



European Bank
for Reconstruction and Development



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EBRD spurs municipal energy efficiency projects via Erste Bank Hungary

€15 million loan for on-lending for energy efficiency projects to be implemented by Hungarian municipalities

In cooperation with the European Bank for Reconstruction and Development (EBRD), Erste Bank Hungary is introducing a loan facility to stimulate energy efficiency projects in Hungarian municipalities. The agreement on the loan programme, which will be backed by EU grant funding, was signed by the two banks today.

Under the facility, the EBRD is providing Erste Bank Hungary with a EUR 15 million loan for on-lending to Hungarian municipalities, municipal companies as well as private energy saving companies providing services to local authorities. The financing will support the upgrade of energy efficiency infrastructure, including the modernisation of heating and lighting systems, replacement of outdated boilers and improvements to the thermal insulation of buildings.

Awareness of the benefit of energy efficiency has increased in recent years, but local municipalities still rely almost exclusively on government funds and EU grants for modernisation of their infrastructure. With EBRD support Erste Bank Hungary will increase the availability of private funding for energy conservation and/or renewable energy projects for municipalities and energy saving companies in Hungary, helping to improve the energy efficiency of this sector.

In order to further improve the financial efficiency of projects, the EBRD loan facility is supplemented by a European Commission subsidy that helps municipalities assess energy savings opportunities originating from infrastructure rehabilitation projects and evaluate financial feasibility of the projects. The subsidy is based on estimated levels of energy savings, and could be as high as 20 per cent of debt portion of total project costs.

“The EBRD is continuing to finance the economies of countries within its area of operation especially at a time of continued economic uncertainty. We are confident this loan facility will contribute to strengthening trust in the Hungarian economy and the further development of the municipal sector”, said Ülle Müürisepp Gutierrez, Head of Budapest Resident Office of the EBRD.

“The loan facility agreement with the EBRD will enable municipalities to have the chance to launch energy savings investments that have been put off for a long time and reducing expenses in the long term at a considerable rate. The loan and the related non-refundable subsidy were designed as an efficient response to

an increasing demand for energy savings on the part of municipalities. Energy costs represent a considerable bulk in the annual budget of Hungarian municipalities, also owing to outdated heating and lighting systems, as well as low-efficiency insulation of municipal institutions. The implementation of the loan facility was also an evidence of Erste Bank Hungary's intention to remain a key financial partner for the Hungarian municipal sector. It is Erste Bank Hungary's primary objective to finance investments that make considerable contribution to reducing municipalities' operating costs and rationalising their institutional system, providing the basis for financially sustainable long-term operation", said Károly Redling, Head of Municipal Division at Erste Bank Hungary.

The EBRD has committed more than €360 million in new funds for the financial institutions sector in countries of its operations so far in 2011. Since the beginning of its operation in Hungary, the EBRD has invested over €2.4 billion across more than 164 projects in the infrastructure, corporate, energy and financial sectors.

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The EBRD, owned by 61 countries and two intergovernmental institutions, is supporting the development of market economies and democracies in countries from central Europe to central Asia. www.ebrd.com

Erste Bank Hungary has grown to be one of the biggest banks in the Hungarian market according to its branch network and number of clients. The financial institution serves nearly 900,000 customers in its nationwide network of 184 branches, and operates in addition 450 ATMs and about 6 000 POS terminals. As of 31 December 2010 Erste Bank Hungary has reached HUF 2.984 billion in total assets, and a net profit of HUF 109 million. In 2010 Erste Bank Hungary has been voted as "The Most Innovative Bank" on the MasterCard 'Bank of the Year' competition. www.erstebank.hu