarian financial system. To support this objective, the MNB will continue this year to assess credit institutions’ climate stress tests as part of the review of the Internal Capital Adequacy Assessment Process (ICAAP). This is also necessary because, in addition to (Green) Recommendation No. 2/2026 (III.6.) of the MNB, the Credit Institutions Act, effective from January 2026, also requires banks to identify, measure and manage ESG risks over the short, medium and long term (Section 108/A(1)), and to test, within a given time horizon, their resilience to the long-term adverse impacts of ESG factors under both baseline and adverse scenarios, initially focusing on climate-related factors (Section 108/A(3)).

2.4 MNB SURVEY TO IDENTIFY INSURANCE PROTECTION GAPS

Insurance protection gap is a current topic with regard to the long-term profitability and efficiency of the insurance sector. Natural disasters in particular have drawn attention to the fact that large disparities between incurred economic losses and insured losses may have significant economic and social consequences. To gain a deeper understanding of these risks, in 2025 the MNB conducted a comprehensive survey among insurers, collecting information from 22 insurance companies subject to the Solvency II Directive through questionnaires on their experience with protection gaps.

The insurers surveyed consider the risk to be mainly relevant in the context of climate change, and in recent years they have placed increasing emphasis on identifying and managing risks arising from natural catastrophes. Several insurers conduct internal analyses of potential protection gaps, which are primarily related to the intensifying impacts of climate change, demographic changes and shifts in client needs. Sustainability considerations are reflected in strategies, risk assessment methodologies and, in some cases, product development as well.

As a result of climate change, the intensity and frequency of risks such as storms, hailstorms and droughts are increasing, while new risks have also emerged, including damages related to heatwaves, flash floods and air pollution. These developments, besides their direct impacts on risks, raise sustainability issues for insurers, as in the future certain risks may become more difficult to insure on a market basis, or only insurable subject to significant exclusions and limitations (for example, the application of territorial restrictions in areas with a higher probability of natural catastrophes). The availability of adequate reinsurance plays a key role in risk underwriting.

Insurers' responses also indicated that coverage for relevant natural catastrophe risks is currently available for the major product groups (home insurance, casco insurance and corporate property insurance). According to insurers, various economic, social and environmental factors may

lead to the emergence of insurance protection gaps, with clients' limited ability to pay and low levels of risk awareness cited as examples.

According to the survey published by EIOPA in December 2025, **Hungary is classified as a low- to medium-risk country in terms of protection gaps related⁵⁵ to natural catastrophes.** At present, a broad range of property insurance products covers natural perils, alongside relatively high penetration levels. With regard to the main perils affected by climate change, EIOPA identified a medium protection gap in Hungary for floods, while the protection gap related to storms was assessed as low.

Overall, the adaptation trends of the insurance market already reflect sustainability challenges; however, risk-sharing which is sustainable in the long term may require further innovation, promotion of awareness and enhanced regulatory cooperation.

Box 4

National financial supervisory authorities and the ESMA assessed investment fund managers' sustainable financing practices as part of a common supervisory action

In June 2025, the ESMA published its report on the Common Supervisory Action (CSA) conducted in the investment fund management sector during 2023–2024, which focused on sustainability risks. The objective of the CSA was to achieve greater supervisory convergence in the areas of sustainability risk integration and sustainability-related disclosures by enabling national supervisory authorities across the EU/EEA to conduct coordinated reviews addressing risks arising from inaccurate and misleading information, non-compliance with the disclosure templates set out in the regulatory technical standards supplementing the SFDR, as well as all other cases where the risk of greenwashing may arise at either the entity or product level. Based on the CSA methodology, supervisory authorities examined a minimum share of the market, with the sample primarily comprising investment fund managers with a household investor base and/or managing funds with ESG characteristics or sustainable investment objectives.

In its strategy, the ESMA places particular emphasis on ESG disclosures and the risk of greenwashing. The national supervisory authorities participating in the exercise decided to launch the CSA on sustainability risks and disclosures in light of the fact that, since 2023, the ESMA has been examining ESG disclosures and greenwashing under an EU strategic supervisory priority. The exercise focused on compliance with the applicable rules and on market practices, while also gathering additional information on the risk of greenwashing in the investment fund management sector and assessing the need for further supervisory and regulatory instruments.

There is still room for improvement in terms of compliance with sustainable-finance-related expectations. Although the results of the CSA report⁵⁶ (the "Report") showed that the majority of NCAs considered the overall level of regulatory compliance to be satisfactory, investment fund managers still have room for improvement with regard to the integration of sustainability risks and related disclosures. The Report also presented a number of good and inadequate practices identified by the NCAs during the CSA. According to the Report, the identified deficiencies were remedied by investment fund managers following supervisory feedback. Among the most common shortcomings were disclosures and references formulated in overly general and insufficiently specific terms. Disclosures must

⁵⁵ [EIOPA Insurance Protection Gap for natural catastrophes](#)

⁵⁶ [ESMA finds improvements needed in supervision of sustainability risks and disclosures](#)

therefore not be vague or overly general, and should use clear language that is understandable for investors. One example of good practice identified in the Report was the application of exclusion policies in the risk management of funds by investment fund managers in order to reduce sustainability risks (e.g. exposures to fossil fuels).

The measurement and management of sustainability risks are typically based on ESG data and ratings. Most NCAs confirmed that sustainability risks have been integrated into investment fund managers' decision-making processes and organisational requirements. Sustainability risks are taken into account during the investment process through the use of various tools. According to the survey, several investment fund managers have developed their own sustainability assessment frameworks for investment management, typically applying internal scores and ratings based on ESG data. According to the CSA, larger investment fund managers operate their own monitoring systems to implement ESG integration, while smaller investment fund managers often rely on the methodologies of third parties, such as index providers.

The ESMA made two important observations in its Report. According to the ESMA, the CSA helped NCAs identify potential cases of regulatory non-compliance. On the other hand, alongside the regulatory framework, investment fund managers and NCAs increasingly build on market experience and possess growing expertise in the integration of sustainability risks and related disclosures.

3 Green financing: opportunities and challenges

In international comparison, 2025 clearly proved to be a challenging year for green financial markets. Rising geopolitical tensions led to a reallocation of capital, while delays in the entry into force of EU sustainability regulations also prompted investors to adopt a more cautious stance. Overall, this resulted in a global decline in assets managed under sustainable investment strategies. However, geopolitical developments may represent not only risks but also opportunities, for example, by reducing energy dependence through the financing of energy efficiency and renewable energy generation investments. The development of the green financing environment therefore remains a key priority.

Domestic green lending – supported by the MNB’s Green Preferential Capital Requirement Programme introduced five years ago – continues to expand dynamically. In addition, assets managed by ESG investment funds also increased markedly. A more subdued picture is seen in the green bond market, where, although the volume of green mortgage bonds increased, no new corporate issuances took place. At the same time, the stock of green government securities increased by approximately HUF 500 billion. The expansion of the Green Preferential Capital Requirement Programme and the further development of the Green Financial Product Finder platform may support the wider uptake of green financial products.

In addition to a range of initiatives aimed at developing green financing, the Hungarian central bank provides further incentives by recognising institutions that are at the forefront of promoting green financing and thereby supporting the transition to a green economy. Accordingly, at the 2025 Green Finance Conference, the Green Bank Award was granted to Erste Bank Zrt., the Green Insurance and Pension Fund Award to K&H Biztosító Zrt., and the Green Investment Fund Manager Award to Amundi Befektetési Alapkezelő Zrt.

3.1. TRENDS IN GREEN LENDING

3.1.1 The Green Preferential Capital Requirements Programme has been renewed

The MNB has extended the Green Preferential Capital Requirement Programme (hereinafter referred to as the “GPCRP”) by one additional year. The initiative supporting green loan purposes aims to reduce transition risks in the credit institution sector by increasing the share of green exposures in banks’ balance sheets. The more beneficial financing environment created by the GPCRP supports the green transition of companies and municipalities alike. In addition, by supporting the financing of energy-efficient and energy-renovated residential properties, the programme also contributes to reducing household-related emissions. Following the 1-year extension of the GPCRP, transactions concluded by 31 December 2027 may be included in the programme.⁵⁷

The extension of the GPCRP remains justified from a prudential perspective. The MNB decided to renew the programme based on two major aspects. One of the factors examined was the observed difference in risk between green loans and other types of loans. It is observed in both the corporate and household segments that green loan exposures are associated with a lower probability of default than their non-green counterparts, which provides a rationale for the preferential treatment of green exposures (empirical evidence on this is presented in Section 2.3). Another important aspect was the assessment of the impact of the preferential capital requirement on the capital adequacy of participating institutions. It can be concluded that the capital position of the participating institutions is stable and significantly higher than the level set by the regulatory requirements. Institutions participating in the GPCRP would have a higher capital ratio than the regulatory requirement, even without the preferential rate.

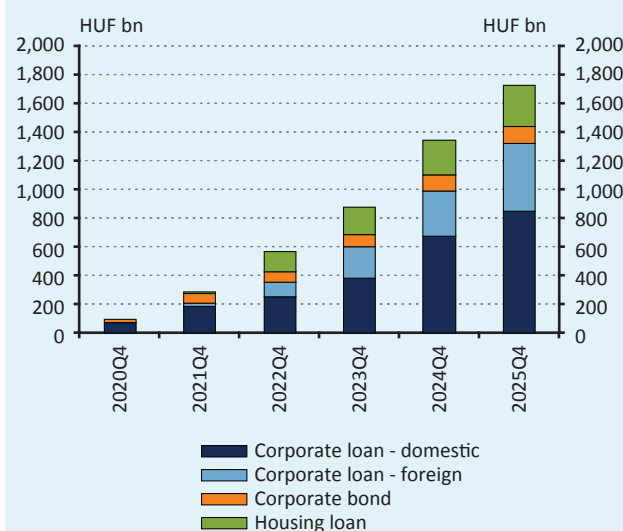
⁵⁷ The information documents and the related information on the GPCRP programme can be found at the [MNB’s Green Finance website](#).

The extension of the GPCR was also justified by the still underdeveloped nature of the green lending market. To examine the incentive potential of the GPCR, the MNB analysed the utilisation rate of the programme by credit institutions. No institution came close to the specified theoretical maximum preferential capital requirement relief, with the highest programme utilisation rate reaching 32 per cent. This suggests that the programme is not saturated, and all banks are motivated to increase their green loan portfolio and add more green loans to the programme. In addition, the share of green exposures remains low in both corporate and municipal lending and in housing loan portfolios (further details are provided in Sections 3.1.2 and 3.1.3).

The total value of green exposures in the GPCR exceeds HUF 1,728 billion.⁵⁸ The total stock included in the programme⁵⁹ continued to expand dynamically in 2025, increasing by 28 per cent (Chart 3.1). Corporate green loans contributed the most to this growth. The largest share of the programme consists of corporate and municipal exposures, within which loan transactions to domestic corporations and local governments account for the bulk (HUF 850.2 billion). In addition, loans to foreign counterparties (HUF 468.72 billion) also represented a significant volume. By the end of 2025, a portfolio of HUF 287 billion had been built up in

the form of green housing loans. The stock of bonds issued by non-financial corporations domiciled in Hungary (HUF 122.42 billion) did not change materially over the past year.

Chart 3.1
Green exposures in the GPCR programme



Note: Loan exposures are shown based on the outstanding principal amount, while bond exposures are shown based on fair market value.
Source: MNB.

Box 5

The MNB Green Preferential Capital Requirement Programme effectively supports environmental objectives without jeopardising financial stability

Banking traditional decision-making dilemma – finding the level of capital required to achieve target profitability – is increasingly being complemented today by a third consideration: the integration of environmental objectives. A 2026 study⁶⁰ examining this so-called green trilemma concluded that a potential solution may lie in the preferential treatment of green loans, i.e. the application of lower capital requirements to sustainable exposures. The green supporting factor, a well-established concept in the literature for promoting green lending, may therefore be an appropriate tool; however, there is currently only one practical example of its application, namely the MNB Green Preferential Capital Requirement Programme (GPCR).

The GPCR contributes to the decarbonisation of the Hungarian economy without jeopardising financial stability.

The eligibility criteria of the GPCR limit the scale of the preferential capital requirement, which may not exceed 1.5 per cent of the total risk exposure amount (TREA) of a credit institution. Moreover, the Pillar 2 capital requirement of the relevant green loan exposures cannot fall below the Pillar 1 capital requirements at portfolio level. The quantitative limits and the time-bound nature of the programme jointly constrain the prudential impact of the GPCR. The activities financed by loans participating in the programme⁶¹ are estimated to contribute to the avoidance of approximately 1 per cent of annual carbon emissions in Hungary. The most significant impact is associated with solar energy generation, which accounts for 90 per cent of the avoided emissions. One-tenth is attributable to energy-efficient residential properties, while savings from electromobility-related loans are an order of magnitude lower.

⁵⁸ More information on the MNB's GPCR programme's figures and other green financial data can be found in the MNB's quarterly [Green Data Publication](#).

⁵⁹ For loan exposures, the data refer to the outstanding principal amount, while for bond exposures they are based on fair market value.

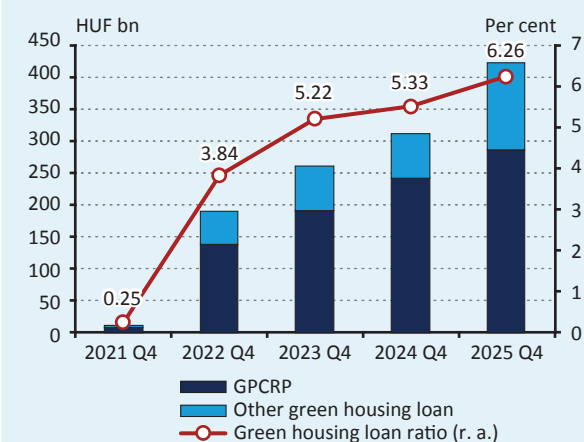
⁶⁰ Bethlendi, András – Holczinger, Norbert (2026): The green trilemma of banks and its potential solution: the green preferential capital requirements. *Journal of Central Banking Theory and Practice* 15(1). pp. 201-222.

⁶¹ The reference date of the study is 30.06.2024.

3.1.2 Green Preferential Capital Requirements Programme for Housing Loans

The share of green housing loans in the domestic housing loan market exceeded 6 per cent. By the end of 2025, the outstanding principal stock of green housing loans had reached HUF 424 billion, exceeding the level recorded at the end of the previous year by nearly 36 per cent. Of the total green housing loan stock, green loans participating in the MNB's Green Housing Preferential Capital Requirements Programme (hereinafter referred to as the "Housing GPCR") amounted to HUF 287 billion. Green housing loans outside the Housing GPCR⁶² reached HUF 137 billion, bringing their combined value to 6.26 per cent of the total housing loan market (Chart 3.2). The share of green housing loans increased by 0.73 percentage point compared to the end-previous-year level. The total housing loan market expanded significantly, by almost 20 per cent between end-2024 and end-2025, reaching HUF 6,780 billion.

Chart 3.2
Share of green housing loans over time

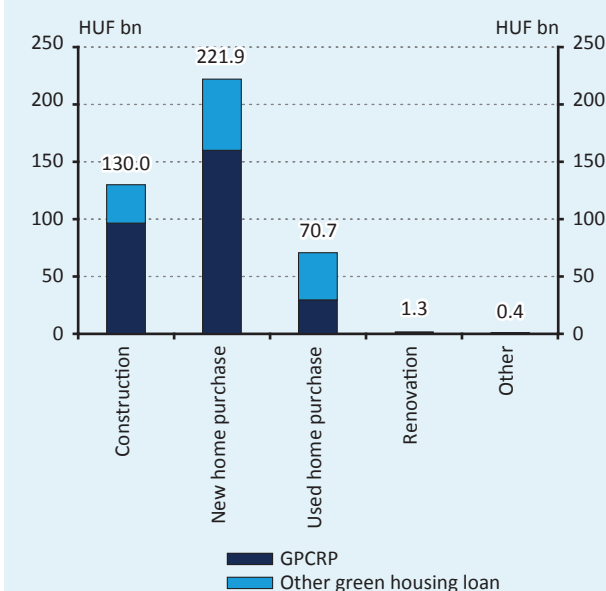


Source: MNB.

The majority of green housing loans financed the purchase of newly built properties. The objective of the Housing GPCR is to accelerate the renewal of Hungary's residential real estate stock. This is supported by the creation of a financing environment that encourages the construction and purchase of modern properties, as well as the renovation of less energy-efficient properties. A significant share of transactions under the Housing GPCR supported the purchase of newly built homes (HUF 159.9 billion), while construction loans (HUF 96.7 billion) also

represented a dominant component of the programme. Loans financing renovation projects continue to account for only a small share of the programme (HUF 1.3 billion). By contrast, accelerating the pace of residential building renovations will be essential for achieving domestic climate targets. With this objective in mind, during the 2025 review of the Housing GPCR, the MNB amended the programme's eligibility criteria to allow renovations implemented under the Energy Efficiency Obligation Scheme (EEOS) to also benefit from the preferential capital requirement, thereby encouraging the financing of renovations through lending. Other green housing loans outside the Housing GPCR were also primarily directed towards the purchase of newly built properties (HUF 61.9 billion) (Chart 3.3).

Chart 3.3
Distribution of green housing loans by type of property financing



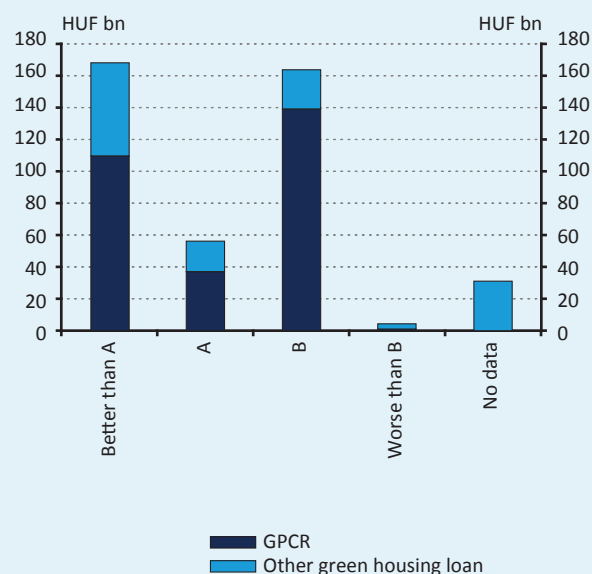
Source: MNB.

Nearly 40 per cent of green housing loans were used to finance properties with the highest energy efficiency rating. Most properties financed by loans included in the Housing GPCR had an energy performance rating of "B"⁶³ (HUF 139.4 billion), while the second-largest stock was linked to properties with energy performance ratings above "A" (HUF 109.8 billion) (Chart 3.4). Looking at the total green stock, a significant share of the loans – nearly 40 per cent – financed properties with energy performance ratings above "A". Green loans associated with properties rated below "B" are typically renovation loans; however, their value remains negligible (HUF 4.5 billion).

⁶² Other green housing loans include all exposures that are not part of the Housing GPCR but are either Green Home Programme-related transactions, EU Taxonomy-aligned transactions, or Green Certified Consumer-Friendly Housing Loans, or any combination of these categories.

⁶³ The best rating is "A+++" and the worst rating is "I".

Chart 3.4
Distribution of green housing loans by the energy efficiency rating of the financed properties



Note: A rating more efficient than "A" is understood to be: "A++", "A++" and "A+" ratings according to the ÉKM Regulation, and "AA++" and "AA+" ratings according to the TNM Regulation. "A" rating also includes "AA" rating under the TNM Regulation. "B" rating also includes "BB" rating under the TNM Regulation. Green housing loans financing properties rated below "B" are typically renovation loans.

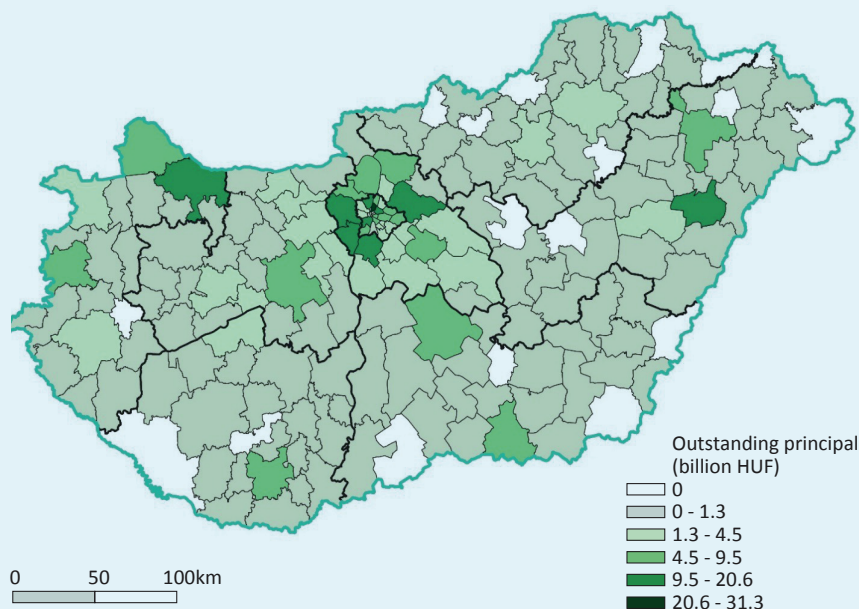
Source: MNB.

Budapest accounted for 35 per cent of green housing loans, followed by Pest County with 27 per cent. Geographically, green housing loans are concentrated in the central part of the country, particularly in the capital, which is explained by a similarly high concentration of newly built properties (Chart 3.5). The largest stock of green loans in Budapest is located in Districts XIII, XI and III. Outside Budapest, the districts of Gödöllő, Érd, Budakeszi, Győr, Debrecen and Szigetszentmiklós received green financing exceeding HUF 10 billion each.

3.1.3 Green corporate and municipal preferential capital requirement

The domestic stock of green corporate and municipal loans increased by 33 per cent between the end of 2024 and the end of 2025. The domestic stock of green corporate and municipal loans consists of two main components. A significant share of the green portfolio consists of transactions participating in the MNB's Green Corporate and Municipal Preferential Capital Requirement Programme (hereinafter referred to as the "Corporate GPCR"), the value of which reached HUF 850.2 billion by the end of 2025. Green loans outside the Corporate GPCR⁶⁴ also represent a significant volume, amounting to HUF 144.7 billion. As a result, the total domestic green corporate and

Chart 3.5
Distribution of green housing loans by district, based on the outstanding principal amount, at the end of 2025



Source: MNB.

⁶⁴ Other green exposures include all exposures that are not part of the Corporate GPCR but are either transactions subject to the infrastructure supporting factor, EU Taxonomy-aligned transactions, Baross Gábor green loans, or any combination of these categories.

municipal loan stock exceeded HUF 994 billion by the end of 2025, representing a 33-per-cent increase compared to the end-2024 level. The largest share of the green portfolio (47 per cent) continued to consist of transactions included in the Corporate GPCR financing renewable energy generation, within which solar energy generation predominated (amounting to HUF 468.3 billion). In second place (28.2 per cent) were also transactions within the Corporate GPCR financing sustainable real estate (amounting to HUF 280.2 billion). The third largest segment of the stock of green loans (14.5 per cent) consisted of other green loans outside the Corporate GPCR (amounting to HUF 144.7 billion). This stock mainly comprised transactions eligible for the infrastructure supporting factor (HUF 54.1 billion), as well as green loan transactions disbursed under the Baross Gábor Reindustrialisation Loan Programme (HUF 30.3 billion) (Chart 3.6).

The share of green corporate and municipal loans reached 7 per cent at the end of 2025. The share of the green portfolio within total outstanding loans increased by more than 1.5 percentage points between end-2024 and end-2025, reaching its highest level to date at 7 per cent (Chart 3.7). Unlike in previous years, the increase in the green loan ratio was not driven solely by exposures included in the Corporate GPCR; the value of other green loans also grew dynamically in 2025. The total corporate and municipal loan stock increased by 3.3 per cent – at a lower rate than the green portfolio – reaching HUF 14,303.6 billion.

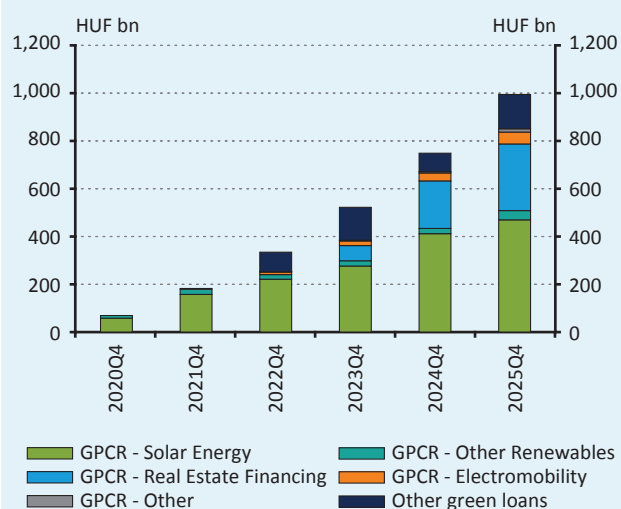
A comprehensive review of the Corporate GPCR was carried out in 2025. The MNB conducted a questionnaire-

based survey among credit institutions to assess practical experience with the Corporate GPCR and also held extensive consultations with professional associations, academic stakeholders and representatives of the corporate sector. As a result of the review, the Corporate GPCR was expanded as of 31 January 2026 with new loan purposes, new types of financing instruments, additional eligible entities, and practical guidance supporting the application of the preferential capital requirement.

The new eligible green loan purposes introduced under the Corporate GPCR respond, on the one hand, to existing market needs and, on the other hand, support product development by credit institutions as well as broader awareness-raising.

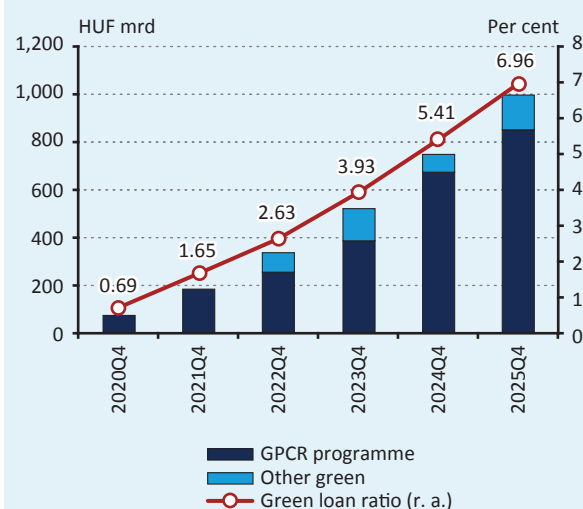
- **Agricultural irrigation development.** Coordinated measures are needed to address drought risk, which together ensure sustainable agricultural practices. Access to the preferential capital requirement is subject to strict eligibility criteria: water abstraction must not exacerbate existing water management challenges, farmers must implement active water retention measures, and interdependencies must be assessed through risk and vulnerability analyses.
- **Rail passenger and freight transport, and (sub)urban rail transport.** The decarbonisation of the transport sector requires the development of rail-based transport, covering both the procurement of rolling stock and the development of the infrastructure required for its operation.

Chart 3.6
Distribution of domestic green corporate and municipal loans by financing purpose



Source: MNB.

Chart 3.7
Green ratio of the domestic corporate and municipal loan exposures



Source: MNB.

- **Transition to a circular economy.** Circular investments covering the full product life cycle reduce the need for primary raw materials and environmental pressure, which is becoming not only an environmental issue but also an increasingly important matter of supply security (Box 3).
- **Real estate investments contributing to climate adaptation.** Climate adaptation is key to the resilience and long-term value preservation of real estate assets. The Corporate GPCR serves as guidance for meeting the EU Taxonomy adaptation criteria.
- **Extension of existing loan purposes.** To ensure alignment with Common Agricultural Policy calls for proposals, a minimum 10-per-cent energy efficiency improvement target is accepted for energy efficiency investments by agricultural enterprises instead of the generally required 30 per cent. In addition, to ensure full coverage of renewable energy generation, the installation and operation of electric heat pumps, as well as investments in heat and cooling energy production using waste heat, have been explicitly included as eligible purposes under the Corporate GPCR.

The Corporate GPCR was expanded with new types of financing instruments, including sustainability-linked loans and bonds. Sustainability-linked loans and bonds (SLLs and

SLBs) support the transition of the financed company as a whole towards environmentally sustainable operations. Financing terms are linked to the achievement of ambitious, pre-defined performance targets (Box 6).

The programme has also been expanded to include a new eligible counterparty type, allowing the preferential capital requirement to be applied to exposures to energy communities. The purpose of an energy community is to provide community benefits for its members or operating area in the fields of energy production, distribution, supply, storage, consumption aggregation and energy efficiency services. The development of renewable energy communities and renewable heating energy communities in Hungary is still at an early stage; however, the phase-out of net metering is expected to increase their uptake.

The MNB supports the use of the higher, 7 per cent preferential capital requirement through practical guidance. Compliance with, and verification of, the minimum safeguards under the EU Taxonomy Regulation (MSS) and the do no significant harm (DNSH) principle poses a significant challenge for credit institutions. The guidance prepared by the MNB sets out the documentation required to substantiate compliance with the criteria, with the aim of increasing the share of EU Taxonomy-aligned financing.

Box 6

New financing instruments in the Corporate GPCR portfolio: Sustainability-linked loan and bond

In addition to green loans and bonds, preferential capital requirement may now also be granted for sustainability-linked loans (SLLs) and sustainability-linked bonds (SLBs).⁶⁵ In addition to expanding its programme for corporate and municipal loans (Corporate GPCR) by defining new green loan purposes, the MNB has also included in the scope of eligible exposures for preferential capital requirement new types of financing instruments that are already well established in Western Europe but are still at a relatively early stage of development in Hungary.

The purpose of sustainability-linked loans and bonds is to improve the sustainability profile of the borrower or issuer. Sustainability-linked loans and bonds differ from the green loans and bonds – already well established under the Corporate GPCR – in the sense that the latter are used to finance specific environmentally sustainable projects, while SLLs and SLBs allow for general corporate financing while incentivising the borrower or issuer to achieve ambitious, pre-defined sustainability performance targets. Instead of defining the specific use of proceeds, sustainability-linked loans and bonds aim to improve the sustainability profile of the borrower or bond issuer by linking loan or bond terms to performance against pre-defined sustainability targets. Thus, in practice, if a company meets its defined sustainability targets – for example, achieves a reduction in GHG emissions – the financing terms may improve, typically in the form of an interest rate discount.

Sustainability-linked loans and bonds must meet a number of requirements, particularly for the purpose of applying the MNB's preferential capital requirement. For SLL products, the widely accepted principles developed by the Loan Market Association (LMA)⁶⁶ serve as the guiding framework, while for SLB products, the principles

⁶⁵ SLL and SLB are English acronyms for Sustainability-Linked Loan and Sustainability-Linked Bond, respectively.

⁶⁶ [LMA, Sustainability-Linked Loan Principles](#)

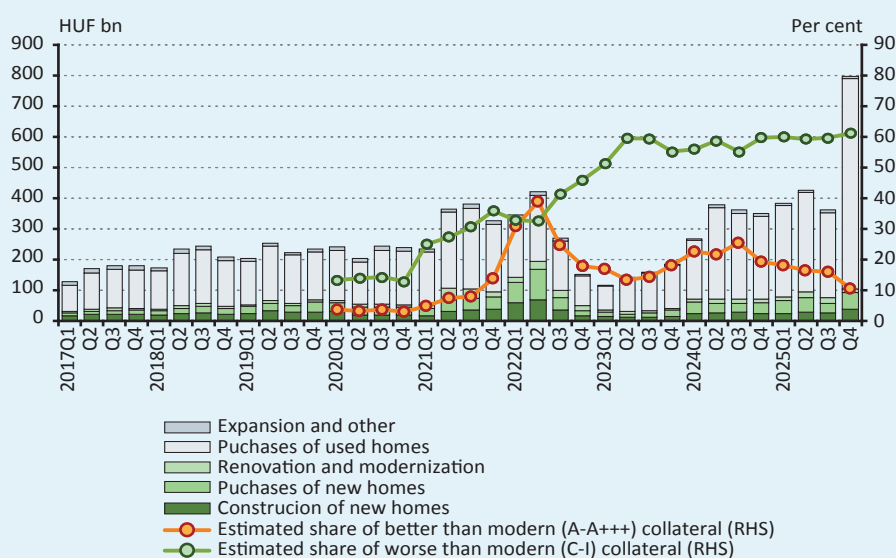
defined by the International Capital Market Association (ICMA) may be taken⁶⁷ into account. Among other requirements, companies are expected to conduct a materiality assessment to support the selection of appropriate key performance indicators (KPIs) and annually defined sustainability performance targets (SPTs), and to obtain an external independent opinion on the KPIs and SPTs themselves, thereby ensuring the relevance and materiality of the indicators and targets set. Given that these instruments are not exclusively focused on environmental objectives, the MNB requires the selection of at least three relevant environmental KPIs to ensure that loan or bond exposures give appropriate priority to environmental factors within the sustainability or ESG framework, in line with the green financing objectives of the Programme. As the funding provided through SLL and SLB instruments is not limited exclusively to green industries – given that the concept is fundamentally intended to support the transition to a low-emission economy – it is important to note that, in order to preserve the primary objective of the Corporate GPCR, namely improving the environmental risk profile of the banking sector, the most polluting companies are excluded from the pool of financed entities based on the EU regulation on Paris-aligned EU benchmarks.⁶⁸

3.1.4 Energy efficiency in the Hungarian property and loan market

Despite the significant expansion in housing loan disbursements, the share of loans granted for energy-efficient new homes declined in 2025. In 2025, the credit institution sector disbursed HUF 1,966 billion in housing loans, representing a 46-per-cent increase compared to the volume of new disbursements in 2024. Growth was observed across all housing purposes, but the strongest annual increase – 52 per cent – was recorded in loans taken out for the purchase of used homes, driven primarily by

the Home Start Programme, which became available from October 2025. Under the Home Start Programme, 17,000 loan contracts were concluded in 2025 at a fixed interest rate of 3 per cent, with a total value of approximately HUF 597 billion. Of this loan volume, 92 per cent was disbursed by credit institutions for the purchase of used homes, while only 8 per cent of the preferential loans was allocated to the purchase and construction of new homes. In 2025, the volume of loans granted for the purchase and construction of new homes amounted to HUF 281 billion, representing a 25-per-cent increase compared to the level observed one year earlier (Chart 3.8).

Chart 3.8
Breakdown of new housing loan disbursements, by loan purpose



Note: Based on the new energy ratings applied from November 2023. The classification meeting nearly zero-energy building requirements corresponds to the “A” category, replacing the previous “BB” rating. Since 2020, no energy efficiency rating has been available for 31 per cent of collateral, a share that declined to 19 per cent in 2025.

Source: MNB.

⁶⁷ ICMA, Sustainability-Linked Bond Principles

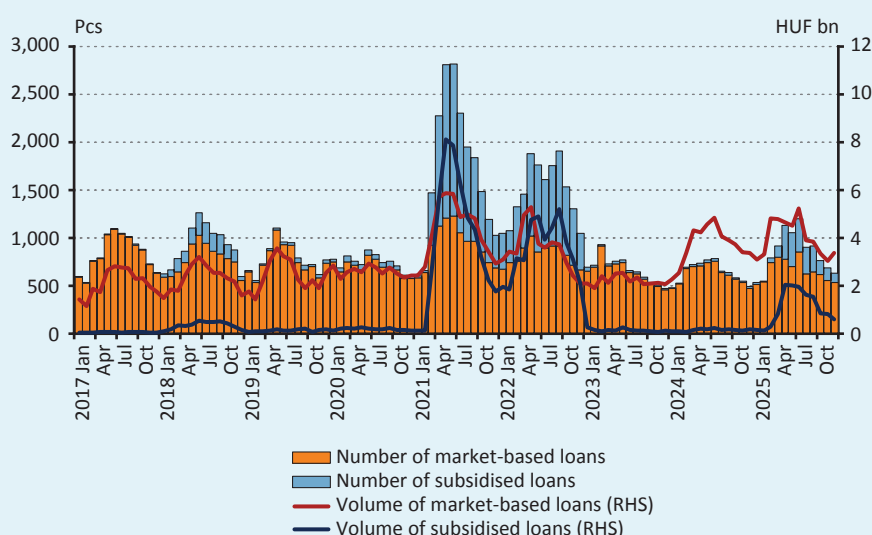
⁶⁸ Article 12 of Regulation (EU) 2019/2089 of the European Parliament and of the Council

However, in terms of the number of transactions, annual growth in the new homes segment amounted to only 5 per cent, indicating that rising contract sizes also contributed to the expansion in housing loan volumes. The average contractual amount of housing loan contracts reached HUF 27.4 million in December 2025, compared to HUF 19.5 million a year earlier. In 2025, the share of loans granted for green properties within housing loans declined compared to the previous year, in line with the decrease in the share of new homes within loan disbursements, while the subdued completion of new homes in recent years also resulted in limited supply. In 2025, less than 20 per cent of housing loans financed the purchase of nearly zero-energy homes, i.e. properties with at least an “A” energy efficiency rating, while the share of less energy-efficient properties (rated “C” or worse) stood at 60 per cent, broadly in line with the levels observed over the past three years. Looking ahead, the sharp increase in building permits in 2025, as well as the supply-side incentives embedded in the Home Start Programme, may contribute to a more favourable shift in these ratios.

In 2025, home renovation programmes provided substantial support for investments aimed at improving the housing stock. Hungary adopted its Long-Term Renovation Strategy in 2021, which provides the basis for achieving a sustainably operated, energy- and cost-

efficient domestic building stock by 2050. The main objective of the strategy is to ensure that by 2050, the share of buildings meeting nearly zero-energy standards reaches 90 per cent. To achieve these long-term targets, energy efficiency modernisation will be required for approximately 2.6 million residential properties.⁶⁹ In 2025, banks concluded around 10,000 loan contracts for housing renovation and modernisation purposes, with a total value of approximately HUF 60 billion. The largest share of the annual disbursed volume was linked to Budapest and Pest County, which together accounted for a 28-per-cent share. In rural areas, the highest volume of housing loans for renovation purposes was applied for in Győr-Moson-Sopron County, followed by Borsod-Abaúj-Zemplén and Bács-Kiskun Counties, while the lowest share of renovation loans was linked to Tolna and Nógrád Counties. Of the contracted volume, 79 per cent consisted of market-rate loans; however, the volume of subsidised loans increased more than eightfold compared to 2024, driven by the home renovation subsidies available from 2025 (nevertheless, it remained materially lower than the levels observed during the ramp-up of the home renovation subsidy available alongside the rural HPS introduced in 2021 and the Green Home Programme) (Chart 3.9). From 1 January 2025, the Rural Home Renovation Programme was launched in settlements with fewer than 5,000 inhabitants, under which a subsidised loan of up to HUF 6 million can be accessed.

Chart 3.9
Volume and number of housing loans taken out for renovation and modernisation



Source: MNB.

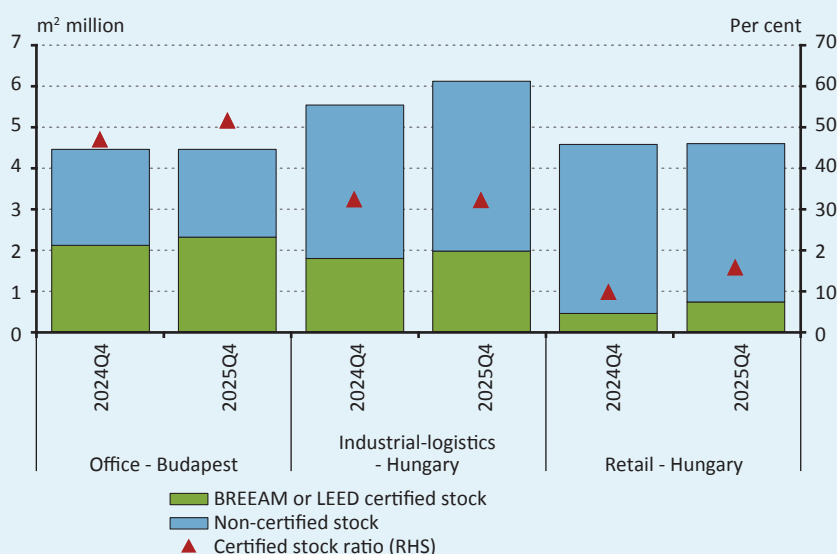
⁶⁹ National Energy and Climate Plan (updated 2024 version)

Although the programme is not tied to investments aimed at improving energy efficiency, the non-repayable grant of up to HUF 3 million may also support such renovation activities. By the end of January 2026, around 45,000 applications had been submitted under the Rural Home Renovation Programme, with a total value of approximately HUF 85.6 billion, implying an average requested amount of HUF 1.9 million per household under the programme. The amount of state support already disbursed exceeded HUF 66 billion. The largest share of applications (10.7 per cent) originated from Szabolcs-Szatmár-Bereg County, followed by Győr-Moson-Sopron and Borsod-Abaúj-Zemplén Counties, with shares of 9.3 per cent and 8.9 per cent, respectively. From 20 January 2025, the Energy Home Renovation Programme became available with simplified participation conditions and interest-free loans, supported by a budget of HUF 73 billion. Under the programme, up to HUF 10 million can be accessed with a 5-per-cent down payment for the energy efficiency modernisation of family houses built before 2007, targeting at least 30 per cent primary energy savings. Within the programme, households submitted around 5,000 applications over one year, with a total value of HUF 32.6 billion; of this amount, HUF 8.5 billion has already been disbursed, while a further HUF 11.5 billion worth of applications received positive approval. Thanks to the home renovation programmes available since July 2024, nearly 55,000 households have been able to modernise or renovate their homes.

In Budapest, the share of modern office buildings with green certification increased by 5 percentage points over

one year, reaching 52 per cent by the end of 2025. Based on BREEAM and LEED environmental certifications of the Budapest office stock – and excluding pre-certifications based on plans prior to implementation as well as certifications not covering entire buildings – 52 per cent of the 2025 year-end office stock (2.3 million square metres of office space) can be considered green (Chart 3.10). Nearly the entire stock of green-certified properties – more than 95 per cent – falls into the higher categories of the respective rating scales (Outstanding, Excellent and Very Good under BREEAM; Platinum and Gold under LEED). Based on developments under construction, approximately 430,000 square metres of new office space (equivalent to nearly 10 per cent of the stock at the end of 2025) will be completed over the next two years, and their completion is expected to further increase the share of green-certified office space in Budapest. At the end of 2025, 32 per cent of the national industrial and logistics stock for rental purposes, amounting to 6.1 million square metres, held one of the two examined green certifications, unchanged from the previous year. This stagnation is explained by the fact that the annual growth of the total stock offset the increase in the stock of certified buildings in determining the overall share. A few years ago, the green certification of buildings in the retail real estate segment was less of a focus; however, progress has also been made in this segment in recent years: At the end of 2025, 16 per cent of the assessed stock had BREEAM or LEED certification, representing an increase of 6 percentage points compared to the previous year.

Chart 3.10
Green-certified commercial real estate stock in Hungary



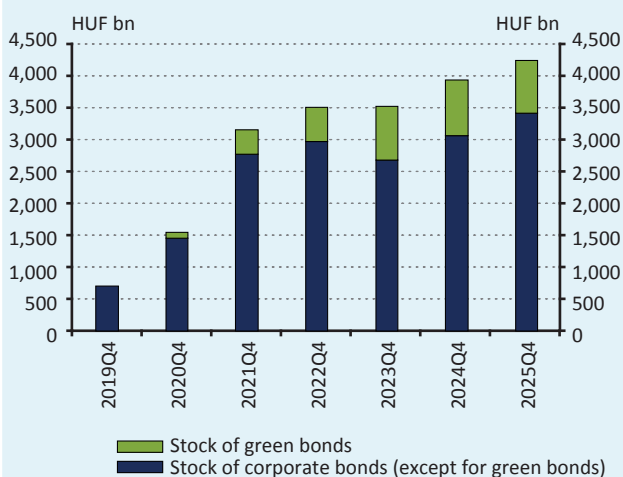
Note: For offices, the analysis is based on Budapest's modern office stock; for industrial and logistics properties, it covers the national stock held for rental purposes; and for retail properties, it includes the national stock comprising retail parks, retail warehouse stores and shopping centres.
Source: CBRE.

3.2. GREEN CAPITAL MARKET

3.2.1 Green corporate bond market

At the end of 2025, more than 19 per cent of the stock of domestic corporate bonds consisted of green bonds. At the end of 2025, the stock of bonds issued by domestic non-financial corporations amounted to HUF 4,229 billion at nominal value, of which more than 19 per cent consisted of green bonds. On 31 December 2025, the stock of traditional bonds amounted to HUF 3,410 billion (Chart 3.11), representing an increase of nearly 12 per cent year on year. The value of the stock of green bonds in HUF terms declined from HUF 882 billion to HUF 819 billion; however, this decrease was mainly attributable to exchange rate movements. *MVM Energy Private Limited Liability Company* issued green bonds worth USD 750 million in 2023; while the outstanding stock remained unchanged, their HUF-denominated value declined by nearly HUF 50 billion since 31 December 2024. In 2025, non-financial corporations did not issue any green bonds; however, a total of 15 conventional corporate bonds were launched on the market.

Chart 3.11
Green and traditional bonds, issued by non-financial companies, at nominal value



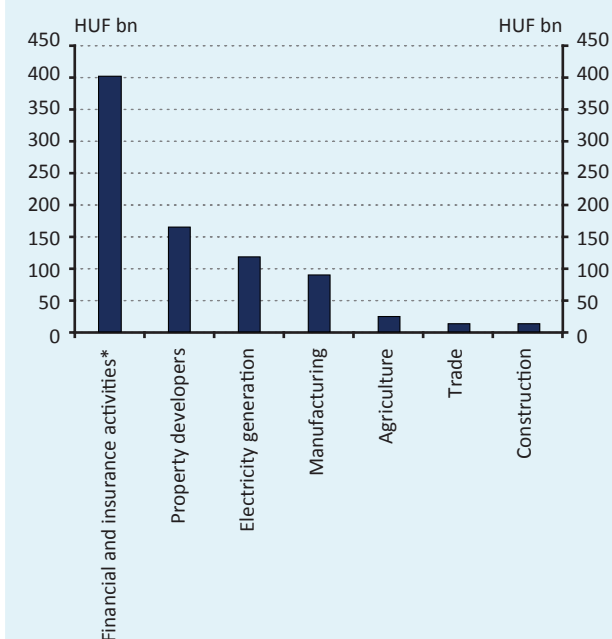
Source: MNB.

The Bond Funding for Growth Scheme (BGS) launched by the Magyar Nemzeti Bank contributed to the spread of green bonds in Hungary. Green bonds are not defined or regulated in a uniform manner internationally; however, all recognised standards require certain structural features, in particular the clear definition of eligible green use of proceeds, the segregation of funds, and regular reporting. Among domestic corporate bond issuances, 26 series obtained the green bond label, of which 22 were issued under the Bank's BGS. The first domestic corporate green

bond is also linked to the programme, namely the 2020 security issued by *CPI Hungary Investments Kft.*, a company operating in the *real estate* sector. Following the conclusion of the BGS, funding was still raised through green bond issuances in both 2023 and 2024. Two companies issued green bonds in foreign currency: *Futureal Development Holding Ingatlanforgalmazó Kft.* raised funds in euros, while the aforementioned *MVM Energy Private Limited Liability Company* raised funds in US dollars. The stock of green bonds increased every year between 2020 and 2024.

Green bond issuers are mainly active in asset management, real estate activities and electricity generation. The largest share of the domestic green bond stock – more than HUF 402 billion – was issued by companies classified under *financial and insurance activities*; however, a significant proportion of these entities are in fact holding companies primarily engaged in electricity generation and real estate activities, such as the aforementioned *MVM Energy Private Limited Liability Company* and *Futureal Development Holding Ingatlanforgalmazó Kft.* With the growing prominence of sustainability objectives, green bonds have increasingly emerged and become more widespread across the financing of various sectors. *Real estate* companies accounted for nearly HUF 165 billion in green bond holdings, companies in the *electricity, gas, steam supply and air conditioning* sector for nearly HUF 117 billion, and *manufacturing* companies for nearly HUF 89 billion in green bond stock at the end of 2025 (Chart 3.12).

Chart 3.12
Green bonds by sector, at nominal value, in 2025 Q4



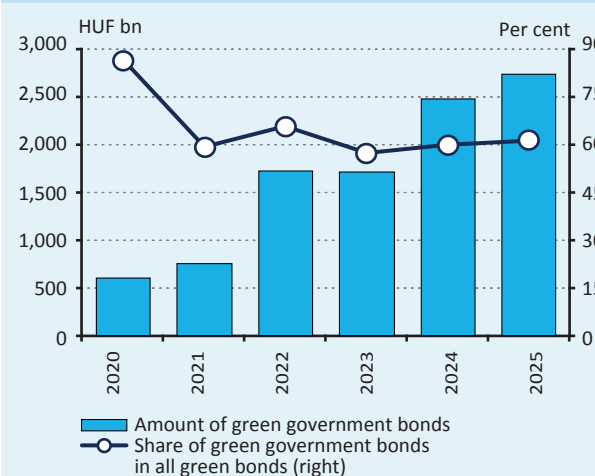
Note: *including asset management holding companies as well.

Source: MNB.

3.2.2 Green government securities

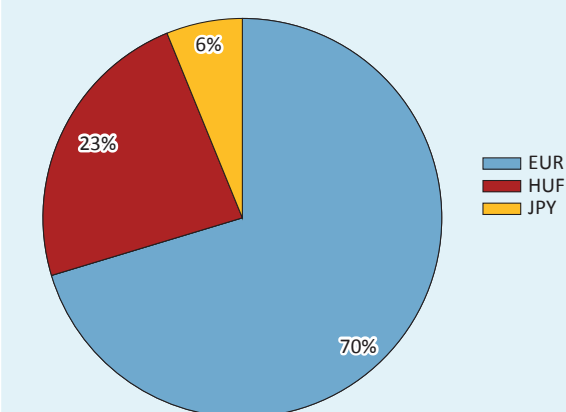
In 2025, the Hungarian State issued approximately HUF 500 billion in green government securities. The majority of this was accounted for by an early-year international foreign-currency bond issuance of EUR 1 billion (HUF 400 billion), through which funding was raised with a 15-year maturity. In addition, the Government Debt Management Agency (GDMA, ÁKK) continued to offer forint-denominated green government securities at regular domestic bond

Chart 3.13
Stock and share of green government securities within the total green bond stock issued by Hungarian entities



Source: ÁKK, MNB.

Chart 3.14
Breakdown by currency of green bond issues by end-2025 (nominal value)



Source: ÁKK, MNB calculations.

auctions throughout the year, in line with previous years. In 2025, the volume of 2032/G bonds increased by HUF 48 billion and that of 2051/G bonds by HUF 68 billion. At the same time, the outstanding stock was reduced by the maturity of a CNY 2 billion (approximately HUF 100 billion) green bond in November 2025. As a result of the above developments, the stock of green government securities – also taking into account the impact of the appreciation of the forint – increased from nearly HUF 2,500 billion at the end of 2024 to above HUF 2,700 billion at the end of 2025. Within the total stock of green bonds issued by Hungarian entities, the share of green government securities has increased moderately since 2023 and remains close to 60 per cent (Chart 3.13). More than three-quarters of green government securities were denominated in foreign currency (Chart 3.14). Within foreign currency issuance, the euro accounted for the largest share, while the Japanese yen represented a smaller proportion; following the maturity of the Chinese yuan-denominated green bond, no further green panda bond issuance took place by the end of 2025. In Hungary, at the end of 2025, the ratio of green government securities in total government securities was 4.9 per cent. In Europe, Ireland (8.2 per cent), Denmark (7.3 per cent), the Netherlands (6.5 per cent) and Austria (5.5 per cent) recorded higher shares.⁷⁰ The ratio of Hungarian green government securities within total government securities is still below the ratio of green bonds issued by domestic non-financial companies within the total corporate bonds issued, which is 19 per cent.

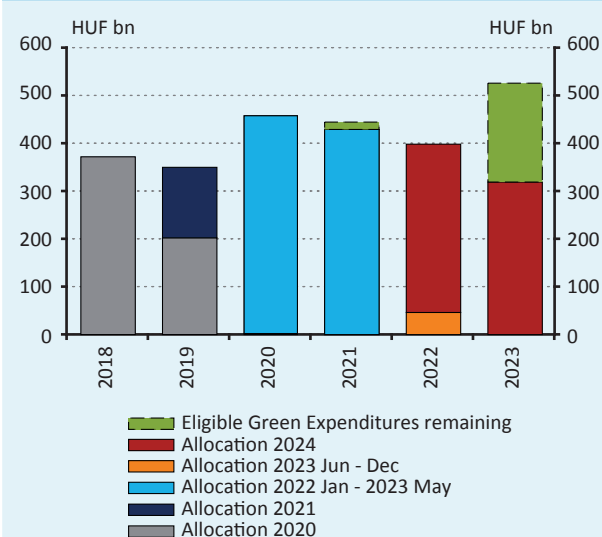
Green government securities issued in the 2024 calendar year financed HUF 673 billion of green expenditures from 2022 and 2023. The 2024 Integrated Report⁷¹ published in December 2025 includes the allocation of HUF 673 billion raised from bond issuances in 2024. This amount may be allocated to Eligible Green Expenditures in line with Hungary's Green Bond Framework,⁷² which was updated in 2023. The ÁKK selected only a narrower set of Framework-compatible Eligible Green Expenditures for allocation purposes that meet stricter criteria; as a result, for example, hybrid vehicles, tram trains, projects focusing on animal genetic conservation, and projects with negligible impact were excluded. Of the proceeds from the 2024 green bond issuances, HUF 353 billion refinanced green expenditures from 2022, while HUF 320 billion refinanced green expenditures from 2023. The proceeds raised through green bond issuances after 2024 may be allocated to the remaining HUF 206 billion of Eligible Green Expenditures selected in 2023 (Chart 3.15).

⁷⁰ Based on Bloomberg data and, for the Hungarian share, calculations using data from the ÁKK

⁷¹ [Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds 2024](#)

⁷² [Green Bond Framework Hungary](#)

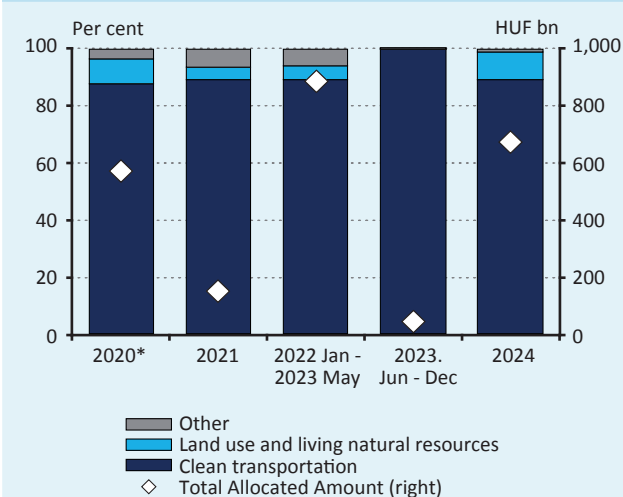
Chart 3.15
Allocation of proceeds from green government bond issuances to selected Eligible Green Expenditures by year of occurrence



Source: ÁKK⁷³; MNB

The ÁKK allocated nearly 90 per cent of the proceeds from 2024 green government security issuances (HUF 601 billion) to state expenditures supporting clean transport (Chart 3.16). Based on the 2024 Integrated Report, similarly

Chart 3.16
Amount and distribution of proceeds from green government security issuances across green categories, by year of issuance



Source: ÁKK⁷⁴; MNB

to previous years, the vast majority of the amount allocated to clean transport (95 per cent, HUF 570 billion) was related to electric rail transportation, including mainly the reimbursement of operating expenses and personnel costs, and to a lesser extent the modernisation and electrification of rail transport. A further HUF 18 billion of the proceeds was allocated to the upgrade of Budapest's M3 metro line, while HUF 12 billion was used for tax exemptions related to environmentally friendly vehicles. The remaining HUF 66 billion from the issuances was allocated to land use and living natural resources, HUF 4.3 billion to pollution prevention and control, HUF 2.5 billion to climate adaptation, and HUF 0.1 billion to sustainable water and wastewater management.

Through the proceeds from green government securities raised in 2024, 913 kilotonnes of carbon dioxide equivalent greenhouse gas emissions were avoided. This corresponds to 1.36 kilotonnes of avoided emissions per billion forints raised from green government securities. The report presents a total of 88 impact indicators across the various green categories. Some additional examples include:

- in 2022, passengers travelled nearly 7 billion kilometres on electrified railway lines, a figure that increased to over 9 billion in 2023;
- the number of passengers on electrified railway lines increased from 125 million to 170 million;
- the length of electrified railway lines increased from 3,221 kilometres to 3,368 kilometres;
- in 2023, 17 kilometres of metro line were upgraded;
- the upgraded metro line is used by 363,000 passengers daily;
- within the Rural Development Programme, the number of beneficiaries of projects supporting sustainable agriculture approached 40,000 between 2022 and 2024;
- in 2022 and 2023, 65 hectares of contaminated land were remediated;
- around 350,000 people in Satu Mare County, Romania, benefit each year from the advantages provided by the hail suppression system implemented with the participation of HungaroMet;
- 9 meteorological stations were built in 2022 in connection with the hail suppression system;
- the area affected by water-saving investments (e.g. more efficient irrigation systems) increased from 19,000 hectares in 2022 to nearly 32,000 hectares in 2023.

⁷³ [Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2021](#); [Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2022](#); [Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2023](#)

⁷⁴ [Green Bond Allocation Report 2020](#)

In addition to the above indicators, the report also presents for the first time the co-benefits and social impacts of selected supported projects. For example, in the case of reimbursing rail transport costs, the report highlights discounted travel fares provided through Country and County Passes, as well as discounts offered to specific social groups such as students and pensioners. Regarding the modernisation of rail transport, it also mentions the development of bike storages and park-and-ride (P+R) car parks at stations, while in the context of the Budapest metro upgrade, 18 out of 20 stations were made wheelchair accessible. An estimate was also prepared of the socio-economic impact of the amounts utilised, according to which the refinanced projects contributed to GDP generation of HUF 502 billion and supported (up to) 36,000 jobs in low-carbon industries.

According to the categorisation used in the report, 91 per cent of expenditures were eligible under the EU Taxonomy,⁷⁵ while 84 per cent were partially aligned⁷⁶ and 6 per cent were aligned⁷⁷ with the EU Taxonomy. The report presents a separate chapter assessing the alignment of expenditures with the EU Taxonomy and its technical screening criteria (“substantial contribution” and “do no significant harm”). All selected projects complied with the “minimum safeguards” criterion. Within the “clean transportation” green category, 100 per cent of refinanced expenditures were EU Taxonomy eligible, 6 per cent (HUF 36 billion) were EU Taxonomy

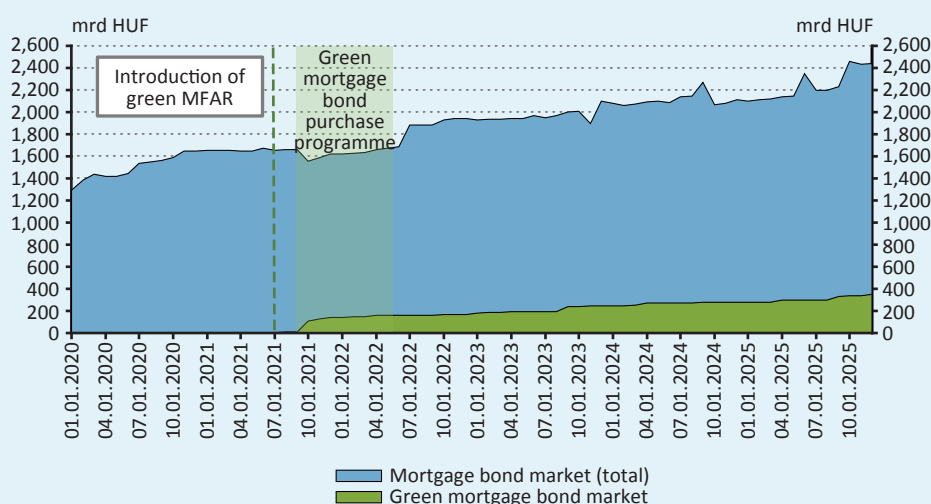
aligned, and 94 per cent (HUF 565 billion) were partially EU Taxonomy aligned. 12 per cent of the amount allocated to the “land use and living natural resources” green category was EU Taxonomy eligible. 90 per cent of expenditures related to the “pollution prevention and control” green category, and 98 per cent of expenditures under the “climate adaptation” green category, were EU Taxonomy eligible. In the latter category, 97 per cent of expenditures were EU Taxonomy aligned.

Based on the external review, the selected green expenditures and the prepared report are in compliance with the 2023 Green Bond Framework. The second party opinion on the 2024 Integrated Report was prepared by Morningstar Sustainalytics, as in the case of the 2023 report.⁷⁸ The assessment concluded that, based on the documentation provided by the issuer, no material information came to their attention that would suggest that the selected Eligible Green Expenditures are not in line with the use-of-proceeds criteria and reporting requirements set out in the 2023 Green Bond Framework. With regard to the latter, it was highlighted that at least one performance indicator (KPI) was disclosed for each of the relevant green categories.

3.2.3 Green mortgage bond market

The market volume of green mortgage bonds continued to increase in the domestic market in 2025. Following the launch of the MNB’s Green Mortgage Bond Purchase

Chart 3.17
Developments in the domestic mortgage bond market (at nominal value)



Source: MNB.

⁷⁵ The economic activity described in the delegated acts does not, or only partially, comply with both the “substantial contribution” and “do no significant harm” criteria.

⁷⁶ The economic activity described in the delegated acts complies with the “substantial contribution” criterion; however, it does not comply or only partially complies with the “do no significant harm” criterion.

⁷⁷ The economic activity described in the delegated acts complies with both the “substantial contribution” and the “do no significant harm” criteria.

⁷⁸ [Government of Hungary Annual Review \(2024\)](#)

Programme, the volume and market share of green mortgage bonds began to increase gradually. At the end of the programme in April 2022, the green ratio was 9.4 per cent (HUF 156.1 billion) of the total mortgage bond market. The size of the green mortgage bond market continued to increase in subsequent years, reaching HUF 341.4 billion at nominal value by the end of 2025, while the share of green mortgage bonds stood at 14 per cent (Chart 3.17).

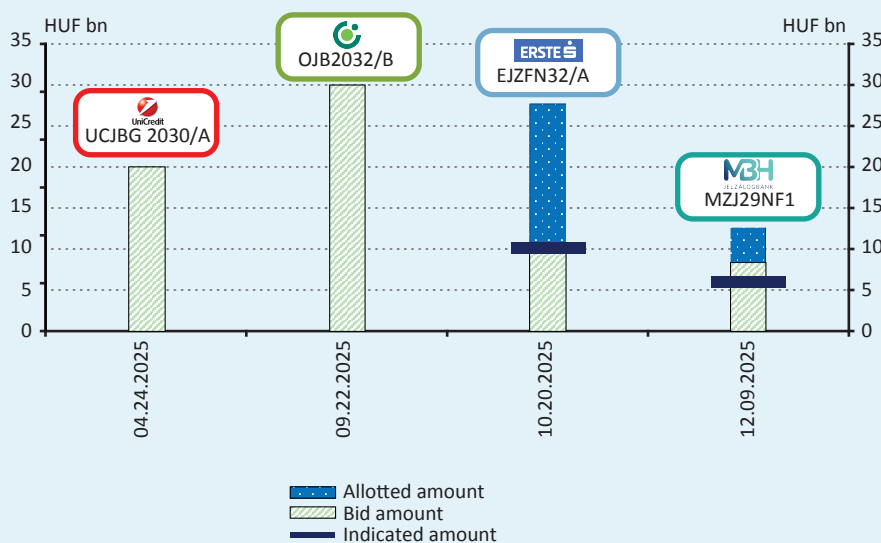
In terms of ownership structure, the vast majority of mortgage bonds are held by domestic institutions. The share of foreign ownership of green mortgage bonds stands at 6 per cent. The low share can partly be explained by the fact that Hungarian green mortgage bonds are exclusively denominated in forints; however, foreign ownership is much more common in the overall domestic mortgage bond market, even for forint-denominated instruments. In the case of green mortgage bonds, domestic credit institutions account for a larger ownership share compared to the overall market, while insurers and pension funds also hold a somewhat higher share.

In 2025, a total of four successful green mortgage bond issuances took place (Chart 3.18). A total of more than HUF 69 billion in nominal value was raised through green security issuances by four Hungarian mortgage banks. UniCredit Mortgage Bank and OTP Mortgage Bank sold green mortgage bonds via subscription, in nominal amounts of HUF 20 billion and HUF 30 billion, respectively, with 5- and 7-year maturities. In October, Erste Mortgage Bank issued 7-year green mortgage bonds via auction at a nominal value of HUF 10.8

billion, amid strong oversubscription, with an average yield of 7.45 per cent. At the end of the year, MBH Mortgage Bank issued a 4-year green security via auction, with a nominal value of HUF 8.4 billion and an average yield of 7.23 per cent. All mortgage bonds comply with the internationally widely accepted Green Bond Principles (GBP) developed by the International Capital Market Association (ICMA).⁷⁹

Mortgage banks disclose impact reports and transparency reports to present the positive environmental impacts of green mortgage bonds. In line with international practice, domestic mortgage banks also report positive environmental impacts in terms of avoided energy consumption and avoided greenhouse gas (GHG) emissions. To calculate these indicators, banks compare the aggregated energy demand of their financed green property portfolios to a reference value (which, according to the Hungarian practice applied in 2025, is either the estimated average energy demand of the entire loan portfolio refinanced by the mortgage bank or the estimated average energy demand of the national building stock), thereby deriving the avoided energy consumption attributable to financed green properties. Two methodologies are used to calculate the avoided GHG emissions in Hungary. According to one methodology, mortgage banks calculate avoided GHG emissions using an emission factor that specifies the carbon dioxide equivalent emissions per unit of energy consumption, which in turn allows the estimation of avoided GHG emissions. According to the second methodology, an individual GHG emission value is assigned to each property in the mortgage bank's portfolio, and the avoided GHG emissions can then be

Chart 3.18
Green mortgage bond issuance in 2025



Source: MNB.

⁷⁹ Green Bond Principles.

calculated by comparing green and non-green properties within the portfolio.⁸⁰ Thus, the impact reports of individual mortgage banks are based on very similar methodological foundations; however, differences still arise in the estimated environmental impacts, which are attributable not only to variations in the estimated energy demand of the financed loan portfolios but also to differences in the benchmark values used. To enhance the comparability and transparency of impact reports, the MNB recommended the use of harmonised benchmark values in a Common Position published with mortgage banks in 2025 (Box 7).

Based on mortgage bank transparency reports, the positive environmental impact of green mortgage bonds corresponded to an annual avoidance of approximately

18,000 tonnes of carbon dioxide emissions. At the time of finalising this report, not all mortgage banks had yet published their impact reports for 2025; therefore, the positive environmental impact of the green mortgage bond market was estimated based on data from quarterly transparency reports.⁸¹ According to previous reports, in 2024 green mortgage loans financed or refinanced through green mortgage bonds may have contributed to the avoidance of a total of 20,400 tonnes of GHG emissions. The decline in the reported positive environmental impact, despite the increase in the stock of green mortgage bonds, was attributable to the fact that some mortgage banks lowered the reference values applied for 2025, i.e. they defined a more energy-efficient property stock as the benchmark for comparison.

Box 7

Publication of a Common Position on green mortgage bond impact reporting

The MNB previously supported the development of the domestic green mortgage bond market through targeted monetary policy instruments. The MNB launched a Green Mortgage Bond Purchase Programme in August 2021, with the aim of promoting the development of a green mortgage loan market in Hungary and supporting the spread of mortgage lending practices that focus on energy efficiency. The MNB has developed the programme as part of its green toolkit strategy, which was announced after the 6 July 2021 decision of the Monetary Council. The strategy paper published by the MNB details how environmental sustainability can be integrated into the MNB's monetary policy toolkit. Further, the MNB's macroprudential toolkit uses the Mortgage Financing Compliance Index as a supply-side incentive (JMM), which will give green mortgage bonds and refinancing loans a preferential weighting from 1 July 2021, thereby encouraging mortgage banks to issue green mortgage bonds. Following the closure of its Green Mortgage Bond Purchase Programme in April 2022, the MNB has remained committed to the development of the domestic green mortgage bond market and continuously explores further opportunities for advancement.

In 2025, the MNB, in cooperation with the Hungarian Banking Association, published a Common Position on green mortgage bond impact reporting. Impact reports regularly published by green security issuers are intended to quantify the positive environmental impacts of the use of proceeds raised through green mortgage bonds. The environmental impacts reported and the transparency and comparability of the reports may be key factors in strengthening potential investors' confidence in green products. The impact reporting practices of Hungarian mortgage banks had already been in line with international standards; however, the Bank and the mortgage banks recognised that there was still considerable scope for greater harmonisation and increased transparency with regard to the market practices and methodologies that had evolved. To this end, the parties initiated joint work, as a result of which the document "Common Position – Recommendations and Guidelines for Green Mortgage Bond Impact Reports" was published. The Common Position provides detailed recommendations for issuers regarding the format and content of impact reports, establishes standardised definitions in a harmonised terminology, and sets out the methodological principles for calculating environmental impacts.

In line with the publication of the Common Position, the MNB published harmonised benchmark values to support the transparency of reported environmental impacts. The widely used international practice for quantifying environmental impacts assumes that, in the case of green mortgage bonds, positive environmental effects are achieved through the financing of the construction, purchase and renovation of energy-efficient properties. Under this methodology, the

⁸⁰ The calculation is based on the Partnership for Carbon Accounting Financials (PCAF) methodology and accounting.

⁸¹ Our calculation was based on the indicator published by mortgage banks on avoided GHG emissions per HUF 1 billion per year, which was then multiplied by the relevant mortgage bond stocks.

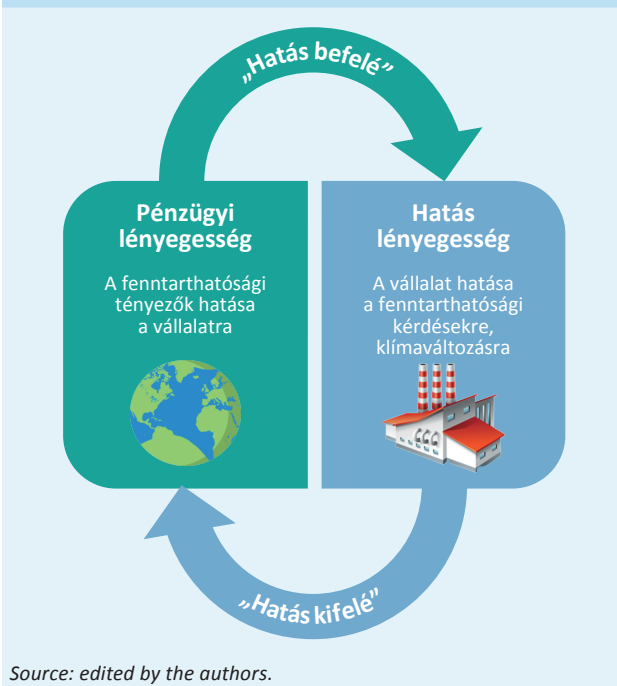
impact is quantified by assuming that, in the absence of the given source of financing, a less green and less energy-efficient property would otherwise have been financed. Accordingly, a key element in quantifying impacts is the benchmark against which the energy demand of financed green properties is compared, which in banking practice has typically been the estimated average energy demand of the national building stock. To improve the comparability of mortgage bank impact reports, the MNB requested the Hungarian Central Statistical Office (HCSO) to update its estimate of the average primary energy demand of the domestic housing stock and, in the Common Position, recommended the use of a uniform value when quantifying environmental impacts. The harmonised benchmark values and other recommendations set out in the Common Position may first be applied by mortgage banks in their 2025 impact reports, which had not yet all been published at the time of finalising this report.

3.2.4 Issuers

The year 2025 represented an important milestone for large Hungarian corporations, particularly issuers listed on regulated markets, in terms of sustainability. For the first time, companies were required, under the EU Corporate Sustainability Reporting Directive (CSRD)⁸² and its national implementation, to report on their sustainability performance as part of their annual reporting. The Corporate Sustainability Reporting Directive, which replaces the previous Non-Financial Reporting Directive (NFRD),⁸³ has put corporate sustainability reporting on a new basis. The objective of the CSRD is not merely to require companies to disclose more data on their environmental, social and governance performance, but also to ensure that this information is available in a standardised, comparable and verifiable format. The Directive integrates sustainability reporting into annual financial reports by amending the EU accounting and reporting framework.

The building block of sustainability reporting is the double materiality assessment that determines which topics a company must meaningfully report on. Under the double materiality principle, companies are required to assess both their impacts on the environment and society ("inside-out" – impact materiality) and the sustainability-related financial risks and opportunities affecting them ("outside-in" – financial materiality) (Chart 3.19). Issuers are therefore required to report on the sustainability aspects of their business activities and operations based on what is identified as a material impact, risk and opportunity through the double materiality assessment. This information must be disclosed in accordance with the European Sustainability Reporting Standards (ESRS),⁸⁴ thereby ensuring, among other things, transparency and comparability.

Chart 3.19
Double materiality principle



In Hungary, 20 large corporations prepared (consolidated) sustainability reports in 2025. In Hungarian law, the CSRD was primarily implemented through amendments to the Accounting Act,⁸⁵ which stipulate that, from 2025 onwards undertakings and parent companies classified as public-interest entities must prepare sustainability reporting if, in the preceding two consecutive financial years (at least two of), the following thresholds are exceeded:

- total assets exceed HUF 10,000 million;
- annual net sales revenue exceeds HUF 20,000 million;
- the average number of employees exceeds 500,

⁸² Directive (EU) 2022/2464 of the European Parliament and of the Council amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting

⁸³ Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups

⁸⁴ Commission Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards

⁸⁵ Act C of 2000 on Accounting

it is required to prepare either an individual or consolidated sustainability report. The sustainability report had to be prepared in accordance with the ESRS for the first time for the 2024 financial year. In Hungary, 17 issuers were subject to the requirement to prepare individual or consolidated sustainability reports, and an additional 3 issuers published sustainability reports on a voluntary basis.

All Hungarian issuers subject to CSRD reporting requirements complied with their disclosure obligations, i.e. they published their sustainability reports in accordance with the ESRS as part of the annual report. From these documents, it is possible to understand, among other

things, what proportion of the revenue of large listed Hungarian corporations is derived from environmentally sustainable economic activities, how exposed they are to climate- or other environmental-related risks, and what potentially harmful impacts they have on the planet and people through their entire supply chain. Although all published reports contain detailed information, there is still room for improvement. For example, the development and disclosure of resilience analyses and transition plans would further enhance not only investor, shareholder and consumer understanding, but also the own understanding of the company on material impacts, risks and opportunities related to sustainability issues.

Box 8

ESG linguistic orientation and ESG scoring: empirical insights into European bank practices using natural language processing methods

Analysis of European bank disclosures from an ESG perspective. Within the ECB Schuman Programme, Johannes Brunzel, an expert from the German Federal Financial Supervisory Authority (BaFin), in cooperation with the MNB, examined using natural language processing (NLP) methods how ESG linguistic orientation in the practices of European banks relates to institutional ESG ratings. The analysis derives ESG orientation from banks' disclosures based on the linguistic features of their reporting, using NLP techniques.

The study covered disclosures by European banks included in the EURO STOXX Europe 600 Banks Index. For each bank, three corporate communication channels were analysed: annual reports, shareholder letters, and earnings-related conference calls. Banks are hybrid organisations operating in a heterogeneous environment, meaning that their communication must simultaneously meet the expectations of external and internal stakeholders as well as corporate decision-makers. The approach applies unsupervised machine learning and a methodology based on ESG and non-ESG dictionaries widely used in the literature (e.g. Anglin et al. 2025; Kim et al. 2025).⁸⁶

The results show that the approach effectively identifies companies with low and high ESG orientation through their communication channels, with the resulting classification/assessment being consistent with external ESG ratings. In other words, no significant discrepancies were found in general between ESG orientation and actual ESG scores. The latter were sourced from the London Stock Exchange Group (LSEG) data provider. From a regulatory perspective, this is a favourable sign, as it suggests that the likelihood of large-scale greenwashing is generally low. From a Hungarian perspective, it is noteworthy that, for many banks operating in the domestic market the frequency of ESG-related terms reflecting ESG orientation is broadly average, and only limited inconsistencies are observed in their narratives. It was also found that ESG orientation increases, on average, from year to year. This change is primarily driven by the expansion of sustainability disclosures, indicating increasing awareness of environmental issues. At the same time, at least two important cautionary signals can be identified. First, there is considerable heterogeneity in the data: some banks increase their ESG orientation disproportionately, while others do not. Second, the results show that ESG orientation depends on the communication channel: shareholder letters on average exhibit lower word counts and weaker ESG orientation. This may suggest that European banks are not fully exploiting the potential of this key communication channel or that European CEOs are not sufficiently aware of the importance of (ESG) communication in these key documents.

⁸⁶ Anglin, A. H., Short, J. C., Wolfe, M. T., Mckenny, A. F., & Reid, S. W. (2025). Whose Rhetoric Matters? Social Responsibility Rhetoric and the Moderating Influence of Social Roles in Crowdfunding Pitches. *Journal of Management Studies*.
Kim, J., Jiang, J., & Greiner, M. (2025). Executive Presentations and Environmental Action in Polluting Industries: Moderating Effects of Narrative and Numeric Concreteness on Aspirational Talk. *Journal of Business Ethics*, 199(2), 255-283.

The analysis highlights that ESG dictionaries widely used in the literature provide an effective tool for capturing ESG orientation and can serve as a benchmark for other AI-based approaches. They possess characteristics that are particularly important for public institutions, such as cost-effectiveness, transparency, and similar attributes. In addition, the project demonstrates how AI and non-AI-based approaches can be combined, for example, by running selected machine learning methods prior to dictionary-based analyses. Regrettably, the broader application of AI in public institutions for analysing sustainability disclosures continues to face a number of (institutional) barriers in the European Union. These include for example the lack of a unified (European) database of corporate reports, as well as the absence of explicit and implicit legal requirements regarding the structure of corporate reporting.

Overall the results suggest that even publicly available documents can provide an additional layer of analysis for regulators, and that companies should be aware that their communication can be tracked and analysed over time.

3.2.5 Investment funds

In November 2025, the EU announced a reform of the regulatory framework establishing the classification of EU ESG and sustainable investment funds. The widely known Sustainable Finance Disclosure Regulation (SFDR) has since 2021 served as a cornerstone of the EU sustainable finance framework enabling the market to interpret within a structured framework those investment funds that seek to contribute, through their investments, to environmental or social objectives. Based on this, investment funds can be classified into three broad categories:

- I. traditional investment funds that do not have a sustainable investment objective or do not promote environmental and/or social characteristics – SFDR Article 6 funds,
- II. ESG investment funds that promote environmental and/or social characteristics (“light green”) – funds under Article 8 of the SFDR,
- III. sustainable investment funds that have an environmental or social sustainable investment objective (“dark green”) – funds under Article 9 of the SFDR.

Although the SFDR is intended to regulate disclosures and is not designed as a labelling system, this has nevertheless become the prevailing market practice in recent years. Recognising both the shortcomings of the regulation in this respect and its complexity, which made the characteristics of these financial products difficult for investors to understand, EU legislators initiated a comprehensive reform through the revision of the SFDR in November 2025 (see Section 4.2 for more details). The legislative process for SFDR 2.0, which introduces specific product categories

(*sustainable, ESG basic, and transition*), is currently underway, with implementation expected around 2028. Until then, the penetration of green financial investment funds may continue to be assessed within the current framework.

In an international context, 2025 proved to be a challenging year. Globally, assets managed under sustainability objectives also declined over the past year, to the extent that 2025 was the first year since the start of the analysis in 2018 in which Morningstar⁸⁷ recorded net outflows. Although this was also the first year in Europe in which capital outflows were observed from European ESG and sustainably managed assets (amounting to USD 62 billion), the total value of assets held in these funds nevertheless reached a new record of USD 3,300 billion by the end of the year. However, the research institute notes that a significant share of the outflows is attributable to large UK institutional investors and that, based on a survey they conducted, household investors continue to show strong interest in ESG-related collective investment products. Looking at the European Union,⁸⁸ however, it can be observed that in 2025, ESG funds under SFDR Article 8 recorded inflows of EUR 257 billion, while sustainable funds under SFDR Article 9 experienced net outflows of EUR 23 billion. As a result, the market share of SFDR Article 8 funds remained broadly unchanged at around 56 per cent, while that of Article 9 funds declined further to 2.7 per cent in terms of net asset value by the end of the year. Overall, based on the above data, it can be concluded that investors remained cautious amid rising geopolitical tensions, US tariffs, and economic uncertainty. In the European Union context, uncertainty was further increased by the postponement of the entry into force of sustainability-related regulations (the Omnibus proposal package, see Section 4.2). According to the market research firm, in

⁸⁷ [Global Sustainable Fund Flows: Q4 and Full-Year 2025 in Review](#)

⁸⁸ [How SFDR 2.0 Could Reshape ESG Fund Flows](#)

a volatile political and policy environment, many investors questioned whether companies were complying with their sustainability-related commitments. Last but not least, the Guidelines on funds' names issued by the European Securities and Markets Authority (ESMA) and already applicable to investment funds also somewhat reshaped the market for ESG/sustainable funds (Box 4). Although the Guidelines clearly reduced the number of investment funds marketed as sustainable, they increased transparency and contributed to a cleaner market environment.⁸⁹

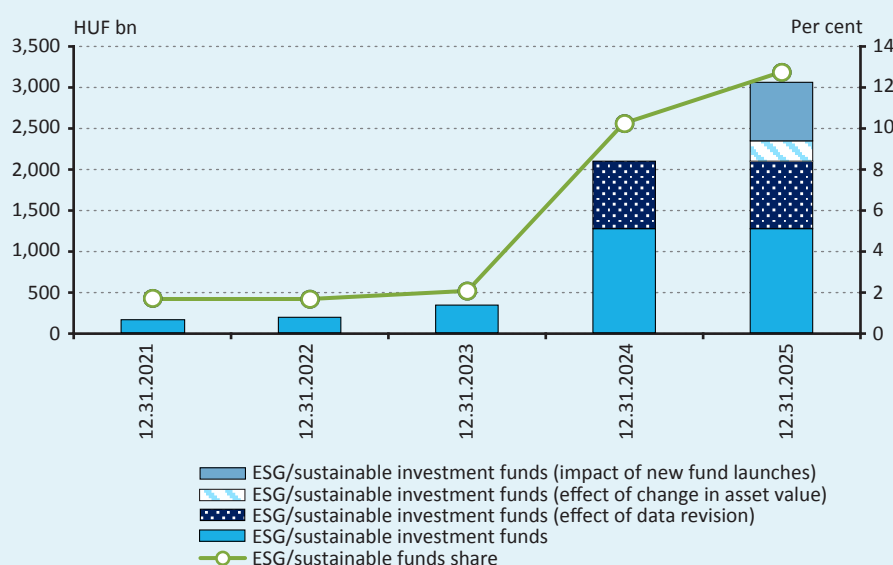
The share of domestic ESG and sustainable investment funds increased to above 10 per cent within the total portfolio. While record outflows were observed in European capital markets in 2025, the share of domestic ESG/sustainable investment funds continued to expand by the end of the year. Assets managed on an ESG and sustainability basis exceeded HUF 3,063 billion, accounting for 12.7 per cent of the total domestic market (Chart 3.20). In terms of assets, the 46-per-cent increase was mainly driven by the launch of eight new ESG funds during the

year, which attracted significant capital inflows. For the 2024 data, a significant change resulted from the amendment of the data reporting regulation of the MNB, which improved the quality of the data used. Based on new information made available through more accurate data reporting, the MNB also revised the values previously published. The asset value of previously reported outstanding stock increased only to a limited extent.

In 2025, transparency regarding investment funds and the quality of sustainability information further improved. The aforementioned ESMA Guidelines on funds' names also prompted action in the domestic market. In Hungary, however, during the examined period (August 2024–August 2025), investment funds generally aligned themselves with the Guidelines, thereby strengthening their sustainability strategies. In some cases, ESG-related labels were removed from the investment funds' names, while strategies capable of improving the fund's sustainability performance were retained as part of the investment policy.⁹⁰ During this period, no downgrades occurred (e.g.

Chart 3.20

Growth of Hungarian ESG and sustainable investment funds by net asset value, and how their ratio changed within the total portfolio



Note: With effect from 10.12.2025, a retrospective data revision was carried out for the net asset value of SFDR Article 8 (ESG) and Article 9 (sustainable) funds. The revision was driven by changes in the classification of funds that had previously not been available in the statistical systems of the MNB.

Source: MNB.

⁸⁹ [Guidelines on funds' names using ESG or sustainability-related terms](#)

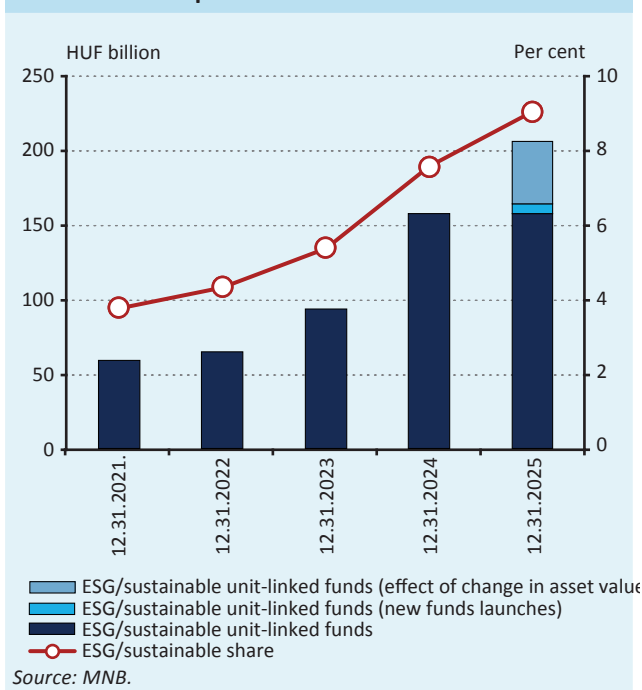
⁹⁰ Given the requirements set out in the Guidelines and the broad range of SFDR Article 8 and Article 9 investment funds, funds that do not hold a sufficient level of ESG investments are not permitted to use ESG-related terms in their names.

from a sustainable fund to an ESG fund, or from an ESG fund to a traditional fund), which indicates the reliability of Hungarian investment funds in their commitment to ESG characteristics or sustainability objectives. Since 2021, the MNB has been monitoring the evolution of the presentation of sustainability information in the course of investment fund authorisation procedures, based on which it can be concluded that the market has developed significantly in terms of both strategy and disclosures. This is further supported by the findings of unlimited examinations of investment fund managers, in which the MNB has, since 2023, placed particular emphasis on institutional compliance with sustainable finance regulations. A key objective of the Green Programme of the MNB is to promote the domestic green financing environment, which it supports in the collective investment segment through professional consultations, the Green Financial Product Finder platform (see Box 9), and the publication of Q&A materials.⁹¹

3.2.6 Unit-linked insurance asset funds and voluntary pension fund portfolios

A continuous expansion can be observed in the net asset value of unit-linked funds that take ESG criteria into account. Similarly to asset value, ESG (SFDR Article 8) and sustainable (SFDR Article 9) unit-linked funds available within life insurance products also increased their market share. By the end of 2025, assets under management in these investments exceeded HUF 200 billion, while their share rose above 9 per cent, representing an increase of 1.5 percentage points compared to the same period of the previous year (Chart 3.21). In terms of the number of asset funds, the share of ESG and sustainable asset funds increased modestly, reaching 11.6 per cent (87 series in total). It is also noteworthy that, of the eleven domestic life insurance companies, all but one offer funds promoting environmental and social characteristics or pursuing sustainable investment objectives, which is unique among the institutions offering collective investment schemes in the Hungarian capital market.

Chart 3.21
Growth in the Hungarian ESG and sustainable asset funds by net asset value, and how their ratio changed within the total portfolio



Compared to investment funds and unit-linked funds, voluntary pension fund portfolios remain significantly behind. In recent years, there has been virtually no change in this segment, despite the fact that one of the main motivations behind the ESG concept is the long-term preservation of asset value. Only one voluntary pension fund offers a single ESG fund portfolio, with a net asset value of nearly HUF 12.5 billion, accounting for a 0.5-per-cent market share of the total domestic pension fund portfolio. In addition, there are currently no sustainable, i.e. SFDR Article 9-compliant, portfolios among pension fund products. The financial and sustainability characteristics of the aforementioned voluntary ESG pension fund, together with those of ESG investment funds and unit-linked funds, can be viewed on the MNB Green Financial Product Finder website.

⁹¹ [Questions and answers for financial service providers on the application of the SFDR and the Taxonomy Regulation regarding sustainability-related disclosures](#)

Box 9**One-stop access to household green financial products: the MNB has further developed its Green Financial Product platform**

The MNB Green Financial Product Finder was launched in spring 2023 with the aim of increasing the share of sustainable and green financial products.⁹² Although the range of sustainable financial products available to retail customers in Hungary is continuously expanding, the country still lags behind most EU Member States in terms of both the availability and the public awareness of these products. The increasing share and broader use of sustainable and green financial products can significantly contribute to the sustainable economic growth in Hungary and support the achievement of environmental and climate objectives. To promote these objectives, the MNB – as part of its green mandate – launched an online platform in 2023 called the Green Financial Product Platform.

The Green Financial Product Platform represents an important step in improving retail access to sustainable investments in Hungary. One of the objectives of the Platform is to support public understanding of financial products that incorporate environmental and/or social considerations into their investment decisions in support of sustainability, by presenting them in a single searchable platform and in a transparent and comparable manner. Visitors to the website can find green or ESG investment funds, green asset funds linked to insurance products, as well as the green/ESG portfolio offerings of voluntary pension funds. The online platform also aims to support the financial and sustainability education of retail customers, as well as to enhance their knowledge of green finance.

Due to changes in the sustainable finance legal environment and in order to better exploit available opportunities, the Green Financial Product Platform service was further developed in 2025. During the development, the MNB paid particular attention to professional feedback from financial market participants in order to ensure that the platform effectively supports user experience alongside regulatory requirements. For improved clarity and comparability, basic product data (such as product name, identification code and currency) are now presented in a more transparent structure, as well as information on the financial instruments with the highest share in the investment portfolio under the “Top investments” section for all three financial product types. This section also provides users with information on the country and sector in which the investment is made. The summary information sheet of the products has been supplemented with additional links providing sustainability information – for example, online access to the statement on principal adverse impacts on sustainability – which support visitors gathering information by redirecting them to the institutions’ websites. It should also be highlighted that, in the case of underlying asset funds available for green unit-linked life insurance products, the platform already indicates which specific life insurance products they can be linked to, and this information is supplemented by the 10- and 20-year TCR values associated with the insurance product. The sustainability performance of financial products can be tracked using charts that provide a richer and more colourful visual experience than before.

The information displayed in the platform is provided by financial market participants in accordance with legal requirements; the MNB does not modify this data, and therefore the timeliness and accuracy of the information presented on the platform are the responsibility of the service providers.

⁹² [Green Financial Product Finder: Green products](#)

4 Hungarian and international legislation and expected changes

International organisations have further strengthened their policy and analytical activities related to sustainable finance and climate risk management. The work of central banking, supervisory and multilateral forums has focused on assessing the financial stability implications of climate and environmental risks, and on integrating them into macroeconomic and prudential frameworks, with increasing emphasis also placed on identifying risks related to natural capital and biodiversity.

During the examined period, scenario analysis, the quantification of transition and physical risks, and the strengthening of data-driven approaches came to the forefront. In addition, the practical implementation of existing frameworks, the improvement of data quality, and the need to simplify regulatory approaches have become increasingly important.

Sustainable finance regulation has, however, been shaped in recent periods by parallel processes that have been partly diverging in direction, and this duality is expected to continue to have an impact in the period ahead. At the current stage of development of the framework, efforts aimed at simplification and reducing administrative burdens in order to improve competitiveness are emerging alongside measures designed to deepen regulation and strengthen coherence, while the regulatory architecture continues to expand in parallel. In this environment, the role of supervisory authorities in supporting legal interpretation and consistently communicating regulatory expectations is becoming increasingly important.

4.1 RECENT DEVELOPMENTS RELATED TO INTERNATIONAL ORGANISATIONS

European Central Bank (ECB)

In 2025, the European Central Bank further strengthened its pioneering role in supporting the green transition, particularly through enhancing the transparency and sustainability of its monetary policy portfolios. The latest climate-related disclosure on monetary policy holdings and the ECB's international reserves clearly shows that carbon emissions associated with euro area portfolios declined further in 2023. The favourable trend was driven both by increasingly ambitious decarbonisation efforts by corporate bond issuers and by the ECB's climate performance-based weighting framework, which deliberately favours issuers with better environmental performance in portfolio construction (the so-called tilting framework), thereby accelerating the green transition of the financial system.⁹³

A similar improvement was also observed in the ECB's non-monetary policy own funds portfolio, in which the share of green bonds increased from 28 per cent in 2024 to 33 per cent in 2025.

Network for Greening the Financial System (NGFS)

The network established in 2017 to green the financial system continued to play a leading role in shaping green thinking in 2025. As of January 2026, the organisation had more than 149 members and 24 observers from over 92 countries.⁹⁴ As the first central European participant, the MNB joined the network in January 2019. In the past year, the NGFS continued to expand its knowledge base on sustainability, climate change and the transition, and published a number of reports to this end. These included publications such as an updated guide summarising the methodology for climate scenario analysis, as well as a statement on the economic costs of inaction on climate change.⁹⁵

⁹³ [Climate related financial disclosures of Eurosystem: assets held for monetary policy purposes and of the ECB's foreign reserves](#)

⁹⁴ [Membership](#)

⁹⁵ [NGFS publications](#)

In May 2025, the network published materials presenting short-term climate scenarios developed for central banks and supervisory authorities, offering a targeted framework for analysing the potential short-term impacts of climate policies and climate change on financial stability and economic resilience. According to the publication, regional extreme weather events cause temporary but significant GDP losses, which affect the global economy and may increase the costs of the transition. In addition, delaying transition efforts increases the economic costs of the transition and may create further financial tensions.⁹⁶

Financial Stability Board (FSB)

In 2025, the Financial Stability Board (FSB) continued to place particular emphasis on assessing and addressing the impact of climate-related risks on the financial system. The organisation published the third progress report of its “Roadmap for Climate-related Financial Risks”, which provides an overview of progress in addressing climate change-related financial risks across disclosures, data, vulnerability assessments and supervisory practices. The document also addresses the FSB’s medium-term strategy, which focuses, among other things, on strengthening international coordination, expanding information sharing, and further developing supervisory practices in a way that facilitates the integration of climate-related risks into existing risk management frameworks.⁹⁷

In addition, the FSB presented a new, holistic analytical framework that combines traditional financial stability analysis with a forward-looking approach to better identify climate-related risks. The framework examines how physical and transition climate risks may propagate and amplify across the global financial system. The new approach builds on the organisation’s existing Financial Stability Surveillance Framework, emphasising a holistic assessment of cross-border and cross-sector interlinkages.⁹⁸

International Monetary Fund (IMF)

In 2025, within the climate-related initiatives of the International Monetary Fund (IMF), the Resilience and

Sustainability Trust (RST), established in 2022 to support climate adaptation in low-income countries, continued to play a prominent role. Thanks to contributions from advanced economies (with the largest contributors including China, Germany, Japan and France), the fund had accumulated nearly USD 49 billion by July 2025. The group of participating countries expanded further in the past year (with Egypt, the Democratic Republic of the Congo, The Gambia, Jordan and Pakistan joining), bringing the total number of low- and middle-income countries highly exposed to climate risks participating in the programme to 26.⁹⁹

In parallel, the IMF further strengthened its analytical work on the macroeconomic impacts of climate change. The study titled “Integrating Climate Change into Macroeconomic Analysis” provides insights into the channels through which climate change and related policies affect real economic processes, fiscal and monetary policy, the external balance and the financial sector across different time horizons. The study also presents relevant climate models and scenarios that can be used to assess the macroeconomic impacts of physical risks, as well as climate adaptation and mitigation policies.¹⁰⁰

OECD

In 2025, the Organisation for Economic Co-operation and Development (OECD) also supported efforts to combat climate change through a range of publications. In the past year, the “Climate Action Monitor”¹⁰¹ report was also published, which is the flagship annual publication of the OECD International Programme for Action on Climate (IPAC).¹⁰² The findings of the 2025 edition indicate that nationally determined contributions (NDCs) for 2030 – the measures pledged by individual countries to reduce emissions and updated every five years in line with national capacity – remain insufficient to achieve the goals of the Paris Agreement. To keep the Paris Agreement target of limiting the global average temperature increase to no more than 1.5 degrees Celsius above pre-industrial levels, countries worldwide would need to reduce greenhouse gas emissions by approximately 63 per cent by 2035. According

⁹⁶ [NGFS scenarios foresee climate hit to global growth before 2030](#)

⁹⁷ [FSB Roadmap for Addressing Financial Risks from Climate Change: 2025 update](#)

⁹⁸ [Assessment of Climate-related Vulnerabilities: Analytical framework and toolkit](#)

⁹⁹ [Resilience and Sustainability Trust](#)

¹⁰⁰ [Integrating Climate Change into Macroeconomic Analysis: A Review of Impact Channels, Data, Models, and Scenarios](#)

¹⁰¹ [The Climate Action Monitor 2025](#)

¹⁰² [International Programme for Action on Climate \(IPAC\)](#)

to the report, the aggregate global emissions of countries exceed the level required to meet the 2030 targets by 8 per cent. Current 2030 NDCs are not aligned with the 2050 targets, and only 17.7 per cent of global emissions covered by current national net-zero commitments are enshrined in binding legislation. The 2035 update of NDCs offers a key opportunity to increase ambition and credibility.¹⁰³

In 2025, the OECD established a dedicated working group to address issues related to sustainable finance. The Working Party on Sustainable Finance (WPSF) is the OECD Committee on Financial Markets (CMF) working group on sustainable finance, in which the MNB is also represented. The objective of the body is to enable deeper and more targeted dialogue on sustainable finance and sustainability in general. The establishment of the working group underscores the growing policy relevance and strategic importance of these issues within the OECD and at the global level.

UNEP FI

The United Nations Environment Programme Finance Initiative (UNEP FI) continued to actively support sustainable finance in 2025, producing around 40 technical publications and organising 50 online training courses. The UNEP FI global network brings together more than 500 banks and insurance companies. Significant steps have been taken in the insurance sector towards integrating sustainability and nature-positive strategies into core business operations. The number of signatories and supporting institutions of the UNEP FI's "Principles for Sustainable Insurance" (PSI) initiative has increased to more than 275 worldwide, representing nearly 70 countries, while the Forum for Insurance Transition (FIT),

which focuses on planning the green transition, now brings together more than 50 organisations. In 2025, more than 1,300 participants from over 50 countries and at least 150 institutions took part in the UNEP FI's regional roundtable discussions on sustainable finance, with nearly 300 speakers contributing. The global nature of the events is well illustrated by the fact that they were always held on different continents.¹⁰⁴

International Platform on Sustainable Finance (IPSF)

The European Union launched the International Platform on Sustainable Finance (IPSF) in 2019, with the aim of promoting global cooperation among authorities responsible for regulating sustainable finance. Within this framework, the IPSF operates as a multilateral forum that supports the sharing of best practices among policymakers, as well as the comparability and interoperability of different regulatory approaches to sustainable finance. The IPSF currently comprises 22 members, including 15 non-EU countries, such as Canada, China, India, Japan, Singapore and the United Kingdom.

In 2025, the IPSF identified the integration of biodiversity- and nature-related considerations into sustainable finance frameworks as a key priority.¹⁰⁵ A further significant milestone is that, in the past year, the IPSF published a comprehensive comparative analysis of how different authorities define and apply the "Do No Significant Harm" (DNSH) principle in their sustainable finance frameworks.¹⁰⁶ In addition, the IPSF also places particular emphasis on the strategic role of critical raw materials in the green transition, for which it established a dedicated working group in 2025.¹⁰⁷

¹⁰³ [Global emissions reach record high amid widening gap between climate policy ambition and implementation](#)

¹⁰⁴ [2025 in Review: Building resilience and advancing the transition](#)

¹⁰⁵ [Integrating biodiversity and nature into transition finance](#)

¹⁰⁶ [IPSF Assessment note on the integration of Do No Significant Harm \(DNSH\) provisions in taxonomies](#)

¹⁰⁷ [IPSF annual report 2025](#)

Box 10**Sustainability-supporting measures of the Dutch central bank**

The Dutch central bank (De Nederlandsche Bank, DNB) has played a pioneering role since the 2010s in developing central banking practices that support sustainability, focusing both on identifying climate change-related financial risks and integrating them into the financial supervisory framework, as well as on the gradual greening of its own investment portfolio. As one of its most important initiatives, in 2016 the DNB established the Sustainable Finance Platform, within which the central bank, ministries and representatives of the financial sector work together to make the Dutch economy more sustainable. At the same time, the DNB has acted as an initiator not only at the domestic level, but also internationally: in 2017, together with seven other central banks and supervisory authorities, it co-founded the Network for Greening the Financial System (NGFS), an international network aimed at greening the financial system, which has since become one of the most important climate-focused forums for the central banking community.¹⁰⁸ The leadership role of the Dutch central bank was further reinforced when, in 2019, it became the first central bank in the world to join the Principles for Responsible Investment (PRI), an initiative aimed at promoting investments based on ESG considerations. In line with this, in the same year the DNB published its first Sustainable and Responsible Investment Charter, which set the objective of greening the central bank's reserve management.¹⁰⁹

To further deepen climate-related measures, the Dutch central bank adopted a comprehensive Sustainable Finance Strategy for the 2021–2025 period in 2021. The primary objective of the strategy is the full integration of sustainability into the Dutch central bank's mandates and operational activities by 2025. To achieve this, the DNB formulated five objectives: 1) building a resilient financial system, 2) making monetary policy and the payment system more sustainable, 3) fostering scientifically grounded debate on a sustainable economy, 4) developing reliable databases and statistics on sustainability, and 5) aligning the central bank's own investment portfolio with the objectives of the Paris Agreement, as well as greening its operational activities and publishing related reports.¹¹⁰ To implement the sustainability strategy, the DNB established a Sustainable Finance Office within the organisation.¹¹¹

In recent years, the DNB has also made significant progress in promoting sustainable and responsible investments. On the one hand, the central bank has set the objective of reducing the carbon footprint of its equity and corporate bond portfolios by 50 per cent by 2030 compared to the 2019 baseline, and of achieving net-zero emissions by 2050. On the other hand, to promote sustainable investments, in 2022 it raised the minimum share of green bonds in its government bond portfolios to 20 per cent, representing approximately EUR 1.2 billion in investments. In addition, since 2023 the DNB has implemented its first equity mandate, under which a portfolio is fully aligned with the objectives of the Paris Agreement.^{112 113}

To strengthen the long-term resilience of the financial sector, the DNB regularly updates its supervisory guide to managing climate and nature-related risks.

The most recent document, published in 2025, provides comprehensive technical guidance and detailed examples of best practices for pension funds, insurers, investment firms and electronic payment service providers on identifying and assessing climate risks, as well as integrating them into business strategy, governance structures and reporting systems.¹¹⁴

¹⁰⁸ [Joint statement by the Founding Members of the Central Banks and Supervisors Network for Greening the Financial System](#)

¹⁰⁹ [Sustainable and responsible investment policy](#)

¹¹⁰ [Sustainable Finance Strategy 2021–2025](#)

¹¹¹ [Sustainable Finance Office](#)

¹¹² [Sustainable and responsible investment](#)

¹¹³ [Sustainable and responsible investment policy](#)

¹¹⁴ [Updated guide to managing climate and nature-related risk, also available in English](#)

Table 2 Examples of key sustainability-related measures adopted by central banks in 2025, based on defined criteria ¹¹⁵								
Central Bank	Macro- and microprudential initiatives	Sustainability-related elements in the central bank's portfolio	Conference	Stress test ^[1]	Publication	Establishing an organisational unit / working group	Disclosure/TCFD	ESG
United Kingdom	Financial Stability Report	Greening Corporate Bond Purchase Scheme	Climate Change Conference	Yes	Annual Report		Disclosure/TCFD	
Austria			Green Finance Conference	Yes	Austrian banks' exposure to climate-related transition risk		Disclosure/TCFD	
Belgium	Recommendation on energy efficiency	Sustainable and Responsible Investment Charter	Climate Change Conference	Yes	Climate Dashboard	Climate and Environmental Risk Hub	Disclosure/TCFD	ESG considerations in the portfolio
Brazil	Social and Environmental Responsibility Policy (PRSA)	International Reserves Management Report	Annual Conference	Yes	Report on Social, Environmental and Climate-related Risks and Opportunities	Organizational unit	Consultation on the revision of disclosures	Disclosure and Report
Denmark	Climate footprint of the financial sector	Disclosure of climate footprint of the foreign exchange reserve	Climate Conference		Annual Report			
United Arab Emirates	Climate-related Financial Risk Management Regulation	Sustainability considerations in the portfolio	Climate Forum	Yes	Annual Report	Sustainable Finance Working Group	Principles for Sustainability-Related Disclosures	Integration of ESG considerations into central bank operations under the 2025 central bank law
United States of America	Principles for climate-related financial risk management		Climate Finance Conference	Yes	Mapping Banks' Commercial and Industrial Loan Exposures to Climate-Related Risks	Financial Stability Climate Committee		Risk management proposal
European Central Bank	The impact of ECB Banking Supervision on climate risk and sustainable finance	Climate-related financial disclosures of Eurosystem assets	Climate Conference	Yes	Integrating climate risk into the 2025 EU-wide stress test	Climate Change Centre	Disclosure/TCFD	

¹¹⁵ The list is not exhaustive; it highlights only selected key measures. In the table, the items referring to 2025 are shown in italics; however, it also includes earlier measures based on the most recent available information.

Table 2 Examples of key sustainability-related measures adopted by central banks in 2025, based on defined criteria ¹¹⁵								
Central Bank	Macro- and microprudential initiatives	Sustainability-related elements in the central bank's portfolio	Conference	Stress test[1]	Publication	Establishing an organisational unit / working group	Disclosure/TCFD	ESG
Estonia		Climate-related financial disclosures			Annual Report			
France	Financial Stability Report	Responsible Investment Report	Climate Conference		Sustainability Report	Climate Change Hub	Joining the CDP	
Greece	Prudential Supervision and Resolution Activities		Workshop on financing climate change adaptation		Annual Report	Climate Change and Sustainability Centre	Disclosure/TCFD	
Netherlands	Financial Stability Report	Sustainable and responsible investments			Guidance on managing climate-related risks	Sustainable Finance Office	Harmonisation of disclosures	
Croatia	Climate Strategy		Workshop on environmental risk management		Sustainability Report			Joining to the NGFS
Ireland	Climate Adaptation Finance	Sustainable Investment Charter	Climate Risk and Sustainable Finance Forum		Climate Observatory	Climate Change Unit	Disclosure/TCFD	Circular
Japan	Regulatory framework for climate finance	Programme supporting green investments		Yes	Climate scenario analysis	Climate Coordination Hub	Disclosure/TCFD	Questionnaire
China	Prolongation of the refinancing programme (CERF)	Catalogue of green finance-supported projects		Yes		Joint Green Finance Taskforce with Singapore	Disclosure	ESG Recommendation (CBIRC)
South Korea		ESG exclusion policy for forex assets	BOK-MNB Joint Research Workshop	Yes	Annual Report	Office of Sustainable Growth		
Latvia	Roadmap for a sustainable financial sector	Sustainability strategy		Yes	Financial Stability Report		Disclosure/TCFD	
Lithuania	Green Strategy for 2023-2025	Sustainable Investment Principles	Vienna Initiative Full Forum 2024		Carbon Footprint Report	Climate Change Centre	Disclosure/TCFD	
Luxembourg		Sustainable Corporate Strategy				Green Comitology	Disclosure/TCFD	
Hungary	Green preferential capital requirement programme	Charter of Sustainable and Responsible Investment	Green Finance Conference	Yes	Green Finance Report	Strategic, Sustainable Finance and IT Supervision Directorate	Disclosure/TCFD	ESG Recommendation

Table 2 Examples of key sustainability-related measures adopted by central banks in 2025, based on defined criteria ¹¹⁵								
Central Bank	Macro- and microprudential initiatives	Sustainability-related elements in the central bank's portfolio	Conference	Stress test[1]	Publication	Establishing an organisational unit / working group	Disclosure/TCFD	ESG
Malaysia	Climate Data Catalogue	Portfolio Guarantee Scheme	Climate Conference	Yes	World Bank-BNIM Joint Report	Climate Finance Innovation Lab	TCFD Application Guide	Informational Website
Mexico	Green standards and metrics		Annual Sustainable Finance Meeting	Yes	Climate risks and opportunities	Environmental and Social Risk Department	TCFD Consortium	
Italy	Supervisory requirements on climate risks	Responsible Investment Charter	Workshop on the economic implications of climate change and the transition	Yes	Activity and Sustainability Report	Climate Change and Sustainability Hub and Committee	Disclosure/TCFD	New tools to simplify ESG reporting for SMEs
Russia	Recommendations on climate transition	-	-	Yes	Navigating Climate Policy and Trade Restrictions	Working Group on Sustainable Development Financing		ESG Recommendation
Portugal	Decarbonisation Programme	Responsible Investment Charter	Workshop on climate risks	Yes	Annual Report	Committee within the central bank	Disclosure/TCFD	ESG Report
Spain	Supervisory Expectations	Climate-related aspects of the non-monetary policy portfolios	Annual Workshop of the ESCB Research Cluster on Climate Change	Yes	Collection of Environmental Studies	Working Group	Disclosure/TCFD	ESG risk disclosures
Sweden			Workshop on Climate risk	Yes	Annual Report	Sustainability Committee	Climate Report	
Singapore	Multi-Sector Transition Taxonomy Net Zero Action Plan	Green Investment Programme	FAST Conference	Yes	Sustainability Report	TRACTION	Sustainability-related Disclosures	Code of Conduct for ESG Rating and Data Product Providers
Source: edited by the MNB based on information from central banks and international organisations								

4.2 REGULATORY DEVELOPMENTS IN THE SUSTAINABLE FINANCE FRAMEWORK¹¹⁶

Sustainable finance regulation has been influenced over the past year by processes with differing directions, and this trend is expected to continue to have an impact in the period ahead as well. In the current phase of the organic development of the regulatory framework, simplification and burden-reduction efforts aimed at improving competitiveness are occurring alongside an increasing number of provisions strengthening regulatory depth and coherence, as well as the simultaneous expansion of the regulatory architecture. The combined and often seemingly conflicting effects of these processes currently create significant legal uncertainty for markets. Amid the challenges posed by sustainable regulation, the MNB plays an active role in supporting supervised institutions through regulatory instruments that help clarify legal interpretation.

Sustainable finance law is a rapidly evolving and multi-layered regulatory framework aimed at channelling capital towards sustainable economic activities, managing climate change-related financial risks, and enhancing market transparency. As a result of international guidelines and the intensive regulatory activity of policymakers in recent years the sustainable finance framework of the European Union had, by 2025, reached a stage of development at which all key pieces of legislation regarded as cornerstones of the regulatory architecture had been drafted and adopted. In the period from 2018 to 2024, the European Union developed the building blocks of sustainable finance:

- the *Taxonomy Regulation* establishing a framework to facilitate sustainable investments introduced a *common classification system* defining which economic activities qualify as environmentally sustainable,

- the *SFDR* regulation and the *CSRD* directive, which set *disclosure* and *reporting requirements* for financial market participants and companies with the aim of *increasing transparency*,

- the *EU Green Bond Standard (EUGB)*, supporting investors in identifying and financing sustainable projects, *Climate Benchmarks*, and, as a new element of the framework, the *regulation on ESG rating activities (ESGR)*.

The *CSDDD* on corporate due diligence in value chains – although it does not apply to financial institutions – is closely related and provides important data sources for meeting the requirements set out in the financial regulatory framework. (Section 4.2.1 provides detailed information on developments concerning the cornerstones of the sustainable finance framework.)

The sustainable finance framework also includes significant sectoral amending provisions that complement existing prudential supervision, product distribution and investor protection requirements with ESG- or sustainability-related provisions. In the current stage of the framework's development, it can be observed that the number of rules falling into this category increases periodically across specific sub-areas. These may relate to sector-specific measures, but may also stem from horizontally oriented regulatory intentions, as seen in the case of efforts to combat greenwashing. In the latter case, a cross-sectoral regulatory development can be observed that simultaneously spans multiple regulatory areas in terms of its subject matter. (Developments in sectoral regulation are presented in Sections 4.2.2–4.2.4.)

Following the intensive period of rulemaking in recent years, by 2025, the sustainable finance regulatory framework of the European Union had reached a level

Table 3
The EU Sustainable Finance Framework

	HORIZONTAL	BANKING	CAPITAL MARKETS	INSURANCE
LEVEL 1	TAXONOMY, SFDR, CSRD, ESG Rating Regulation, ESAP*	CRR3/CRD6	MiFID II, EuGB, Benchmark Regulation, Prospectus Regulation	SOLVENCY II, IDD
LEVEL 2	ESRS, Taxonomy DAs, SFDR RTS, ESGR RTS	ITS/RTS	EuGB DAs, MiFID DAs, PRIIPs RTS	Solvency II DAs, IDD DAs, ITS/RTS
LEVEL 3	ESA JC GLs, SFDR Q&A, PAI indicators	EBA GLs (ESG), SREP, ICAAP / ILAAP	ESMA GLs	EIOPA GL, ORSA

*Note: The complexity of the sustainable finance framework arises primarily at the technical (Level 2) and supervisory (Level 3) levels. *The ESAP, as a horizontal data access infrastructure, supports the functioning of the framework.*

¹¹⁶ The summary is provided up to 15 March 2026.

of maturity at which the emphasis can gradually shift from legislation to implementation and enforcement.

Most of the legislation had entered into force by 2026 or was expected to enter into force shortly thereafter. Based on detailed guidelines from the EBA, ESMA and EIOPA, the identification, management and monitoring of ESG and sustainability risks, as well as measures to prevent greenwashing, are being integrated into prudential supervision, investor protection and product distribution processes, as well as disclosure practices. As a result of all these developments, financial regulation is becoming increasingly sophisticated. Accordingly, in the coming years the focus of financial supervision will no longer be on preparing the sector and designing regulatory elements, but rather on their fine-tuning and further development on one hand, and on their consistent application, monitoring and, ultimately, future enforcement and sanctioning on the other.

Institutions face new challenges: they must adapt to the evolving regulatory environment, among other things by integrating consistent and credible ESG risk management into their decision-making and operational processes. In preparation for this, the earlier green recommendations of the MNB supporting the market are gradually being replaced by recommendations that ensure compliance with obligations stemming from EU regulation and the monitoring of their implementation (further information is provided in Section 4.3).

4.2.1 Horizontal regulatory developments

The most widely discussed regulatory development of 2025 was the simplification proposal package (Omnibus I) published by the Commission on 26 February 2025.¹¹⁷ The proposal, published at the peak of the development of the continuously expanding framework, affected, among other things, the scope and provisions of the CSRD and the CSDDD, as well as, to a lesser extent, the disclosure and reporting requirements of the Taxonomy Regulation. Following nearly a year of consultations triggered by the Omnibus I legislative proposal, the main amending directive¹¹⁸ was finally published in the Official Journal of the European Union on 26 February 2026. The new directive simultaneously amends four key pieces of legislation (CSRD, CSDDD, the Accounting Directive and the Audit Directive). The aim of

the amendments is to significantly reduce ESG reporting and due diligence administrative burdens and to limit obligations to the largest companies. The significant narrowing of the CSRD scope (now primarily applying to companies with turnover above EUR 450 million and more than 1,000 employees, with listed SMEs fully removed from the scope and their reporting obligations becoming voluntary) is estimated to exempt around 70–80 per cent of previously covered companies from mandatory sustainability reporting requirements. (The amended scope shall also apply to groups and issuers.) The aim of the amendment is to ensure that the burden of preparing and disclosing sustainability reporting at an individual level applies only to the largest companies, groups and issuers. A further new element of the regulation is that the Commission provides a designated portal within the framework of the European Single Access Point (ESAP)¹¹⁹ to support sustainability reporting, which must be linked to online support measures provided by Member States. The directive introduces an even more drastic narrowing of the scope of entities subject to the due diligence obligations under the CSDDD (EUR 1.5 billion in global turnover and 5,000 employees). Another high-impact provision is the so-called “value chain cap”, which limits data requests along the value chain. The Amending Directive entered into force on 18 March 2026, while its provisions shall be implemented by Member States in two stages through national implementing legislation. In the first phase, implementation must take place by 19 March 2027 with regard to the CSRD, the Audit Directive and the Accounting Directive, while, in the case of the CSDDD, implementation is required by 26 July 2028. Accordingly, further amendments to the Accounting Act and the ESG Act are expected in domestic law.

With regard to the European Sustainability Reporting Standards (ESRS) linked to the horizontal sustainability reporting framework, the regulatory focus has likewise shifted towards simplification and reducing implementation burdens. In 2025, the Commission adopted a transitional relief (“quick fix”)¹²⁰ for first-time adopters, while a revision and simplification of the existing standards is underway based on technical advice from EFRAG, with adoption expected in 2026. In parallel, the previously planned development of sector-specific standards has been deprioritised and is not a short-term priority. In

¹¹⁷ [Omnibus I](#)

¹¹⁸ The European Parliament and Council Directive (EU) 2026/470 of 24 February 2026

¹¹⁹ European Parliament and Council Regulation (EU) 2023/2859 of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (Text with EEA relevance)

¹²⁰ Commission Delegated Regulation (EU) 2025/1416 of 11 July 2025

a joint opinion, the three European Supervisory Authorities (ESAs)¹²¹ supported the simplification of the ESRs, while emphasising that this should not result in the loss of material information, and proposed a better alignment of the standards with the data needs of the financial sector, particularly in order to ensure their usability for risk management and prudential purposes.

The simplification of the Taxonomy Regulation reporting framework was also implemented through a delegated regulation¹²² adopted as part of the Omnibus I package, which amended the requirements of the related implementing delegated acts. The amendments therefore do not affect the Level 1 provisions of the Taxonomy Regulation but instead aim to simplify and fine-tune the related Level 2 delegated acts. The amendments reduce the administrative burden of reporting, among other things through the introduction of a materiality threshold, a reduction in the number of reporting data points, and the simplification of DNSH requirements. The delegated legal act aimed at simplification thus introduced fewer and more proportionate reporting requirements compared to the previous delegated acts related to the Taxonomy Regulation, as well as more user-friendly templates, with these amendments potentially already affecting the 2025 financial year. At the same time, the Taxonomy Regulation is increasingly becoming a reference framework within the financial system: corporate taxonomy data is becoming more widely available through CSRD reporting, which supports the development of green financing and risk management practices in financial institutions. Its role in financing is also strengthening through the fact that the EUGB (European Green Bond Standard)¹²³ also uses the Taxonomy as a reference framework: as a general rule proceeds from EUGB bonds must be allocated to the financing of Taxonomy-aligned economic activities. Another regulatory development is that at the end of 2025 the Commission launched a consultation on the review of the Taxonomy technical screening criteria in order to improve the practical application of the framework and reduce reporting burdens. The objective of the review is experience-based fine-tuning, namely the clarification

and simplification of existing criteria and thus overall an update of the regulatory framework. Based on the feedback received in March 2026 the Commission published the draft revision of the Taxonomy technical screening criteria.¹²⁴ The final adoption of the revised rules is expected in 2026 H2.

Following several years of preparatory work, the European Commission published its proposal for the amendment of the SFDR on 20 November 2025. Building on several interlinked policy preparatory documents and assessments,¹²⁵ the review of the SFDR aims to fine-tune the framework in a practice-oriented manner, thereby enhancing its effectiveness and applicability. As such, the proposal affects not only the substantive provisions of the regulation, but also its structure. It is therefore clear that the review of the SFDR is a separate policy review independent of the Omnibus I package, the necessity of which had already been embedded in the regulation at the time of the adoption of the SFDR, and on which the European Commission has been working for several years. In addition to improving the coherence of the framework, the proposal places strong emphasis on strengthening measures against greenwashing. Its most significant innovation is the proposal developed on the basis of practical experience gained during the five years of SFDR application to introduce product categories for financial products, thereby strengthening the transparency-enhancing effect of the framework. It is important to emphasise that the proposal to amend the SFDR is still undergoing the legislative process, its planned timetable consists of several stages and the exact dates may still change. If the final draft regulation is adopted during 2026 its application is expected around 2028 following its entry into force (assuming the currently proposed 18-month implementation period). During the interim period the provisions of the SFDR in force at the given time will remain applicable. With regard to the draft amendments to Delegated Act 2022/1288 (the “SFDR RTS”) previously prepared by the ESAs and submitted to the European Commission, it should be highlighted that, according to the indication of the Commission, their adoption is expected only at a later stage due to the ongoing review of the Level 1 legislation. In connection with the review of the SFDR,

¹²¹ [Opinion of the European Securities and Markets Authority of 17 February 2026 on EFRAG’s technical advice on revised European Sustainability Reporting Standards \(ESRS\)](#)
[EBA issues Opinion to the European Commission on the draft amended European Sustainability Reporting Standards](#)
[Opinion to the European Commission on EFRAG’s technical advice on the amended European Sustainability Reporting Standards \(ESRS\)](#)

¹²² Commission Delegated Regulation (EU) 2026/73, adopted by the Commission on 4 July 2025. It applies from 1 January 2026.

¹²³ as introduced by Regulation (EU) 2023/2631 of the European Parliament and of the Council on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

¹²⁴ [Commission seeks feedback on revision of criteria for sustainable economic activities](#)

¹²⁵ During 2023, the European Commission conducted a targeted consultation to gather market experience and also published its report evaluating the application of the SFDR in 2023, while the European Supervisory Authorities issued a joint opinion and technical recommendations, and the EU Platform on Sustainable Finance likewise supported this preparatory work through several policy recommendations. More detailed summaries of these policy proposals are provided in previous editions of the Green Finance Report.

the European Commission also indicated that a review of the related MiFID II/IDD rules based on sustainability preferences is expected, the application of which should be aligned with the implementation of the revised SFDR and the new SFDR RTS.

Further progress was made in 2025 with regard to the Level 3 framework related to the SFDR. The ESAs published their fourth annual report on principal adverse impact (PAI) disclosures related to the SFDR. In this context they also submitted specific policy proposals to the European Commission aimed at reducing or streamlining the number of PAI indicators, converting them into a machine-readable format and making them accessible through the ESAP. Another noteworthy development was the expansion of the SFDR Q&A, which supports the application of the currently applicable version of the SFDR through an extended set of questions.

The Regulation on ESG rating activities (ESGR)¹²⁶ applicable as of 2 July 2026, introduces a new regulated sector within the sustainable finance framework. The objective of the new rules is to increase investor confidence in sustainable financial products by making ESG rating activities more consistent, transparent and comparable. The regulation strengthens methodological consistency, enhances the supervision of rating providers, addresses conflict-of-interest risks and ultimately reduces significant divergences between ratings. To this end the regulation introduces a registration and supervisory regime for providers performing ESG rating activities under the supervision of the ESMA, while also imposing mandatory methodological and disclosure requirements on such providers. The regulation is horizontal in nature and, although it primarily targets the market for ESG ratings used by capital market participants, it also indirectly affects the entire sustainable finance ecosystem serving as one of its complementary information infrastructure components. Its necessity is justified by the fact that the ESG rating market is currently highly fragmented, significant differences exist between the methodologies applied and conflict-of-interest issues are frequent. The implementation of the Regulation on ESG rating activities is supported by several Level 2 and Level 3 regulatory instruments. According to the latest

regulatory developments, the ESMA published the final draft of the regulatory technical standards (RTS) for providers performing ESG rating activities¹²⁷ in October 2025. The regulatory package consists of three draft RTSs laying down detailed requirements regarding authorisation requirements, conflict-of-interest rules related to the separation of business activities, as well as disclosure requirements concerning methodologies and rating processes. The draft standards were submitted by the ESMA to the European Commission for adoption as delegated acts and are expected to apply as of 2 July 2026. Through these standards, providers will be required to comply with predefined requirements, thereby strengthening regulatory oversight and market stability.

Efforts to combat greenwashing¹²⁸ have increasingly emerged in recent years as one of the key horizontal areas of the sustainable finance framework, primarily with the aim of ensuring investor protection and market integrity. The reliability of sustainability-related information constitutes one of the most important pillars underpinning the success of sustainability efforts. Accordingly, the regulatory approach aims to strengthen the reliability, substantiation and consistency of sustainability claims, with particular regard to coherence between the various EU frameworks. Based on the regulatory developments of 2025–26, it can be observed that the focus is increasingly shifting from disclosure obligations towards the quality of communication and the filtering out of misleading claims. The treatment of greenwashing thus appears not as a separate regulatory field, but rather as a principle ensuring the integrity of the entire sustainable finance regulatory framework. The related requirements are therefore incorporated horizontally across the various regulatory areas. In presenting the regulatory developments, each chapter also highlights the relevant measures supporting efforts to combat greenwashing. Naturally greenwashing is addressed not only at the Level 1 regulatory layer but also has a significant presence in lower-level regulatory instruments. In this regard noteworthy developments in 2025 include the thematic notes published by ESMA,¹²⁹ which emphasise the accuracy, proper substantiation, accessibility and timeliness of sustainability-related information.

¹²⁶ Regulation (EU) 2024/3005 of the European Parliament and of the Council, adopted on 27 November 2024.

¹²⁷ Final Report on Technical Standards under the ESG Rating Regulation

¹²⁸ In their reports, the ESAs established a sector-neutral definition of greenwashing, which is also regarded as authoritative by the MNB. Accordingly, “greenwashing is a practice where sustainability-related statements, declarations, actions or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product or financial services. This practice may be misleading to consumers, investors or other market participants”.

¹²⁹ [Thematic notes on clear, fair and not misleading sustainability-related claims;](#)
[Thematic notes on clear, fair and not misleading sustainability-related claims: ESG strategies](#)

Overall, it can be concluded that the EU sustainable finance framework, which was rapidly developed after 2019, has entered a consolidation phase that will continue to be a defining legal reality in the period ahead. The objective of the consolidation phase is to increase consistency across the various elements of the regulatory framework, to supplement requirements in a more practice-oriented manner based on implementation experience and to reduce overregulation, a process referred to in the EU legislative context as Simplification and Burden Reduction (SBR). This process is expected to continue to have a significant impact on the legal environment in the coming years.

Domestic regulatory developments primarily contribute to the development of sustainable financial markets through the implementation and supplementation of EU frameworks, both in horizontal and sectoral regulation. The national transposition of the Corporate Sustainability Reporting Directive (CSRD) was implemented through amendments to the accounting and audit framework, introducing ESRS-based reporting requirements from 2024. In line with the Omnibus I package the 2025 amendments to these laws significantly narrowed the scope of affected companies and temporarily postponed the application of certain reporting obligations. As a result of these changes, the national regulatory framework has shifted from an initial broad-based implementation towards a more targeted system focused on large corporations with higher impact. The legal significance of the regulation lies in the fact that sustainability data becomes usable information for financial markets by being integrated into reporting processes. The domestic application of the CSDDD – aligned with the final EU framework – strengthens the due diligence and risk management obligations of companies along the value chain, with particular regard to environmental and human rights risks. In domestic law only partial due diligence elements are currently present in the ESG Act, while full implementation is expected in the coming years.

With regard to domestic regulation against greenwashing, it can currently be observed that the legal basis for combating greenwashing¹³⁰ has been significantly strengthened through amendments to consumer protection provisions. The amendment is linked to the implementation of the Green Transition Directive,¹³¹ and as a result, national law now explicitly identifies and

prohibits misleading sustainability claims. Compared to the previous general prohibition, the amendments introduce more detailed, specific rules, particularly with regard to unsubstantiated green claims, non-certified labels and misleading climate neutrality communications. In this way, domestic regulation, aligned with and enforcing EU frameworks, contributes to strengthening trust in sustainable financial products and the integrity of markets.

In the domestic regulatory framework, a new corporate income tax incentive specifically aimed at sustainability has been introduced, which strengthens financial support for the green transition through investment incentives. As part of the 2025 autumn tax package,¹³² the corporate tax system introduced the first explicitly sustainability-oriented, standardised tax relief, applicable from 1 January 2026. The novelty of the regulation lies in its targeted focus on the remediation of environmental damage, ecosystem restoration and biodiversity-related investments, thereby significantly complementing the previous, primarily energy-focused approach. In terms of its legal nature, the measure lies at the intersection of tax policy instruments and EU State aid rules, subject to aid element calculations and aid intensity limits. The measure promotes sustainable investments through a targeted tax policy instrument. The new provision can be interpreted as a demand-side incentive complementing financial regulation. The amendment also signals a strengthening of ESG considerations in domestic tax policy.

Taken together, these regulatory developments deepen the link between corporate operations and financial markets, as sustainability information becomes directly integrated into risk management and investment decision-making.

4.2.2 Prudential regulatory developments affecting the banking system

European prudential regulation is placing increasing emphasis on the management of sustainability risks within the banking system. A central element of the framework is the integration of ESG risks into credit institution risk management and governance systems, as well as the introduction of bank transition plans setting out how transition risks are managed. Supervisory review

¹³⁰ Act XLVII of 2008 on the Prohibition of Unfair Business-to-Consumer Commercial Practices

¹³¹ [Directive \(EU\) 2024/825 of the European Parliament and of the Council of 28 February 2024 amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and better information](#)

¹³² Act LXXXIII of 2025 on amending certain tax laws for the purposes of reducing administrative burdens and ensuring legal harmonisation; Act LXXXIV of 2025 on measures to reduce the tax burden on businesses; and the related Ministry for National Economy Decree No. 59/2025 (XII.30.) on the implementing rules for claiming the tax relief for investments and renovations aimed at the remediation of environmental damage and other specified environmental objectives

processes are increasingly taking ESG risks into account. This is complemented by a disclosure and supervisory reporting framework on ESG exposures, which serves to monitor the exposure of the banking system to climate-related risks. Another important element of the framework is the use of climate stress tests, which support the assessment of the financial impacts of long-term climate and transition risks.

The CRR3 has required from 2025 onwards all institutions within its scope to disclose their ESG risks (previously this obligation applied only to large institutions issuing securities on a regulated market). In parallel, in July 2024 the EBA was mandated to develop draft implementing technical standards to define uniform disclosure formats for ESG risks, taking into account the size and specific characteristics of institutions. However, this regulation has not yet been published, and therefore the EBA issued a so-called “no action letter” to avoid excessive administrative burden on institutions until the Level 2 framework is finalised. In this letter, the EBA proposes a transitional supervisory approach for national supervisory authorities, under which supervisors should temporarily refrain from enforcing the disclosures. The aim of the measure is to support the gradual rollout of prudential disclosures and to ensure consistency with other elements of the sustainable finance framework, in particular the Taxonomy Regulation and the CSRD. In order to promote a uniform supervisory practice the MNB supported institutions in this area by issuing a management circular with further information provided in Section 4.3.

Another consequence of CRR3 is the extension of supervisory reporting requirements to include ESG risks. The development of the related implementing technical standard is, however, progressing more slowly than planned, primarily due to the gradual introduction of corporate sustainability data under Omnibus I and further amendments to the framework.

The conditions for adjusting exposures related to infrastructure under the CRR have been amended and must now also take into account the EU climate policy objectives. (For a presentation of the MNB activities in this area, see Section 4.3.)

CRD6 integrates ESG considerations into the prudential regulation applicable to credit institutions and introduces a requirement for transition planning for institutions, which is becoming a key element of climate risk management. Member States were required to implement the regulation

in national law by 10 January 2026. Accordingly, from 11 January 2026 the new prudential requirements on the management and supervisory assessment of ESG risks, introduced through the latest amendments to the Credit Institutions Act, are also in force in Hungary:

- the concept of ESG risk was introduced;
- the requirement to integrate ESG risks into internal risk management and control systems was introduced;
- the consideration of ESG risks in strategic and business decision-making; as well as
- the requirement to develop and maintain plans for the supervision and monitoring of ESG risks.

The above mentioned are also related to the deeper integration of ESG risks into the Supervisory Review and Evaluation Process (SREP), with increasing emphasis placed on the assessment of ESG risks. In line with this, the EBA is introducing significant amendments to its SREP Guidelines, the review of which is currently ongoing. The related consultation paper was published on the EBA website on 24 October 2025, while the adoption and subsequent publication of the revised Guidelines are expected in 2026 H2.

In order to harmonise supervisory practices related to the ESG risk management requirements introduced under CRD6, the EBA published its Guidelines EBA/GL/2025/01 on the management of ESG risks on 9 January 2025,¹³³ with their application being phased in from 11 January 2026 onwards. In order to ensure the short, medium and long-term resilience of the business models and risk profiles of institutions, the guidelines describe the internal processes and ESG risk management rules that the institutions should have in place. According to the guidelines, the institutions are required to do the following:

- i. perform regular and comprehensive materiality assessments in order to ensure the adequate identification and measurement of ESG risks;
- ii. integrate ESG risks into their existing risk management and governance frameworks; furthermore,
- iii. develop specific plans for the management and monitoring of ESG risks.

¹³³ [The EBA publishes its final Guidelines on the management of ESG risks](#)

The combined effect of the revised SREP framework and the Guidelines on ESG risks is the gradual integration of ESG risks into the internal capital and liquidity adequacy assessment processes of institutions (ICAAP/ILAAP ESG integration). The provisions set out in EBA/GL/2025/01 will also be incorporated into the supervisory practices of the MNB through the revision of its green banking recommendation. A more detailed discussion of this topic is provided in Section 4.3.

The EBA also issued its Guidelines EBA/GL/2025/04 in 2025, which set out supervisory expectations for banks regarding environmental risk scenario analysis. The new Guidelines also complement the EBA Guidelines EBA/GL/2025/01 on the management of ESG risks, as well as the EBA Guidelines EBA/GL/2018/04 on stress testing. The EBA expects institutions to apply the Guidelines from 1 January 2027. The purpose of the Guidelines is to ensure that banks assess, in a structured manner, the long-term impact of environmental risks on their portfolios and business models and integrate the results into their risk management and strategic decision-making processes. By doing so, the Guidelines enhance bank risk assessment methodologies and support prudential supervisory monitoring, thereby strengthening the resilience of the banking system.

Within the European prudential banking framework, the integration of ESG risks is being reflected across all relevant regulatory areas through the revision of several additional EBA Guidelines. Further progress in the ESG-related revision of several additional Guidelines is expected during 2026, including the Guidelines EBA/GL/2020/13 on systemic risk buffers; the Guidelines EBA/GL/2021/04 on sound remuneration policies; the Guidelines EBA/GL/2021/05 on internal governance (which further strengthen the responsibilities of management bodies and the embedding of ESG risks into governance frameworks); as well as the Guidelines EBA/GL/2021/06 on the assessment of the suitability of members of the management body and key function holders.

Over the past year, the EBA has also published several reports supporting the prudential treatment of ESG risks, aimed at facilitating the practical implementation and further development of the regulatory framework. The 2025 EBA report on ESG data availability and methodological issues¹³⁴ highlighted data quality and data accessibility

limitations, which represent one of the main obstacles to effective risk management. Particular attention should also be paid to the regularly updated EBA ESG risk dashboard¹³⁵ and 2025 Risk Assessment Report,¹³⁶ which together monitor the developments of climate-related exposures and vulnerabilities in the banking system. In addition, the joint Guidelines on ESG stress testing¹³⁷ published in 2026 by the European Supervisory Authorities support the convergence of supervisory practices. Further work is also ongoing on the prudential treatment of ESG risks, including the assessment of the potential for differentiated prudential treatment of exposures. The EBA work programme for the coming period also indicates that future analyses will continue to focus on the measurability, data availability and prudential treatment of ESG risks.

In 2025, prudential sustainable finance regulation affecting the banking system primarily focused on the integration of ESG risks into bank risk management and supervisory frameworks. The new rules introduced by CRR3 and CRD6 established by 2025 the need to incorporate ESG risks into prudential frameworks and introduced requirements for the development of ESG risk management plans as part of transition planning processes. At the same time, the supervisory assessment of climate-related risks and the standardisation of bank disclosures continued to strengthen. In 2026, the focus is expected to shift towards the implementation of the already adopted rules and the further development of supervisory methodologies.

4.2.3 Capital market regulatory developments

Over the past year, capital market regulation in the area of sustainable finance has primarily focused on the fine-tuning and operational implementation of the existing framework. Regulatory developments have primarily centred on investor protection, product distribution, and, at the intersection of these areas, efforts to combat greenwashing and strengthen market integrity. Improving the reliability and comparability of sustainability claims has also become an increasingly prominent objective. In the context of the review of the SFDR, the regulatory approach appears to be gradually shifting from a predominantly disclosure-based framework towards product labelling, product regulation and the strengthening of supervisory infrastructure.

¹³⁴ [The EBA finds progress in availability and accessibility of data used to identify and qualify environmental, social and governance risks but data landscape remains incomplete](#)

¹³⁵ [The EBA published the key indicators relating to climate risks in the EU/EEA banking system](#)

¹³⁶ [Risk Assessment Report of the European Banking Authority](#)

¹³⁷ [ESAs publish joint Guidelines on ESG stress testing](#)

With regard to MiFID II and the IDD, the main regulatory direction is the simplification of the sustainability preferences framework and its alignment with the review of the SFDR, which is expected to result primarily in amendments to the related implementing rules in the period ahead. The material published by ESMA in March 2026¹³⁸ already identifies the simplification and standardisation of the MiFID II sustainability preferences framework, as well as its closer alignment with the SFDR, as key regulatory objectives, particularly in the areas of product categorisation and the assessment of client sustainability preferences. All of this points towards forthcoming amendments to delegated acts and supervisory guidelines.

Over the past year, the EUGB has been supplemented by Level 2 regulatory technical standards and implementing technical standards. The objective of the framework is to provide a reliable and harmonised basis for the issuance of green bonds, thereby reducing the risk of greenwashing. In order to promote the financing of sustainable investments, a key element of the EUGB is the requirement that proceeds from the bond issuance be allocated to projects aligned with the EU Taxonomy. This is complemented by stringent transparency and reporting requirements as well as mandatory independent external verification. The supervision of the latter is carried out by ESMA. Over the past year, three delegated regulations¹³⁹ and one Notice¹⁴⁰ were published. The three delegated acts adopted by the European Commission establish (1) harmonised content and format requirements for post-issuance reporting; (2) detailed rules governing the registration, supervision and operation of external reviewers; and (3) the financing framework for supervisory activities by setting out the rules on fees and charges related to the supervision of external reviewers. The aforementioned Notice issued by the European Commission is linked to the EUGB insofar as it supports the issuance of bonds that do not use the EU Green Bond label but qualify as environmentally sustainable bonds or sustainability-linked bonds. For such bonds, the Notice provides non-binding guidance aimed at harmonising pre-issuance disclosures by introducing standardised disclosure templates to enhance comparability. As a result

of these developments, 2026 will constitute an important year for the implementation of the EUGB, as the framework is reaching a significant milestone: from 21 June 2026, external reviews of EUGBs may only be carried out by reviewers registered with ESMA, marking the end of the 18-month transitional period. This marks the beginning of the comprehensive operation of the framework.

A comprehensive reform of Regulation (EU) 2016/1011 on benchmarks¹⁴¹ was also carried out in 2025, directly affecting climate-related benchmark indices as well. Under the main changes introduced, the number of benchmark indices falling within the scope of the regulation was reduced, while the regulatory focus shifted towards critical and significant benchmark indices. Within the revised benchmark framework, the EU Climate Transition Benchmarks and the EU Paris-aligned Benchmarks have remained key elements of strategic importance. In addition, the EU expert body, the Platform on Sustainable Finance, also updated its handbook on climate benchmarks, which serves as a policy guidance document aimed at clarifying the methodology and application of climate benchmark indices.

In the case of PRIIPs,¹⁴² the further development of the sustainability-related content of Key Information Documents (KIDs), as well as the strengthening of machine-readable disclosures, have come to the forefront. The regulatory framework will need to adapt to the new product categorisation system emerging from the review of the SFDR, and the related information will also need to be reflected in the KID. The regulatory objective is for the PRIIPs KID to evolve from a mere disclosure document into a key instrument for the practical implementation of sustainability preferences. In addition, the issue of machine-readable disclosures is also gaining prominence in preparation for the ESAP. The objective of the ESAP is to make all financial and sustainability-related information available centrally in a digital and machine-readable format. Its first actual application phase is scheduled to begin in 2026 H2. Consequently, the key issues for PRIIPs in the upcoming period are likely to include KID content adjustments and issues related to its digitalisation.

¹³⁸ [ESMA sets out actions to simplify the retail investor journey and make investing more accessible](#)

¹³⁹ [Delegated regulation – EU – 2025/753 – EN – EUR-Lex](#);

[Delegated regulation – EU – 2025/754 – EN – EUR-Lex](#);

[Delegated regulation – EU – 2025/755 – EN – EUR-Lex](#)

¹⁴⁰ [Communication from the Commission establishing guidelines for pre-issuance disclosure templates for issuers of bonds marketed as environmentally sustainable or of sustainability-linked bonds \(C/2025/2277\)](#)

¹⁴¹ Regulation (EU) 2025/914 of the European Parliament and the Council of the European Union amending Regulation (EU) 2016/1011 as regards the scope of the rules applicable to benchmarks, the use in the Union of benchmarks provided by benchmark administrators located in third countries, and certain reporting requirements

¹⁴² [Regulation \(EU\) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products \(PRIIPs\)](#)

In the implementation of the amendments to the Prospectus Regulation, the main focus is on ensuring a more harmonised treatment of ESG information and mitigating greenwashing risks, primarily through Level 2 regulatory and supervisory instruments. Within the framework of the Prospectus Regulation, sustainability considerations are being reinforced primarily through a more reliable and harmonised treatment of ESG claims following the amendments introduced under the Listing Act.¹⁴³ However, the relevant Level 2 legislation has not yet been issued; therefore, the statement published by ESMA in February 2026¹⁴⁴ serves as interim supervisory guidance, ensuring the consistent treatment of ESG claims and mitigating the risk of greenwashing in prospectuses. The statement issued by ESMA emphasises that ESG claims included in prospectuses must be clear, properly substantiated and consistent with the other elements of the sustainable finance framework in order to mitigate the risk of greenwashing. The delay in the adoption of the delegated acts is primarily attributable to the parallel review of the related EU frameworks (the SFDR and the ESRS) as well as to the intention to avoid duplicative regulation of ESG information. Accordingly, the regulatory focus in 2026 is expected to centre on strengthening Level 2 interpretative measures and supervisory convergence.

The domestic capital market regulatory framework has also been supplemented by an additional sustainability-related provision. From 16 April 2026, the Hungarian regulatory framework governing collective investment schemes was amended to strengthen alignment with the existing EU disclosure and investor protection frameworks, in line with Directive (EU) 2024/927. Accordingly, sustainability claims and product communications by investment fund managers must be consistent with the requirements of the SFDR, with the aim of mitigating the risk of greenwashing. The amendments strengthen the consistency of investor disclosures by ensuring a more harmonised and transparent presentation of sustainability features in product documentation. Thus, the amendments do not introduce new standalone sustainability requirements; rather, they support the more consistent application of the existing

EU ESG frameworks within the collective investment sector.

At the end of 2024, ESMA provided technical advice at the request of the European Commission regarding ESG-related amendments to the credit rating framework; however, no legislative proposal was introduced on this basis in 2025. At this stage, the timing of any further steps by the European Commission remains uncertain.

4.2.4 Regulatory developments in the insurance sector

The comprehensive review of the Solvency II¹⁴⁵ Directive reinforced the significance of sustainability risks¹⁴⁶ within the prudential framework applicable to insurance and reinsurance undertakings. The comprehensive review of the Solvency II Directive was concluded with the publication of Directive (EU) 2025/2 of the European Parliament and of the Council.¹⁴⁷ Member States are required to transpose the provisions of Directive (EU) 2025/2 into their national legal frameworks by 29 January 2027 at the latest. The overarching objective of Directive (EU) 2025/2 is to strengthen the contribution of European insurance companies to financing the economic recovery, advance the further development of the Capital Markets Union and the financing of the European Green Deal, thereby supporting the broader EU economic policy priorities. Insurance and reinsurance undertakings will be required to develop specific plans containing quantifiable targets and procedures for the management of financial risks arising from sustainability factors, and to monitor their implementation. Supervisory authorities will be required to ensure that insurance and reinsurance undertakings, as part of their risk management frameworks, have strategies, policies, procedures and systems in place for the identification, measurement, management and monitoring of sustainability risks over the short, medium and long term. Under the revised framework, insurance companies are required, as part of the ORSA,¹⁴⁸ to assess whether they have material exposure to climate change-related risks. Where insurance companies are exposed to

¹⁴³ Regulation (EU) 2024/2809 of the European Parliament and of the Council of 23 October 2024 amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises (Text with EEA relevance)

¹⁴⁴ [Statement on the implementation of certain changes to the Prospectus Regulation introduced by the Listing Act](#)

¹⁴⁵ Directive 2009/138/EC of the European Parliament and of the Council of the European Union of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (Text with EEA relevance)

¹⁴⁶ An environmental, social or governance event or condition the occurrence or existence of which could have an actual or potential negative impact on the value of an investment or the value of a liability.

¹⁴⁷ Directive (EU) 2025/2 of the European Parliament and the Council of the European Union of 27 November 2024 amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macroprudential tools, sustainability risks, and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/34/EU (Text with EEA relevance)

¹⁴⁸ Own Risk and Solvency Assessment

material climate change-related risks, they will be required to define at least two long-term climate change scenarios,¹⁴⁹ and the related assessments – to be carried out regularly at intervals not exceeding three years – must include an analysis of the impact on their business activities. Small and non-complex insurance undertakings are exempted from the requirements related to scenario analysis in accordance with the principle of proportionality.

Climate change increases the frequency and severity of natural catastrophes; therefore, the standard parameters for catastrophe risk need to be reviewed. Climate change may also alter the exposure of insurance and reinsurance companies to catastrophe risk; therefore, the standard parameters for catastrophe risk set out in Commission Delegated Regulation (EU) 2015/35¹⁵⁰ are subject to regular review, for which EIOPA was mandated under Directive (EU) 2025/2. EIOPA reviews, at least every five years, the scope and calibration of the standard parameters of the non-life catastrophe risk sub-module within the calculation of the basic solvency capital requirement with respect to natural catastrophe risk. Most recently, EIOPA published the results of its review on 30 January 2025, taking into account the mandate provided under the Solvency II review.¹⁵¹

The revised Delegated Regulation (EU) 2015/35 introduces new requirements regarding sustainability information. The amendment to Delegated Regulation (EU) 2015/35,¹⁵² published in the Official Journal of the European Union on 18 February 2026, incorporates sustainability risks among the material risks to be disclosed to policyholders and beneficiaries, while sustainability-related information will also form part of the information provided to market participants. In line with the comprehensive review of the Solvency II Directive, the Regulation is applicable as of 30 January 2027.

In the revised EIOPA 2026 work programme, sustainable finance remains a key priority; however, the main focus is gradually shifting towards the implementation of the regulatory framework and supervisory convergence. To this end, EIOPA is expected to develop several lower-level

regulatory instruments in the near future in order to support the further advancement of supervisory convergence.

In addition, EIOPA is participating in the further development of European regulatory initiatives concerning the reporting and disclosure of sustainability risks and factors, taking into account that the amendments to the Taxonomy Regulation, the SFDR, the CSRD and the CSDDD require EIOPA to integrate the relevant requirements into prudential and consumer protection supervision where appropriate.

Access to data and the availability of appropriate modelling tools are of paramount importance to enable the insurance sector to fully fulfil its societal role. In this regard, EIOPA continues its work to improve the collection of relevant data and to develop appropriate risk assessment models, where possible based on open-source solutions, with a particular focus on losses related to natural catastrophes. Within this work, particular emphasis continues to be placed on the role of innovation and digital technologies in supporting sustainability risk assessments.

EIOPA has put forward a proposal for a risk awareness and prevention tool related to natural catastrophes.¹⁵³ The proposal published in early December 2025 aims to help property owners reduce the vulnerability of their buildings to extreme weather events, mitigate potential losses, and ultimately contribute to Europe's long-term resilience to the impacts of climate change. The proposed tool, PROTECT, would be accessible to all European citizens and would support them in better understanding how climate change may affect residential and commercial buildings, as well as what measures they can take in response. Although a wide range of risk awareness tools is already available, none of them provides data covering the whole of Europe, and only a limited number combine prevention guidance, practical and actionable solutions, and information on how such measures may affect insurance coverage within a single platform. EIOPA therefore advocates the development of a consumer-focused and easily accessible tool.

¹⁴⁹ A long-term climate change scenario in which the increase in global temperature remains below two degrees Celsius, and another scenario in which it significantly exceeds two degrees Celsius.

¹⁵⁰ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council of the European Union on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance)

¹⁵¹ [Opinion on the 2023/2024 Reassessment of the Nat Cat Standard Formula](#)

¹⁵² Commission Delegated Regulation (EU) 2026/269 of 29 October 2025 amending Delegated Regulation (EU) 2015/35 as regards technical provisions, long-term guarantee measures, own funds, equity risk, spread risk for securitisation positions, other capital requirements under the standard formula, reporting and disclosure, proportionality, and group solvency (Text with EEA relevance)

¹⁵³ [EIOPA proposes natural catastrophe risk scores for buildings to encourage proactive risk prevention by home and business owners](#)

Based on the mandate conferred under Directive (EU) 2025/2, EIOPA published a report on biodiversity risks.¹⁵⁴ According to the report, European insurance and reinsurance undertakings have taken positive initial steps towards the identification and management of biodiversity risks; however, much closer cooperation across the sector is still needed. According to an earlier study by EIOPA, approximately 30 per cent of the bond and equity exposures of insurance companies depend on at least one ecosystem service. Although awareness within the sector is increasing, current approaches remain predominantly qualitative, while the absence of global biodiversity metrics, regional differences, and the inherently intertwined nature of biodiversity and climate-related risks continue to represent significant challenges. According to the findings of the report, while the insurance market recognises the importance of biodiversity risks, the quantification of their financial impacts and the implementation of practical risk management measures still require further development.

On 13 March 2025, EIOPA held its eighth sustainable finance conference.¹⁵⁵ The conference aimed to provide a forum for regulators, industry participants and other stakeholders to critically assess recent developments and challenges in the field of sustainable finance. Between 1980 and 2023, natural catastrophes caused more than EUR 900 billion direct economic loss across EEA countries, with more than 18 per cent of the losses of this 43-year period occurring in the past three years. This trend highlights the key role of the insurance and occupational pensions sectors in managing sustainability risks, strengthening societal resilience and financing the transition to a carbon-neutral economy.

As regards domestic regulatory developments, it should be highlighted that work on the transposition of Directive (EU) 2025/2 into the national legal framework commenced in December 2025, which is expected to result in amendments to sector-specific legislation.

Overall, the regulatory developments of 2025 bear some resemblance to cosmological models: while the impact and objective of the Omnibus proposal package locally compress the regulatory compliance burden, the broader universe of sustainable finance regulation continues to expand and become increasingly structured.

4.3 SUPERVISORY REGULATORY INSTRUMENTS OF THE MNB

Over the recent period, the MNB has significantly expanded its supervisory toolkit related to sustainable finance, with particular emphasis on the integration of ESG risks in the credit institution sector and the strengthening of a data-driven approach. The expectations set out in supervisory regulatory instruments do not have binding legal force; however, the MNB monitors and assesses their implementation among supervised financial institutions as part of its supervisory and monitoring activities, in line with, among others, general European supervisory practices.

In order to promote the harmonisation of market practices and facilitate the application of regulatory requirements, the MNB has, over the recent period, supported the regulatory compliance of supervised institutions through management circulars issued on several different topics. The purpose of a management circular is to draw the attention of supervised institutions to compliance with a specific detailed rule or a set of detailed regulatory requirements. In 2025, the MNB published two such circulars related to the sustainable finance framework, followed by an additional one in 2026 Q1.

The management circular issued by the MNB on the disclosure of ESG risks (Pillar 3)¹⁵⁶ **aims to address the transitional regulatory application challenges faced by institutions affected by the extension of the scope of Article 449a of the CRR.** The circular – in line with the related draft ITS of the EBA¹⁵⁷ – stipulates that, with regard to newly affected institutions, the MNB will refrain from enforcing disclosure obligations until the entry into force of the new implementing rules. The circular also provides relief for institutions that were already subject to disclosure obligations, as it does not enforce the disclosure of all data points during the transitional period.

This approach reflects a deliberate and proportionate transitional application by the MNB, taking into account the evolving nature of the detailed rules and the level of preparedness of institutions. The proactive communication of the MNB is of particular importance in this context, as it provides clear guidance to market participants in an uncertain regulatory environment and reduces the risks arising from divergent legal interpretations. Accordingly, the

¹⁵⁴ [EIOPA notes positive early steps by insurers in addressing biodiversity risk but calls for stronger collaboration in key areas](#)

¹⁵⁵ [A recording of the conference is available on the YouTube channel of the European Insurance and Occupational Pensions Authority.](#)

¹⁵⁶ [Management Circular on the measures expected in relation to the disclosure of ESG risks](#)

¹⁵⁷ [The EBA launched a consultation on requirements relating to ESG risks, equity exposures and aggregate exposure to entities engaged in shadow banking activities](#)

circular can be interpreted not only as a burden-reducing measure, but also as a supervisory instrument supporting gradual and consistent implementation.

The MNB issued a management circular on the definition of green properties constructed before 2021.¹⁵⁸ The purpose of the circular is to set out the expectations of the MNB regarding the interpretation of the criteria for green residential properties – defined under the EU Taxonomy Regulation¹⁵⁹ – for the Hungarian market. Under the criteria set out in the EU Taxonomy Regulation, the scope of green residential properties constructed after 31 December 2020 can be clearly identified on the basis of energy performance certificates. In the case of properties constructed before 2021, the EU Taxonomy Regulation allows buildings to be considered green residential properties if they belong to the top 15 per cent of the national or regional building stock in terms of Primary Energy Demand (PED).

The HCSO has determined and regularly updates the threshold values corresponding to the top 15 per cent of green residential properties. As significant differences can be observed between the PED values of family houses and condominium apartments, the MNB expects the threshold values to be applied separately by building type. The currently applicable PED threshold values are 194.8 kWh/m²/year for family houses and 123.2 kWh/m²/year for condominium apartments. The green eligibility of outstanding loan exposures must always be assessed on the basis of the most recently available threshold values. In order to support efforts to overcome data gaps, the MNB publishes on its [green finance webpage](#) the threshold values for the top 15 per cent as well as average consumption values broken down by building type and regional location. The threshold values regularly updated by the HCSO will also be published on the aforementioned webpage.

The management circular issued by the MNB on the application of the infrastructure supporting factor¹⁶⁰ **aims to facilitate the consistent domestic interpretation and application of the relevant provisions of the CRR, taking into account the recent changes in the regulatory environment.** As a result of the legislative amendments, the role of sustainability considerations has strengthened,

leading to an increasing alignment between the prudential treatment of infrastructure financing exposures and long-term economic and environmental sustainability objectives. The MNB emphasises the need for prudent application; however, the regulatory direction clearly indicates that the preferential treatment may contribute to incentivising the financing of more sustainable investments associated with lower long-term risk profiles. Accordingly, the circular aims to strengthen the alignment between prudential requirements and sustainability objectives.

In order to ensure the transparency of its supervisory activities, familiarise supervised institutions with its regulatory application practices, and support their compliance with applicable legislation, the MNB issues recommendations. During the examined period, the MNB issued two recommendations aimed at supporting the credit institution sector, as well as one recommendation addressed to investment fund managers.

Changes in the ESG-related expectations of the European Union necessitated the amendment of the recommendation of the MNB on the minimum ESG questionnaire.¹⁶¹ The amended recommendation entered into force on 1 July 2025. The scope of undertakings directly affected by the recommendation changed with the introduction of the definition of a loan applicant undertaking, as a result of which the applicability of the recommendation is determined primarily by the size of the borrowing undertaking rather than by the contract size. The amendment ensures that the expectation regarding the assessment of ESG information applies to undertakings¹⁶² that already possess the necessary data and level of preparedness. This is consistent with the fact that information produced under sustainability reporting obligations (particularly under CSRD/ESRS) substantially covers the data points included in the recommendation. The amendment thus simultaneously reduces administrative burdens for less prepared undertakings, while ensuring that financial institutions can build their risk management practices on already available, structured ESG data.

Significantly fewer data points need to be collected under the requirements of the amended recommendation.

¹⁵⁸ [Management Circular on the definition of green residential properties constructed before 31 December 2020](#)

¹⁵⁹ [Regulation \(EU\) 2020/852 of the European Parliament and the Council of the European Union](#)

¹⁶⁰ [Management Circular on the application of the infrastructure supporting factor and the definition of compliance requirements](#)

¹⁶¹ [Recommendation No. 7/2025 \(VI.23.\) of the Magyar Nemzeti Bank on the application of a minimum questionnaire for the assessment of environmental, social and governance information in the assumption, measurement, management and control of credit risk](#)

¹⁶² Under the amendment, the requirements set out in the recommendation shall apply where the undertaking does not qualify as a regulated financial service provider under Section 7(28a) of the ESG Act, and is either required, under Act C of 2000 on Accounting (hereinafter referred to as the “Accounting Act”), to prepare individual or consolidated sustainability reporting, or is required, under the ESG Act, to prepare individual or consolidated ESG reporting, and already has at least one published sustainability report or ESG report prepared either by itself or by its parent undertaking.

Taking into account changes in the European Union's expectations regarding the disclosure of ESG information, the MNB has updated the minimum questionnaire set out in Annex 1 of the recommendation. The MNB and the Supervisory Authority for Regulated Activities (SZTFH) made further efforts to align the content elements of the ESG report and the minimum questionnaire set out in the MNB recommendation. In revising the questionnaire, the MNB took into account the [ESG calculator](#) published by the SZTFH, which is intended to support companies in preparing their ESG reports. The calculator made it possible to rephrase and consolidate several questions. The revised questionnaire has been reduced from a previous maximum of 62 questions and 321 data points to 54 questions and 206 data points, representing a 36-per-cent reduction in the number of data points. Given the inclusion of optional and activity-specific questions, the actual number of data points to be completed by loan applicants is significantly lower than the maximum.

The recommendation of the MNB on the use of ESG and sustainability-related terms in the names of investment funds¹⁶³ sets out guidance for fund managers regarding the use of sustainability-related terminology in the names of the investment funds they manage. Through the publication of this recommendation, the MNB ensures compliance with the provisions set out in the 21/08/2024 Guidelines issued by ESMA on 21 August 2024.¹⁶⁴ The recommendation applicable from 31 March 2026 is also aligned with the clarifications of certain concepts contained in the Q&A published by ESMA in December 2024, which supplements the ESMA Guidelines 21/08/2024. Within this framework, the recommendation defines MNB expectations regarding the interpretation of key concepts in this area, such as "transition", "environment", "social", "governance", "impact" and "sustainability". It is expected that a certain proportion of the assets of a fund (at least 80 per cent) should consist of investments that the fund uses to fulfil its environmental or social characteristics, or its sustainable investment objectives. Furthermore, the application of an exclusion policy is also required, under which the fund undertakes not to invest in certain activities that are considered incompatible with sustainability objectives. The recommendation also sets out the MNB expectation that terms such as "transition", "social", "governance", "environment", "impact" or "sustainability", and related expressions, may only be included in a fund name if the

fund qualifies under Article 8 or Article 9 of the relevant regulation, namely the SFDR. The recommendation further sets out an expectation that asset managers notify the MNB of any reduction exceeding 5 percentage points in the ESG or sustainability limits prescribed for investments.

In March 2025, the MNB published the revised and expanded version of its document entitled "Questions and Answers on the application of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Commission Delegated Regulation (EU) 2022/1288 (SFDR RTS), and Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation), as well as on the integration of sustainability risks into risk management processes",¹⁶⁵ which, beyond the provisions set out in the recommendation presented above, also provides additional good practices and implementation guidance for supervised institutions.

During 2025, it became necessary within the sustainability regulatory framework of the financial intermediary system to implement the EBA/GL/2025/01 Guidelines on the management of ESG risks, as a result of which the MNB issued an enhanced version of its green banking recommendation. Recommendation No. 2/2026 (III.6.) on green banking issued by the MNB represents an important milestone in the further development of the domestic sustainable finance framework. Building on the experience gained from the previous green recommendation, it elevates the prudential integration of ESG considerations to a higher level. The new recommendation not only reinforces the previously established expectations but also significantly elaborates on their practical implementation, thereby supporting the substantive preparedness of financial institutions.

Compared to the previous recommendation, one of the most important advancements is that the management of ESG risks is explicitly integrated into existing risk management and governance frameworks. While the previous approach placed greater emphasis on establishing general principles, the new recommendation already sets out specific expectations regarding the integration of ESG risks into risk management processes, strategic planning and decision-making. As a means of implementation, the new recommendation establishes a clear and coherent regulatory logic built on a sequential and interlinked structure.

¹⁶³ [Recommendation No. 16/2025 \(XII.9.\) of the Magyar Nemzeti Bank on the use of environmental, social and governance \(ESG\) and sustainability-related terms in the names of investment funds](#)

¹⁶⁴ [Guidelines on the use of environmental, social and governance \(ESG\) or sustainability-related terms in the names of funds](#)

¹⁶⁵ [Questions and answers for financial service providers on the application of the SFDR and the Taxonomy Regulation regarding sustainability-related disclosures](#)

The first step in the process is the identification and measurement of ESG risks, the central element of which is the materiality assessment. The recommendation makes it clear that institutions are required to systematically assess which ESG risks are relevant to their business model and portfolio, and to subsequently evaluate them on a data-driven basis. The materiality assessment thus becomes the starting point of the entire prudential ESG framework.

In the second step, identified ESG risks must be integrated by institutions into their existing risk management systems, in particular into credit risk management, portfolio-level analyses and internal control processes. The recommendation emphasises that ESG risks do not constitute a standalone risk category, but are instead addressed through traditional risk types.

In this context, the management of ESG risks must also be reflected in the internal capital and liquidity adequacy assessment processes (ICAAP/ILAAP), ensuring that institutions take the relevant risks into account from a prudential perspective as well.

The next element of the regulatory logic is the definition of targets and continuous monitoring: institutions are required to set quantifiable objectives and milestones, which must be embedded in regularly updated plans and subject to ongoing monitoring. For the purposes of documentation and consistent implementation, the annex to the recommendation includes a structured plan template, which serves as a practical tool to support institutional implementation.

A key strength of the recommendation is the reinforcement of the governance dimension: the responsibilities and role of management bodies are more prominently emphasised, thereby facilitating the institutional embedding of ESG considerations. The requirement to set quantifiable targets and timelines enables a more structured approach than before and contributes to strengthening strategic-level implementation.

The new recommendation also strengthens a forward-looking approach, with particular regard to the management of longer-term risks and the challenges arising from the economic transition. This approach is well aligned with European regulatory trends and contributes to strengthening the resilience of the domestic financial system.

The phased implementation enables institutions to prepare gradually, while ensuring that larger and more complex entities take meaningful steps in the short term. This supports both the application of the principle of

proportionality and the effective implementation of the regulation.

Overall, Recommendation No. 2/2026 represents a clearly higher level of integration, greater operational granularity and stronger supervisory guidance compared to the previous green banking recommendation, thereby making a significant contribution to the effective embedding of sustainability considerations into the financial system.

In the post-implementation period, the most significant challenge – and at the same time the central focus of supervisory attention – is the proper development of materiality assessments. This is the point that determines the quality of the entire subsequent process; therefore, the supervisor places particular emphasis on the methodologies used by institutions to identify and prioritise ESG risks.

The recently issued recommendations of the MNB provide a well-structured coverage of the various dimensions of the sustainable finance framework. The ESG minimum questionnaire establishes the foundations for prudential integration through the standardisation of data collection, while the green banking recommendation deepens the integration of ESG considerations into risk management and capital assessment processes. The recommendation on fund naming concurrently strengthens the investor protection dimension, particularly through the reduction of greenwashing risks. In this way, they contribute to the consistent and practice-oriented application of ESG considerations.

The activities of the MNB have clearly evolved from earlier, more principle-based preparatory expectations towards a regulatory approach that ensures legal compliance and supports institutions through the articulation of detailed, practice-oriented requirements. The recommendations issued and revised in 2025–26, as well as the management circulars published in the same period, point in a consistent direction and clearly reflect the proactive yet implementation-oriented approach of the domestic supervisory authority. A common feature of the supervisory regulatory instruments is that they do not merely implement EU-level expectations but translate them into specific, operative requirements in the local institutional practice.

Based on the developments presented, the role of the MNB can increasingly be characterised as translating regulatory frameworks into practice and promoting market convergence, which becomes particularly important in a regulatory environment where a significant share of EU-level requirements is still under development.

5 Capacity building in the field of sustainable finance

Today, sustainable finance capacity building has become a key factor in both the stability of the financial system and the success of the green transition. International experience shows that the consistent uptake of green financial instruments and the embedding of sustainability considerations can only be achieved if financial institutions, supervisory authorities, higher education and the academic community possess adequate competencies. In Hungary, the development of this area is made even more essential by the fact that the transition to a climate-neutral economy – catalysed by EU and international regulation affecting domestic institutions – increasingly requires specialised expertise and institutional adaptability.

Both domestic and international literature emphasises that deficiencies in capacity building do not merely represent technical barriers but also entail systemic risks. These knowledge and data limitations manifest themselves in the form of greenwashing, market distortions, underestimated risks and inadequate financial decision-making. Capacity building is therefore a cornerstone of both microprudential and macroprudential supervision, determining the extent to which the financial system is able to support the green transition and manage sustainability-related financial risks.

In Hungary, educational and research capacities related to sustainability have significantly expanded in recent years. As part of this development, new higher education programmes and courses have been introduced, and the number of research projects and international collaborations addressing the topic has increased. Joint programmes established with higher education institutions, research centres and financial sector participants form an integral part of the MNB Green Programme. Capacity building nevertheless remains challenging: adapting to rapidly expanding international regulation, addressing data gaps and training experts all require continuously evolving and flexible planning.

5.1 EDUCATIONAL AND RESEARCH ACTIVITIES OF THE MNB IN THE FIELD OF SUSTAINABLE FINANCE

5.1.1 Scientific research and professional publications

One of the defining areas of the domestic sustainable finance scientific ecosystem is its internationally recognised research activity. The MNB sustainable finance research hub participates in numerous research projects, both independently and in collaboration with external experts. The value of these publications lies in their ability to provide empirical evidence supporting the integration of a sustainability-oriented approach into economic practice, while also delivering forward-looking insights for public policy and regulation. As a result, four studies were published in internationally recognised academic journals in 2025:

- Banks today must strike a balance between safety, profitability and environmental considerations. The study on this trilemma and possible solutions¹⁶⁶ (Box 5), authored by external contributor András Bethlendi, Associate Professor and Deputy Dean for Economics at the Faculty of Economic and Social Sciences of BME, and Head of the Department of Finance.
- A separate box (Box 11) presents the study on the periodisation of sustainable finance research.¹⁶⁷ The study published in the journal *Sustainable Environment* is authored by external contributors Izabella Kuncz and Petra Németh, both assistant professors at the Institute of Economics of the Corvinus University of Budapest.
- The study titled “Differences in MaaS adoption among university students” examines¹⁶⁸ variations in the adoption of Mobility as a Service (MaaS) among university students. The research, combining engineering and

¹⁶⁶ Bethlendi, András – Holczinger, Norbert (2026): The green trilemma of banks and its potential solution: the green preferential capital requirements. *Journal of Central Banking Theory and Practice* 15(1). pp. 201-222.

¹⁶⁷ Sárvári, Balázs – Kuncz, Izabella – Németh, Petra (2026): Periodizing Sustainable Finance Literature: A Comprehensive Bibliometric Review & Future Directions. *Sustainable Environment*. 12(1). pp. 1-26.

¹⁶⁸ Willy, Kriswardhana – Sárvári, Balázs – Esztergár-Kiss, Domokos (2025): Differences in MaaS adoption among university students. *Transportation Letters: The international Journal of Transportation Research*, pp. 1-14,

economic perspectives, explores the factors underlying sustainable mobility decisions, thereby contributing to the fine-tuning of transport-related emission reduction policies. The external authors of the study are Willy Kriswardhana and Domokos Esztergár-Kiss, researchers at the Department of Transport Technology and Economics of the Budapest University of Technology and Economics.

- The study “How do the divestment trends correlate with the green transformation of oil and gas companies?”¹⁶⁹ examines how oil and gas companies are transforming their fossil fuel-based portfolios. The external author of the study is Éva Bartalos, a doctoral candidate at the Corvinus University of Budapest.

In the field of research support, the MNB contributed to the work of several academic journals through peer review activities. The strengthening of the domestic professional community is supported by the fact that experts in the MNB regularly review manuscripts submitted to academic journal editorial boards. During 2025, peer review collaboration took place with, among others, the following journals: Financial Innovation, Economic Review, Hungarian Statistical Review, Financial and Economic Review, Periodica Polytechnica Social and Management Sciences, and Strategic Issues of Northern Hungary.

5.1.2 Higher education and expert training programmes

In Hungary, education in sustainable finance is continuously expanding, as an increasing number of universities offer dedicated programmes and courses in this field. The expanding institutional selection and growing student interest indicate that sustainable finance literacy is developing in Hungary and that the associated career opportunities are becoming increasingly diverse.

The MNB research hub was also involved in the activities of several Hungarian and international universities and training programmes during 2025.

Domestic programmes:

- At the Budapest University of Technology and Economics, the “Sustainable Finance” course was delivered for the third consecutive year within the MBA master’s programme, with MNB colleagues participating among the lecturers. The course focused on topics such as green financial products, ESG, the green role of central banks, and sustainability-specific financing mechanisms.

- At the University of Szeged, the MNB supported the “Introduction to Sustainable Finance” course through expert lectures.
- At the National University of Public Service, within the master’s programme in Governance and Leadership, the course entitled “International Economy, External Economic Relations” included a professional lecture addressing sustainable finance from the perspective of international cooperation.
- Within the Corporate Diplomacy Programme of the Hungarian Diplomatic Academy, the lecture focused on the market applicability of sustainable finance.

International training programmes:

- A presentation at the University of Katowice focused on the significance of the green hypothesis and the preferential capital requirement.
- A guest lecture delivered at Newton University in Prague presented the theoretical and practical aspects of green finance, highlighting the activities of the MNB.
- A presentation to SCOPE Maastricht, the study association of the Faculty of Business and Economics at Maastricht University, the second largest student organisation in Europe, introduced students to the environmental sustainability mandate of the MNB.

5.2 INTERNATIONAL CAPACITY-BUILDING TRENDS AND THE PARTICIPATION OF THE MNB IN INTERNATIONAL NETWORKS

Capacity gaps constituting important structural challenge for the sustainable financial system have also been fundamentally recognised at international level. While global financial institutions and the supervisory authorities and large corporations in advanced economies have adequate resources for training experts, developing reporting systems and integrating new regulatory requirements, SMEs, authorities in emerging economies and the civil sector often face significant professional and institutional constraints. This asymmetry not only slows the pace of transition but may also lead to persistent inequalities in access to green finance. Capacity development is therefore now regarded by international financial institutions – including the IMF, the World Bank, UNDP and UNEP FI – as a core mandate.

¹⁶⁹ Bartalos, Éva – Sárvári, Balázs (2025): How do the divestment trends correlate with the green transformation of oil and gas companies? *Society and Economy*. pp. 175-198.

Global trends indicate that sustainable finance capacity development is increasingly structured along three main dimensions.

- 1) Countries and regions increasingly support their own sustainability regulatory packages (e.g. the EU Taxonomy and ASEAN Green Bond Standards) with more detailed guidance and targeted training programmes to ensure that market participants understand and are able to implement the requirements.
- 2) Financial supervisors and central banks – including members of the NGFS – have engaged in intensive knowledge sharing to ensure that the management of climate and nature-related risks is based on harmonised, data-driven methodologies.
- 3) The digital transition of capacity development has also accelerated: e-learning platforms, online academies and hybrid training programmes enable a broader range of institutions to access relevant knowledge.

The growing demand for capacity development is clearly reflected in new initiatives specifically designed to disseminate knowledge on sustainable finance. The rapid expansion of CASI (Capacity-building Alliance of Sustainable Investment), the development of the SBFN (Sustainable Banking and Finance Network), and the capacity development strategies of the IMF all indicate increasing emphasis on inclusive, regionally adapted knowledge transfer. These institutions not only provide training but also develop standards and methodologies that support the measurement of transition risks, the reduction of data gaps, and the dissemination of professional risk management practices.

Against this backdrop, green finance capacity development will be a key determinant in the coming years for the achievement of sustainability objectives. International experience shows that a successful transition can only be achieved where training, technical support, regulatory cooperation and resource allocation operate in a coordinated manner. The stability of the financial system increasingly depends on whether decision-makers are able to manage complex environmental and social risks, and whether market participants have the tools and skills required to enable the green transition both technically and strategically.

5.2.1 MNB international cooperation and knowledge sharing

Participation in international professional networks is an important element of sustainable finance capacity

development. It is noteworthy that the MNB is an active member of the NGFS Expert Network on Capacity Building, which provides professional coordination and knowledge exchange for central banks and supervisory authorities worldwide. Participation enables the MNB to become familiar with the latest regulatory and supervisory practices, which can also be integrated into domestic practice.

Among the programmes implemented through international cooperation, an important milestone was the workshop organised jointly with the Capacity Building Alliance of Sustainable Investment (CASI). The event held on 25 August 2025 under the title *Extracting the Potentials of Sustainable Finance. Extending Incentives and Lowering Systemic Risks* aimed to explore how capacity building can contribute to financial stability and the modernisation of risk management.

In addition to work within institutional networks, MNB experts participated in numerous internationally relevant conferences, contributing to knowledge-sharing panel discussions and delivering presentations. These include, inter alia, the NGFS European Plenary Conference, the ECB–NGFS workshop on nature-related risks, a presentation at the GARP Budapest Chapter Meeting on sustainability issues in the insurance sector, a lecture delivered to South Korean central bankers on green preferential capital requirement, as well as participation in the 9th Annual Workshop of the European System of Central Banks. MNB experts also delivered presentations at, inter alia, the Winter Conference of the Hungarian Economic Association and the MCC Climatters conference.

5.2.2 Participation in technical cooperation programmes

Sustainability also played a prominent role in the MNB Technical Cooperation Programme in 2025. Launched in 2023, the initiative aims to strengthen institutional international network, showcase MNB best practices, and foster dialogue on central banking issues.

In 2025, reflecting the challenges of a rapidly changing global economic environment, the programme was entitled “Stability in Transitions”. It highlighted the key balance central banks must strike between adapting to constant change and maintaining financial stability. During the 2025 Technical Cooperation Programme, a total of 102 participants from 27 countries came to Budapest from the Balkan, Eastern and Central European, Caucasian, Middle Eastern, Central Asian and East Asian regions. As in previous years, the largest share of participants (42 per cent) came from the Central, Eastern and South-Eastern Europe (CESEE) region, while the second largest group (28 per

cent) originated from Central Asia and the Caucasus. Within the framework of the Technical Cooperation Programme, across 16 training days of four professional seminars, 64 MNB lecturers delivered a total of 67 presentations and 17 interactive group work sessions and roundtable discussions.

The 2025 programme began with the seminar “Green and Sustainable Finances – Introducing the MNB Green Programme”, held in Budapest between 14 and 17 April 2025. The seminar was held with significant interest, with nearly 30 central banking and financial supervisory experts participating from a total of 17 countries, including Albania, Bosnia and Herzegovina, Georgia, Indonesia, Kazakhstan, Oman and Uzbekistan. Over the 4-day programme, participants gained a detailed overview of the sustainability strategy of MNB, carbon footprint reduction initiatives, climate stress tests, green mortgage lending, as well as the management of ESG and biodiversity risks. The seminar provided not only theoretical knowledge but also opportunities for direct exchange of experience through practical workshops and interactive exercises.

5.3 THE ROLE OF SCIENTIFIC AWARDS AND RECOGNITION SYSTEMS IN THE DEVELOPMENT OF SUSTAINABLE FINANCE CAPACITIES

High-quality research and the application of innovative approaches are key prerequisites for the development of sustainable finance. This is supported by research-oriented incentives, in particular scientific awards and publication-based recognition. This is particularly important in a period when sustainability-related topics require a rapidly expanding, multidisciplinary knowledge base, and when financial institutions increasingly rely on scientific analysis in identifying and managing risks.

5.3.1 Overview of the 2025 Green Finance Science Awards and awardees

Since 2021, the MNB has issued its call for the Green Finance Science Awards and research initiative. This call provides an opportunity for the domestic professional community to become more closely integrated into the international scientific discourse, while also encouraging domestic researchers, students and practitioners to actively contribute to the theoretical and practical development of sustainable finance.

In the 2025 call, the award selection process was also based on open nomination and application, with decisions taken by the Green Finance Scientific Council. In 2025, the award scheme comprised three main categories: the

International Green Finance Lifetime Achievement Award (to be formally presented in 2026), the Green Finance Science Talent Award, and the Science Research Initiative for Green Finance.

In 2025, the Green Finance Science Talent Award was awarded to András Szeberényi. András Szeberényi is a college lecturer at the Institute of Marketing and Communication of the Budapest Metropolitan University, as well as Head of the Marketing Department and the Marketing MSc programme. The Talent Award is granted to early-career researchers (under 41 years of age) who have achieved outstanding results in the field of green finance through their research and publication activities. András Szeberényi's work, combining the theoretical and empirical dimensions of sustainable finance, contributes to enriching the domestic academic discourse. In his scientific publications and books, he examines the Sustainable Development Goals, energy efficiency, renewable energy sources, climate change, and climate anxiety. This award highlights the importance of young talent in further strengthening the pool of sustainable finance experts in Hungary.

The fifth call of the Science Research Initiative for Green Finance received 16 research plans, of which four were awarded.

- **1st place: Márton Simó, Ioannis Gutzianas, Áron Dénes Hartvig and Bence Kiss-Dobronyi.** Their research plan focuses on the impact of climate-related damages on price stability and sectoral price developments in Hungary. The aim of the research is to integrate the latest available climate damage estimates into an innovative macroeconomic model, enabling the forecasting of the impact of risks on price stability, specifically in the Hungarian context. Márton Simó is an economist at Cambridge Econometrics; Ioannis Gutzianas is an economist at The Vienna Institute for International Economic Studies; Áron Dénes Hartvig is a researcher at IIASA; and Bence Kiss-Dobronyi is an advisor at the World Bank and a PhD candidate at the Corvinus University of Budapest.

- **2nd place: Anita Lovas and Balázs Bence Kotró.** The research focuses on identifying hotspots of corporate-level (micro) nature-related risks, where risk clusters are formed based on corporate biodiversity risks and PAI (Principal Adverse Impact) metrics. Using network analysis, the study examines how financial losses, volatility and risks may propagate across these groups, i.e. whether “contagious” corporate cores exist that transmit nature-related risks to less exposed entities. Anita Lovas is an associate professor at the Institute of Finance and a senior

researcher at the Sustainable Finance Research Centre of the Corvinus University of Budapest. Balázs Bence Kotró is a researcher at the Institute of Finance and the Sustainable Finance Research Centre of the Corvinus University of Budapest.

- **3rd place: Barbara Dömötör and Ferenc Illés.** Their research plan is based on the recognition that traditional credit risk models are typically built on historical financial indicators and market data, while climate-related risk dynamics may induce structural breaks that need to be accounted for in the use of historical data and the calibration of model parameters. The aim of the research is to examine the usability of historical time series and the predictive capacity of credit risk parameters. Barbara Dömötör is an associate professor at the Institute of Finance of the Corvinus University of Budapest. Ferenc

Illés is an assistant lecturer at the Institute of Finance of the Corvinus University of Budapest.

- **The Special Prize was awarded to the HUN-REN Centre for Economic and Regional Studies of the Hungarian Academy of Sciences for the research proposal plan by John Szabó, entitled “The Impact of Monetary Policy on Solar Power Plant Developments”.** Its expected results shed light on the causal relationships between monetary policy and the financing environment, investor expectations, and thus the development of solar energy projects. The analysis of the role of monetary policy in a changing inflationary, regulatory and subsidy environment yields new theoretical insights on the energy transition. John Szabó is a research fellow at the HUN-REN Centre for Economic and Regional Studies of the Hungarian Academy of Sciences.

Box 11

The evolution and phases of sustainable finance research

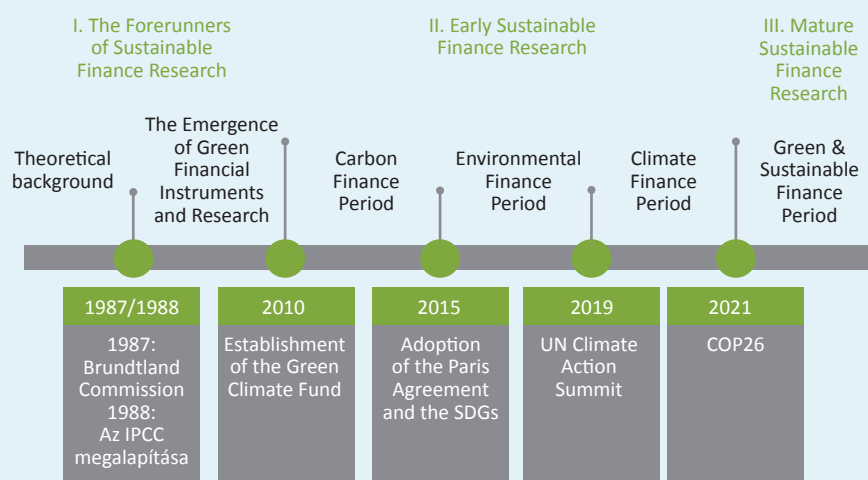
Research on sustainable finance is fundamentally shaped by the dynamics of three factors: conceptual diversity, scientific findings, and policy priorities. As a relatively young field, its concepts and research topics evolve rapidly in response to developments in the academic literature and shifts in policy direction. This rapid evolution necessitates conceptual clarification in order to distinguish, for example, between carbon, environmental and climate finance, as well as between green and sustainable finance. For interpreting and planning the development of sustainable finance research, it is also essential to adopt a data-driven periodisation of research topics that takes into account scientific findings and policy priorities.

These two objectives were set by a study (Sárvári et al., 2026) published in 2026 in the journal *Sustainable Environment*. The study is based on a large dataset comprising 4,436 scientific publications, created by merging the Scopus and Web of Science databases, covering the period 2001–2024. The bibliometric analysis reveals publication trends, keyword and citation networks, as well as geographical and institutional patterns. Overall, the results indicate that sustainable finance research has developed dynamically, become thematically diverse, and is increasingly closely linked to regulatory initiatives, financial innovations, and sustainability objectives.

One of the key contributions of this study is the periodisation of the sustainable finance literature. The analysis shows that conceptual diversity is not parallel in nature, but rather the result of partly sequential, clearly identifiable stages of development. The authors identify three main periods (see Chart 5.1). The first period spans from the 1970s to 2010. During this period, the theoretical foundations were established, and following the publication of the Brundtland Report, the first green financial instruments and targeted research emerged. This is followed, after the establishment of the Green Climate Fund (2010), by the eras of carbon, environmental and climate finance. This collectively constitutes the early period of sustainable finance research, lasting until 2021, up to COP26. This is followed by the mature research period, characterised by green and sustainable finance. This periodisation also highlights that scientific research often lagged behind institutional and market innovations, while over time it became a structured and autonomous field of study.

The work of the research group formed by researchers from the MNB and the Corvinus University of Budapest not only helps interpret past developments but also provides guidance for identifying future research and policy directions. This is particularly relevant for central bank and regulatory thinking, where green finance is increasingly becoming an integral part of financial stability, risk management and sustainable growth. The authors highlight that three research areas have expanded dynamically in recent years and are expected to shape future research: the development of climate risk management tools, the standardisation and critical assessment of ESG criteria, and the integration of perspectives from developing countries. In addition to specific thematic areas, the further spread of interdisciplinary methodologies is also expected in sustainable finance research. According to their projections, key policy questions will be concentrated around the following areas: financing green technologies, the use of large-scale databases in sustainable finance, and the development of sustainable finance literacy.

Chart 5.1
Periods of sustainable finance research



Source: Sárvári B., Kuncz I. and Németh P. (2026): *Periodizing Sustainable Finance Literature: A Comprehensive Bibliometric Review & Future Directions*. *Sustainable Environment*. 12(1)

6 Overview of the NGFS recommendations and the measures implemented by the MNB

The NGFS, a global network of central banks and financial supervisory authorities, aims to develop recommendations and action proposals¹⁷⁰ regarding the role of these institutions in addressing environmentally related risks, thereby supporting the management of such risks and the expansion of green finance. Among other considerations, the MNB develops and refines its sustainability programmes taking these recommendations into account.

In 2026, the MNB also plans to implement a number of measures to ensure that sustainability considerations are properly integrated into the operations of supervised institutions. In addition to ensuring legal compliance, the supervisory measures also support the preparedness of the domestic financial sector.

The differing levels of sustainability activity among central banks are assessed by the SUSREG report published annually by the WWF, the world's largest environmental organisation, in which the MNB has ranked highly for years.

6.1 THE DOMESTIC GREEN FINANCE MARKET BASED ON THE NGFS DASHBOARD

The NGFS developed in 2021 an indicator framework designed to monitor the development of green finance. Each year, the MNB reviews the indicators revised in 2022 that are relevant from a domestic perspective and also publishes them in the current edition of the Green Finance Report. When interpreting the indicators, the focus is placed on analysing trends rather than on the specific values themselves.

Based on the indicators published since last year's report, the environmental sustainability of the real economy has improved, while environmental risk indicators have generally remained unchanged. The picture is mixed with regard to the mobilisation of green finance: in bond markets, the stocks of green products have generally declined, while the share of green assets in credit markets and various asset management portfolios has generally increased.

6.2 NGFS RECOMMENDATIONS AND THE RELATED MNB MEASURES

Below, we summarise the measures implemented by the MNB in 2025 in line with the recommendations of the NGFS (Table 4).

In October 2025, the MNB clarified, in a management circular, its expectations for credit institutions regarding the

definition of green residential properties constructed before 31 December 2020. Through the circular, the MNB aims to support the harmonised application of the law and to promote the consistent application of prudential requirements.

Following the comprehensive review conducted in 2025, the MNB extended and, in certain respects, expanded its Green Preferential Capital Requirement Programme. As part of the amendments, the range of eligible financing purposes was further expanded to include, among others, rail transport development, agricultural irrigation development and activities supporting the transition to a circular economy; in addition, sustainability-linked loans and bonds were also incorporated into the programme. The MNB also supports the utilisation of the preferential treatment through practical guidance materials.

In December 2025, the MNB issued its recommendation on the use of ESG- and sustainability-related terms in the names of investment funds. The purpose of the recommendation was to facilitate the domestic application of the relevant Guidelines on funds' names issued by the ESMA and to reduce the risk of greenwashing in the investment fund market. The publication of the revised and expanded version of the SFDR Q&A in March 2025 supported both the proper information of clients and the legal compliance of institutions.

The integration of climate change-related risks into the supervisory process is further supported by the

¹⁷⁰ [NGFS \(2019\): A call for action Climate change as a source of financial risk](#)

Table 4
NGFS Dashboard

Category	Indicator	Unit	HU last year's value	HU this year's value	EU average	Reference period	Change
Real economy (1. chapter)	Share of area under organic farming within the agricultural area	%	6.30	6.07	9.10	2024	▼
	Share of renewable energy sources in total final energy consumption	%	17.12	18.26	25.20	2023	▲
	Energy intensity of the economy	Oil equivalent (kg)/€1000	87.36	83.82	73.77	2024	▲
	CO2 emissions per unit of value produced	CO2e gramm / €	376.62	340.25	197.24	2023	▲
	EU ETS CO ₂ market price	EUR/tCO ₂ e	76.00	78.70	78.70	2025	▲
Risk (2. chapter)	Ecological deficit (biocapacity – ecological footprint)	Million global hectares/capita	1.07	1.06	n/a	2024	▲
	Bank Carbon Risk Index (Linear)	%	4.81	5.24	n/a	2025	▼
	Bank Carbon Risk Index (Gompertz)	%	10.74	10.57	n/a	2025	▲
	Ratio of green bonds – central government - stock	%	4.90	4.90	n/a	2025	■
	Ratio of newly issued green bonds – central government	%	4.58	2.41	n/a	2025	▼
Mobilisation (3. chapter)	Ratio of green bonds – companies - stock	%	22.45	19.37	n/a	2025	▼
	Ratio of newly issued green bonds – companies	%	1.53	0.00	n/a	2025	▼
	Ratio of green covered bonds – financial institutions - stock	%	12.92	14.00	n/a	2025	▲
	Ratio of newly issued green covered bonds – financial institutions	%	7.11	10.98	n/a	2025	▲
	Ratio of other green bonds – financial institutions - stock	%	6.04	6.76	n/a	2025	▲
	Ratio of newly issued other green bonds – financial institutions	%	19.50	5.70	n/a	2025	▼
	Ratio of green corporate and municipality loans	%	5.41	6.96	n/a	2025	▲
	Green/ESG based investment funds – stock	%	10.24	12.74	n/a	2025	▲
	Insurance sector – ratio of green unit-linked funds	%	7.58	9.05	n/a	2025	▲
	Green/ESG based voluntary pension funds	%	0.48	0.52	n/a	2025	▲
Global Initiatives (4. chapter)	Ratio of banks joining global initiatives on sustainability - by number of institutions.	%	67.00	67.00	n/a	2025	■
	Ratio of banks joining global initiatives on sustainability - by balance sheet of institutions.	%	88.38	88.92	n/a	2025	▲

implementation of the EBA/GL/2025/01 Guidelines on the management of ESG risks, which the MNB carried out through the revision of its green banking recommendation.

Recommendation No. 2/2026 (III.6.) of the MNB on green banking represents an important milestone in the further development of the domestic sustainable finance framework. The new recommendation not only reinforces the previously established expectations but also significantly elaborates on their practical implementation, thereby supporting the substantive preparedness of financial institutions.

In response to EU regulatory developments, the MNB issued a management circular on the disclosure of ESG

risks (Pillar 3), aimed at addressing the transitional legal application environment. The proactive communication of the MNB is of particular importance in this context, as it provides clear guidance to market participants in an uncertain regulatory environment and reduces the risks arising from divergent legal interpretations.

In 2025, the MNB further expanded its sustainability-related data disclosure practices, with particular regard to stock data on housing loan collateral. The information disclosed in this manner contributes to a better understanding of climate risks within the financial system and supports the decision-making of market participants.

Table 5
NGFS recommendations and MNB measures

#	Proposal	MNB measures
1	Integration of climate-related risks into the macro- and micro-prudential supervisory authority practices	Conducting long-term and short-term climate stress tests in the Hungarian banking sector
		Conducting climate risk stress tests and climate risk preparedness analysis of the insurers' assets
		<i>Review and supplement of the MNB green recommendation for credit institutions with requirements for ESG risk management</i>
		Issued the Green Recommendation for Insurers
		Conducted an analysis covering the entire Hungarian banking sector in relation to compliance with the MNB's Green Recommendation
		<i>Issuance and supplementation of an ESG minimum questionnaire recommendation for credit institutions</i>
		MNB and OECD project to assess the financial risks from biodiversity loss
2	Integration of the sustainability aspects into the central banks' portfolio management activities	<i>The Green Preferential Capital Requirements Programme has been renewed and expanded, and a background study for risk assessment has been published</i>
		Created a dedicated green portfolio
3	Finding a solution for data deficiencies	A requirement is set to report green data under the Green Preferential Capital Requirement Programme
		<i>The green data disclosure requirement has been extended</i>
4	Raising awareness and expanding the relevant knowledge base, providing technical assistance, encouraging knowledge sharing	<i>Further development of the green financial product finder to inform investors</i>
		Published the methodology for long-term and short-term climate stress tests
		Signed the UN Guiding Principles for Responsible Banking as a supporter
		Continues the university education and research programs, banking and capital market training courses
		Publication of green financial reports, articles and studies
		Organization of international green conferences
		Organization of the MNB Technical Assistance Programme for green finance
5	Establishing well-founded and internationally consistent disclosure procedures on climate change and environmental risks	The Green Recommendation issued for credit institutions includes a compilation of data and methodological resources
		Published a climate change-related financial report (TCFD report)
		The MNB has issued a management circular on the disclosure of ESG risks (Pillar 3)
		<i>The issuance of an MNB name usage recommendation for investment funds</i>
6	Supporting the development of a taxonomy system	Supporting compliance with SFDR obligations by releasing an expanded and updated version of Q&A
		Ensures the simplified application of the EU green taxonomy under the Green Preferential Capital Requirement Programme
		<i>Executive circular on the definition of green residential properties</i>

Note: The measures in italics are new compared to the previous year's report.

6.3 EXPECTED SUSTAINABILITY INITIATIVES OF THE MNB IN 2026

The management of sustainability risks features prominently in the MNB supervisory strategy for the period 2026–2031. At the end of 2025, the Financial Stability Council of the MNB adopted a new supervisory strategy covering the period 2026–2031,¹⁷¹ which continues to focus on ensuring the prudent operation of the domestic financial intermediary system while taking consumer interests fully into account. Sustainability also features prominently among the strategic objectives. Accordingly, the MNB places particular emphasis on the proper management of ESG risks in the financial sector, supporting institutions in the sustainability transition (including facilitating the adaptation of the financial sector, promoting green finance, and supporting the spread of sustainable and ESG products), as well as on financial education related to sustainability and strengthening environmental sustainability awareness.

In 2026, the MNB will also assess the implementation of several of its sustainability recommendations at sector level. In addition to conducting individual inspections of supervised institutions, the MNB also regularly performs inspections covering entire sectors, enabling it to obtain a comprehensive picture of the functioning of the given sector with regard to the examined issue. An example of this is the 2024 assessment of the green recommendations for the banking and insurance sectors. The MNB plans to apply a similar approach in relation to its ESG minimum questionnaire recommendation in order to assess compliance with the expectations that entered into force on 1 July 2025, as well as the practical experience gained during lending activities.

The MNB will also assess the preparedness of the insurance sector in light of the changing requirements under the Solvency II framework applicable from 2027. The green recommendation for the insurance sector issued by the MNB in 2023 entered into force on 1 January 2025. The MNB assessed institutional compliance in the course of comprehensive inspections. However, in 2026 it is timely

to assess the preparedness of the sector as a whole, as the Solvency II Directive will introduce a number of new sustainability-related requirements from 2027 onwards. The provisions set out in the green recommendation for the insurance sector provide an appropriate foundation for institutions; however, further steps will be necessary to achieve full compliance.

In the case of credit institutions, the MNB intends to place the emphasis on supporting compliance with the new regulatory requirements. Due to the regulatory changes already described in detail above, banks are required to take a number of steps in order to manage ESG risks and prepare prudential transition plans. Beyond issuing the new green banking recommendation, the MNB also intends to support institutions through communicating supervisory expectations, holding regular consultations and sharing good practices. The latter also relates to the domestic implementation of the EBA Guidelines on the scenario analysis of environmental risks.

The further development of supervisory risk models will also continue. The MNB currently applies a number of tools to identify and measure climate risks in the domestic financial sector. Their methodological development and the incorporation of international good practices will continue in 2026 as well, primarily in the area of climate stress testing. Furthermore, the MNB also intends to further develop its approach to measuring risks arising from nature degradation.

The range of sustainability data published by the MNB may be further expanded in 2026. The Bank continuously assesses which data disclosures could support supervised institutions and financial professionals in their work. In this spirit, the content available on the MNB green website and green data disclosures are being gradually expanded. Also falling within this scope was the 2025 issuance of the management circular on the definition of the top 15 per cent of domestic residential properties, which may be followed in 2026 by the publication of information relating to commercial real estate.

¹⁷¹ [The MNB's supervisory and consumer protection strategy](#)

Box 12**The 2025 WWF SUSREG report**

The World Wide Fund for Nature (WWF) is the world's largest nature conservation NGO and also undertakes numerous efforts in Hungary to preserve natural capital. Beyond its broad range of "traditional" environmental activities, since 2021 the WWF has also been assessing, in an accessible manner and supported by qualitative indicators in its annual report, the activities and performance of the world's central banks and financial supervisory authorities from the perspective of the transition to a sustainable economy. Their annually published report¹⁷² provides a detailed overview of the extent to which environmental, climate protection and social considerations have been integrated into financial regulation, supervisory expectations and monetary policy.

The report covers an increasing number of countries year by year and applies progressively more detailed indicators. In 2025, the WWF assessed data from 53 countries across the following dimensions: banking and insurance supervision; central banking activities; and as a new feature in 2025, the assessment of capital markets. A new comprehensive thematic assessment was also carried out within the banking and insurance pillars, focusing on deforestation, land-use change, as well as the ecological condition of freshwater ecosystems and oceans. In assessing the maturity of sustainable finance practices in the selected countries, indicators (such as supervisory monitoring, risk management, double materiality, processes and regulation, governance, remuneration, Taxonomy alignment and transition plans) were categorised using a qualitative framework based on their impact and the complexity of their implementation. The main findings of the report are as follows:

- Many supervisory authorities already refer in their guidance to impacts and dependencies related to biodiversity, water and ecosystems, but only a few translate these into detailed expectations. As a result, integration into core risk processes remains limited, uneven and largely experimental.
- While supervisory expectations are increasing, enforcement and implementation mechanisms remain weak. There is little evidence that supervisory authorities systematically monitor cases of non-compliance.
- The social pillar of ESG continues to receive relatively limited attention. Although closely linked to climate and nature, social risks are only rarely integrated into supervisory frameworks.
- Central banks have taken initial steps, but the integration of climate- and nature-related risks into core monetary policy operations remains very limited, mainly due to concerns related to market neutrality.

Based on the WWF report, the sustainability-related activities of the MNB also rank highly in an international comparison. It is noteworthy that, among the countries assessed, in the area of insurance supervision, only ten meet more than half of the environmental criteria in the report, and Hungary ranks among the leading performers alongside advanced economies such as Singapore and France. In the area of banking supervision, the MNB was likewise among the institutions receiving the highest scores. The report also refers several times to the good practices of the Hungarian central bank, including the fact that the MNB

- operates green preferential capital requirement programmes;
- expanded its climate-related financial risk disclosure framework (TCFD report)¹⁷³ from May 2025 to explicitly include ecosystem and biodiversity risks;
- set out expectations in one of its recommendations regarding the minimum questionnaire to be applied when assessing ESG information in the course of undertaking, measuring, managing and controlling credit risk;
- assessed and published the water-related risk exposure of the Hungarian banking system.

¹⁷² [2025 SUSREG Annual Report: An Assessment of Sustainable Financial Regulations and Central Bank Activities](#)

¹⁷³ [The MNB's Climate Change-related Financial Report](#)

Key acronyms and abbreviations

ÁKK – Government Debt Management Agency
BCRI – Bank Carbon Risk Index
BCSDH – Business Council for Sustainable Development Hungary
BGS – Bond Funding for Growth Scheme
COP26 – 2021 UN Climate Change Conference
COP30 – 2025 UN Climate Change Conference
COP31 – 2026 UN Climate Change Conference
Corporate GPCR – Green Corporate and Municipal Preferential Capital Requirement Programme
CRD – Capital Requirements Directive
CRD VI – Sixth revision of the Capital Requirements Directive
CRR – Capital Requirements Regulation
CRR III – Third revision of the Capital Requirements Regulation
CSDDD – Corporate Sustainability Due Diligence Directive
CSRD – Corporate Sustainability Reporting Directive
EBA – European Banking Authority
ECB – European Central Bank
EIOPA – European Insurance and Occupational Pensions Authority
ESG – Environmental, Social and Governance
ESMA – European Securities and Markets Authority
EU – European Union
GARP – Global Association of Risk Professionals
GDP – Gross domestic product
GHG – Greenhouse gas
GPCR – Green Preferential Capital Requirement Programme
Housing GPCR – Green Housing Preferential Capital Requirements Programme
HPS – Home Purchase Subsidy Scheme for Families
ICAAP – Internal Capital Adequacy Assessment Process
ICMA – International Capital Market Association
IDD – Insurance Distribution Directive
ILAAP – Internal Liquidity Adequacy Assessment Process
IMF – International Monetary Fund
KPI – Key Performance Indicator
LMA – Loan Market Association
MiFID II – Markets in Financial Instruments Directive
NDC – Nationally Determined Contribution
NGFS – Network for Greening the Financial System
OECD – Organisation for Economic Co-operation and Development
ORSA – Own Risk and Solvency Assessment
SFDR – Sustainable Finance Disclosure Regulation
SLB – Sustainability-Linked Bonds
SLL – Sustainability-Linked Loans
SPT – Sustainability Performance Target
TCR – Total Cost Ratio
UN – United Nations
UNDP – UN Development Programme
UNEP FI – Finance Initiative of UN Environment Programme

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