

EU Taxonomy for Banks: Assessing Potentially Green Assets





EU Taxonomy Assessment for Banks: GAR – Initial Eligibility Screening

The EU Taxonomy assessment starts with a strategic screening of the banking book to identify assets that are potentially green (eligible).

Only these eligible assets move forward to the next stage, where they are subject to detailed alignment checks to confirm whether the asset qualifies as green (aligned).



Green Asset Ratio (GAR) assessment does not begin by assessing all assets. It starts only with the EUT-relevant portion of the banking book:

- ✓ assets that are on-balance sheet
- ✓ not excluded by regulation
- ✓ potentially subject to taxonomy eligibility



This strategic filtering significantly narrows the scope of assets requiring taxonomy alignment analysis.



GAR: Key steps to define eligible assets

1 Identify in-scope assets



The GAR assessment applies to on-balance sheet assets within the banking book¹



Asset types that are out of scope by regulation are excluded from the taxonomy assessment (e.g. derivatives, cash and cash-equivalents, goodwill, commodities, and other non-relevant categories)

2 Identify in-scope counterparties



Exposures to CSRD-reporting entities fall under the scope of the taxonomy assessment



Exposures to non-CSRD entities, central governments, central banks, and supranational issuers are excluded from the taxonomy assessment



Real estate, home renovation, and car loans to households are in scope for taxonomy assessment



Exposures to public authorities may be included in the assessment if the use of proceeds is known and finances taxonomy-eligible activities

3 Check that the financed activity (with known use of proceeds) is potentially green

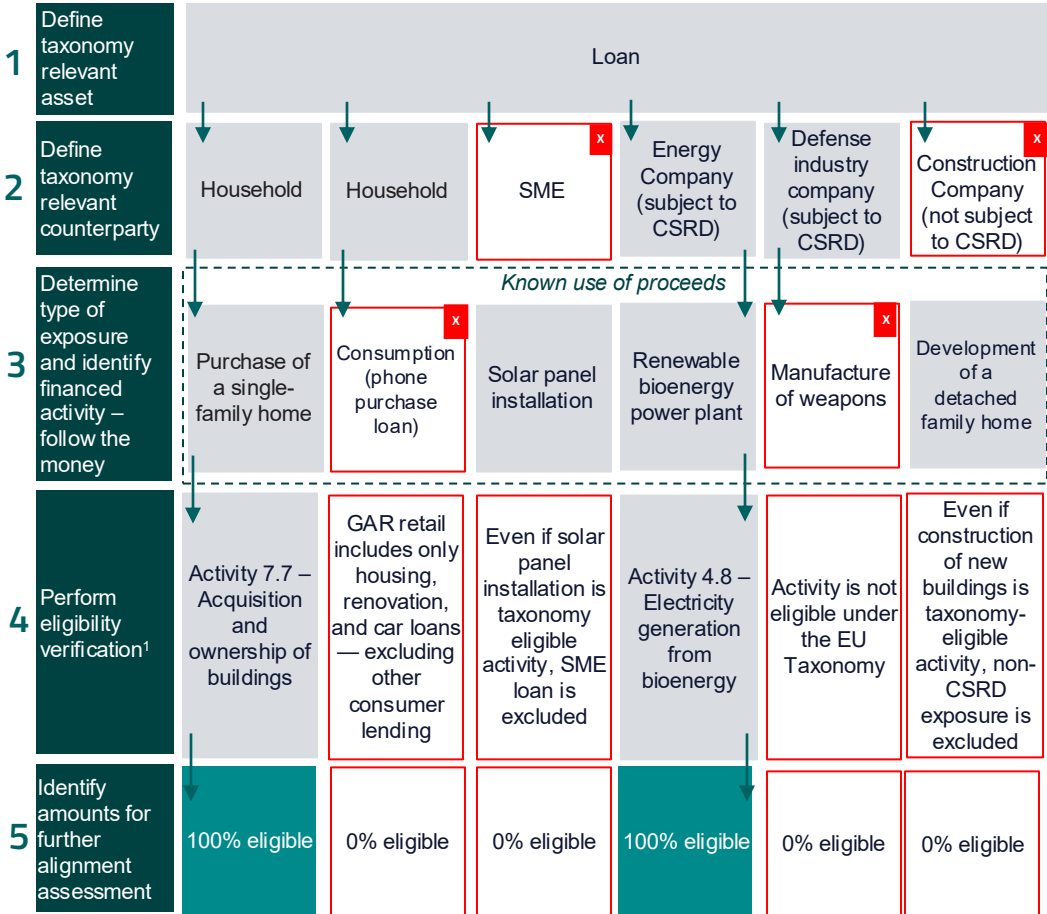


Only exposures that finance activities listed in the Climate or Environmental Delegated Acts are considered in the taxonomy assessment





EU Taxonomy for Banks: Example of Eligibility Check for Loans



1. Verify % of financing allocated to activities listed in Climate/Environmental Delegated Acts





EU Taxonomy for Banks: Example of Eligibility Check for Securities

1	Define taxonomy relevant asset	Derivatives x	Bond	Bond	Bond	Green Bond	Equity
2	Define taxonomy relevant counterparty	Bank (subject to CSRD)	Federal government x	Local government	Insurance company (subject to CSRD)	Retail company (not subject to CSRD)	Energy company (subject to CSRD)
3	Determine type of exposure and identify financed activity – follow the money	General purpose No underlying activity financed	Known use of proceeds House financing	Known use of proceeds House financing	General purpose Company-wide use of funds	Known use of proceeds Bonds issued under EU Green Bond Standard (EuGB)	General purpose Company-wide use of funds
4	Perform eligibility verification ¹	Derivatives are excluded from the numerator of the GAR	Exposures to central governments and supranational issuers are excluded	Activities 7 - Construction and real estate activities	Use insurer's KPIs to determine eligibility %	Bonds issued under EuGB are included regardless of CSRD status of issuer	Use company's KPIs to determine eligibility %
5	Identify amounts for further alignment assessment	0% eligible	0% eligible	100% eligible	X% eligible	100% eligible	X% eligible

1. Verify % of financing allocated to activities listed in Climate/Environmental Delegated Acts for known use of proceeds





Impact of the Omnibus Proposal on Eligibility Screening

1

Define taxonomy relevant asset

2

Define taxonomy relevant counterparty

3


Determine type of exposure and identify financed activity – follow the money

4

Perform eligibility verification¹

5

Identify amounts for further alignment assessment

<div><i>Omnibus impact</i></div>		
Loan	Loan	Loan (not material asset) x
Bank with 900 employees x	Retail Company 800 employees x	Local government x
General purpose	Known use of proceeds	Known use of proceeds
Company-wide use of funds	Recycled clothing production	Maintenance of subways
Only exposures to large entities (>1000 employees) are in scope under Omnibus	Even if recycled garment manufacturing is taxonomy-eligible, exposure to entity with < 1000 employees is excluded	Activity 6.14 – Infrastructure for rail transport
0% eligible	0% eligible	0% eligible

These assets were in scope for the taxonomy assessment prior to the Omnibus proposal. With the proposed changes, the number of exposures to assess and data points to collect would be reduced, leading to less effort required



However, the overall assessment approach remains unchanged

1. Verify % of financing allocated to activities listed in Climate/Environmental Delegated Acts for known use of proceeds



Interested in the full picture? Let's talk.



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