

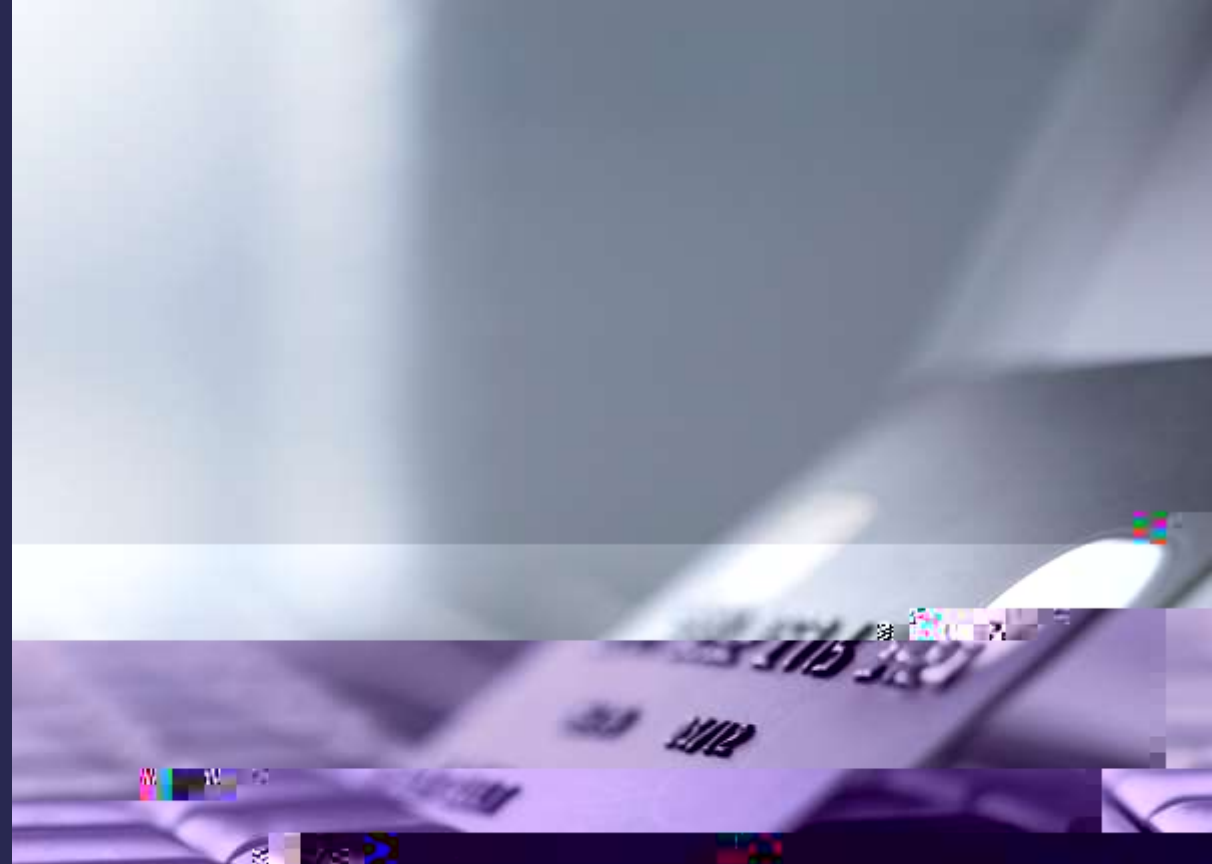
Sustainability considerations in Latvijas Banka

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17 January 2024
Bratislava



Developments in the macroprudential toolkit

Borrower-based measures: the
Green Factor





Rationale behind

- **Housing stock in Latvia overall is *quite old***

Less than 15% of total buildings are efficient in terms of energy efficiency certificates (EEC) grades (C+)

- **Increased demand towards cheaper and older housing**

Rising interest rates, continuously high prices for the new housing, limited availability of new and renovated housing

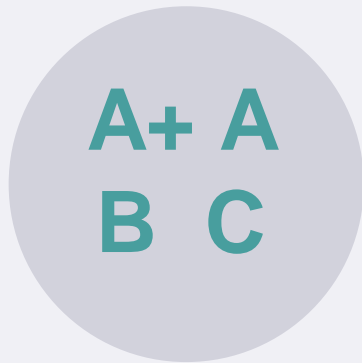
- **Slow construction and renovation**

Structural factors contribute to the small amount of construction of new buildings - as well as renovation of the existing buildings has been insufficient

- **Risks**

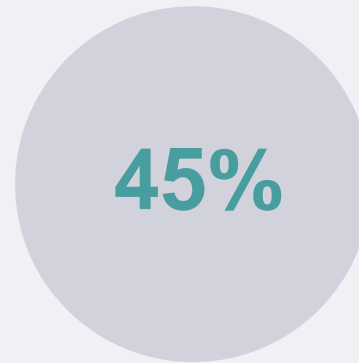
This deficiency can lead to collateral risks and solvency risk of borrowers as well to risk of formation of stranded assets given the climate related targets – affects financial institutions and borrowers

Adjustments in the BBMs framework for loans acquiring energy efficient housing – in force as of 1 January 2024



Energy efficiency certificates (EEC)

- As of now only 15% of the housing stock
- Not only new (A and A+), but also supports renovation (B and C)



Debt-service-to-income (DSTI)

- Higher interest rates - DSTI more binding
- Saved costs towards heating redirected to debt servicing



Debt-to-income (DTI)

- Calibrated proportional to DSTI
- Up to 8 for greater policy support
- Lower interest rates - DTI more binding



Thank you for your attention!

