



**Sustainable Finance Department
Bangladesh Bank
Head Office**

Quarterly Review Report on Sustainable Finance of Banks & Financial Institutions



April-June, 2021

Executive Summary

Sustainability, Sustainable Finance and Sustainable Banking are the terms those are very much correlated and intensively supplementary to each other. The COVID-19 pandemic has given a atrocious reminder about the need for emphasizing these terminologies to strengthen the resilience of our economy as a whole. There is no doubt about the fact that decisions made under the current circumstances could shape the real economy and financial ecosystem for coming years. Bangladesh Bank has timely intervened in the manner that it demands in the pandemic scenario to ensure the effective contribution by banks and NBFIs. The newly evolved Sustainable Finance Policy aims to support the financing of the transition to a sustainable economy by ensuring action through financing with inclusiveness, resilience and contribution of the financial system and national aspirations.

Sustainable finance is a key factor to influence sustainable outcomes. The banking sector will play an important role in redefining and helping to support the transition from exploiting nature to restoring nature. There financing will be more focused on projects/products/initiatives which are aimed at the preservation of resources linked to sustainability, namely human, social, economic and environmental. BB has been working as a regulator of banking industry with providing guidelines timely so that financing by banks and NBFIs can be at the expected level to ensure meeting the present needs but definitely without compromising the ability to meet those of future. BB has always been keen to see sustainable banking. It has already issued guidelines for – green and sustainable finance, environmental and social risk management, and such more considering the requisition of time. It has planned to introduce guidelines for carbon footprint, green business center, green governance, etc. very shortly. The activities of the banking sector regulator are not only confined in introducing these guidelines but also to have a keen and intense monitoring for making the sector sustainable. Sustainable banking will bring business benefits and sustainable banks/FIs will have higher sustainable profitability and stronger growth than other banks/NBFIs.

This report entails the information on all the policy initiatives and operational approaches on Sustainable finance taken by BB, and the Sustainable Finance activities of Banks & FIs from April 01 to 30 June 2021 timeline. It also covers green finance/investment by 61 Scheduled Banks and 34 NBFIs under refinance scheme.

Green Finance by Banks in April-June, 2021

17,081.49 million BDT

Green Finance by FIs in April-June, 2021

799.49 million BDT

Sustainable Finance by Banks in April-June, 2021

166,635.13 million BDT

Sustainable Finance by FIs in April-June, 2021

2,284.87 million BDT

1. Introduction

COVID-19 is being treated as a whistle-blower for sustainable finance. This pandemic has affected every aspect of society and financial services are no exception. The crisis has augmented the materiality of ESG risks faced by the sector, with profound implications of investment, operational and balance sheet risk. In this context, sustainable finance will need to be assessing ESG risk carefully. For implementing the evolved regulation, banks and NBFIs must contribute actively to this area and play a key role in pushing the transition to a low-carbon, sustainable economy. Financing environment-friendly projects/products/initiatives, facilitating investments with ambition to achieve ambitious sustainability targets is what sustainable finance is about and it is growing immensely. The Covid-19 pandemic has raised need for even greater emphasis on sustainable development and related investments and re-financing measures and is also taking action.

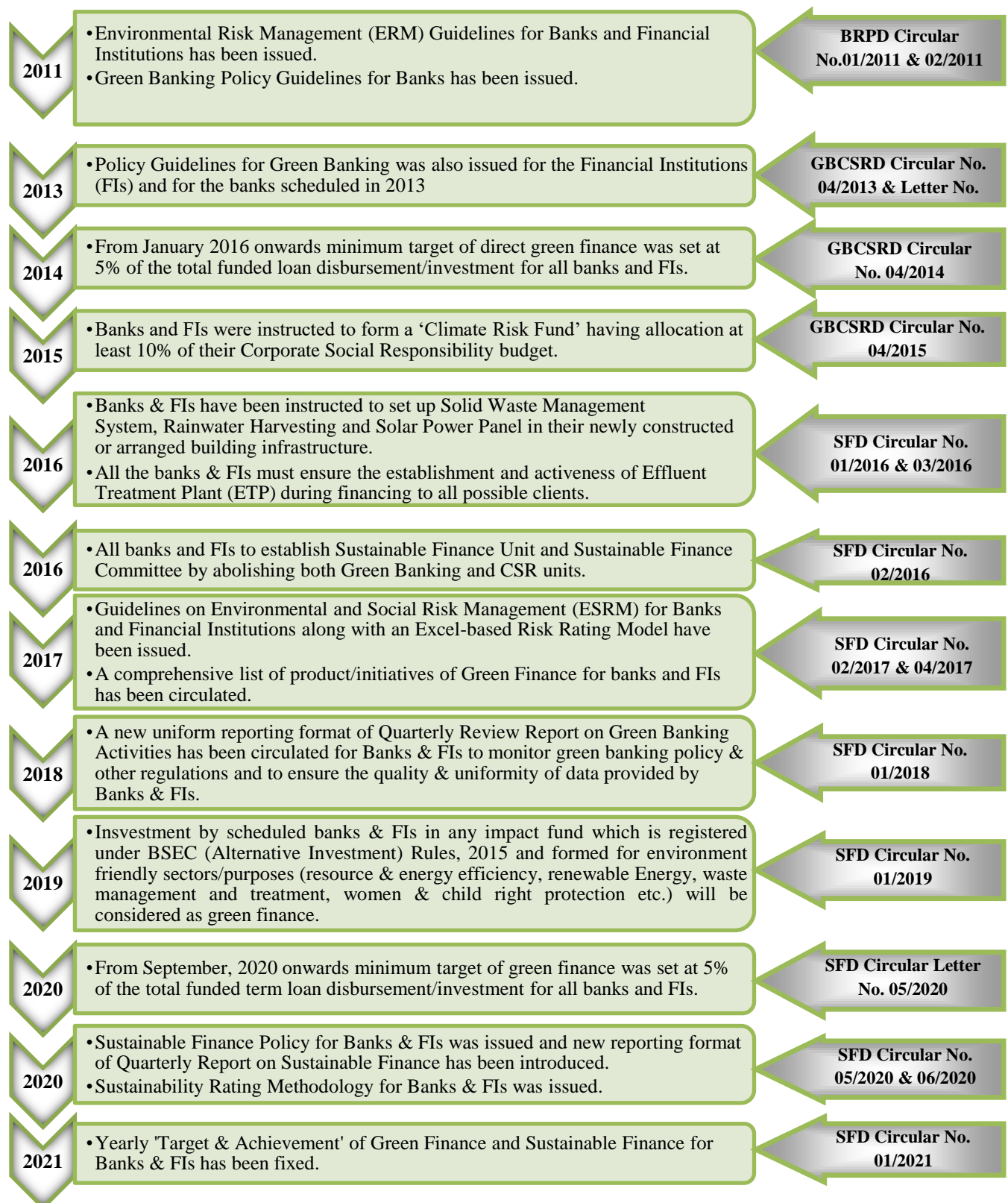
Bangladesh by its geography is a highly vulnerable country of climate change. Recognizing the fact that the financial sector can play role of an accelerator in boosting up adoption of environment-friendly output practices in the real economy; BB has become role model by pioneering green banking initiatives by guiding proactively the banks and NBFIs since 2011. In this context, Sustainable Finance initiatives of BB broadly categorized into the policy initiatives, monitoring of Sustainable Finance activities of banks and NBFIs, refinance support from BB in diverse green products/sectors, and BB's own initiatives for environmental management. Introduction of Sustainable Finance Policy has given an ample opportunity for the banks and NBFIs to contribute to inclusive Sustainable Green Growth where Green Finance, Sustainable Agriculture, Sustainable CMSME, Socially Responsible Financing, other financing and CSR activities linked to sustainability is structurally addressed.

The banking sector has been financing industrial projects that cause maximum carbon emission. Therefore, this sector can play an intermediary role between economic & social development and environmental protection, for promoting environmentally sustainable and socially responsible investment.

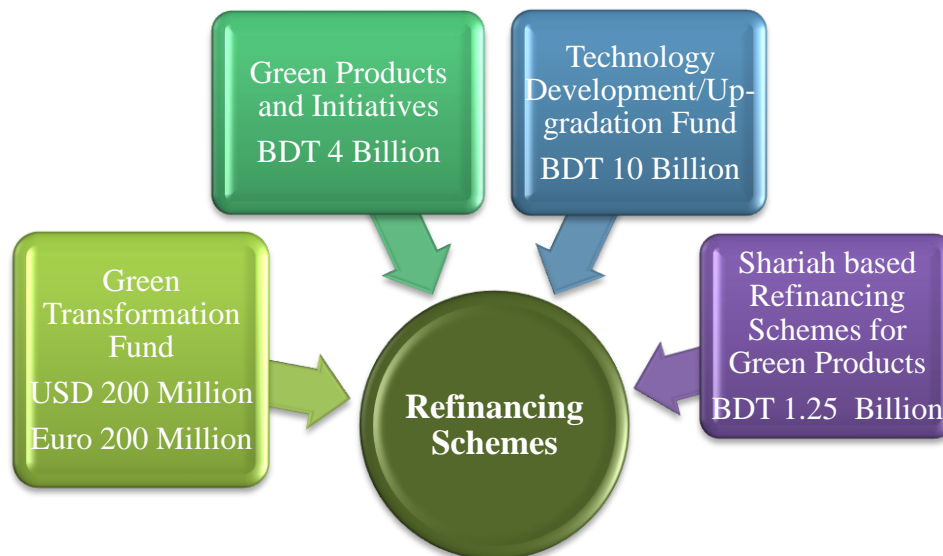
Quarterly Review Report on Sustainable Finance has been introduced for the first time not only for the green banking activities but also covering all the components of sustainable finance under Sustainable Finance Taxonomy. This report reflects a review of banks' and NBFIs' efforts concerning People, Planet and Profit.

2. Policy Chronology and Refinancing Initiatives of BB

2.1 Policy Chronology:



2.2 Refinancing Initiatives of BB:



3. At a Glance Sustainable Finance in April-June 2021

3.1 Sustainable Finance:

A. Highlights:

Issue	Banks	FIs	Total
Sustainable Finance (in million BDT)	166,635.13	2,284.87	168,920.00
Sustainable Finance as % of Total Loan Disbursement	6.52%	4.71%	6.48%
Green Finance (in million BDT)	17,081.49	799.49	17,880.98
Green Finance as % of Total Term Loan Disbursement	2.38%	2.58%	2.39%
Sustainable Linked Finance (in million BDT)	149,553.64	1,485.38	151,039.02

B. Sector-wise Sustainable Finance:

Issue	Sustainable Finance (in million BDT) by Banks & FIs (April-June 2021)						Green Finance	Sustainable Finance
	Sustainable Linked Finance (SLF)					Green Finance		
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects/Initiatives	Priority Green/Eco-Friendly Products for Trading Sector			
	1					2	1+2	
Banks	59,444.06	25,851.86	33,891.84	25,113.63	5,252.25	17,081.49	166,635.13	
FIs	148.50	583.55	420.00	308.53	24.80	799.49	2,284.87	

3.2 Borrowers in Sustainable Finance:

A. Sector-wise:

Borrowers in Sustainable Finance by Banks & FIs (April-June 2021)							
Issue	Sustainable Linked Finance (SLF)					Green Finance	Sustainable Finance
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects/Initiatives	Priority Green/Eco-Friendly Products for Trading Sector		
	1					2	1+2
Banks	405,446	6,364	38,331	712	241	1,821	452,915
FIs	214	100	7	18	19	147	505

B. Gender-wise:

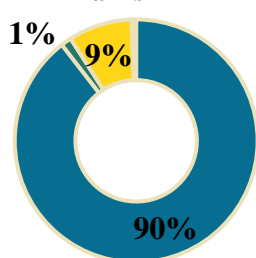
Number of Borrowers in Sustainable Finance	Male	Female	Third Gender	Total
Banks	340,933	111,982	0	452,915
FIs	414	91	0	505

C. Rural-Urban wise:

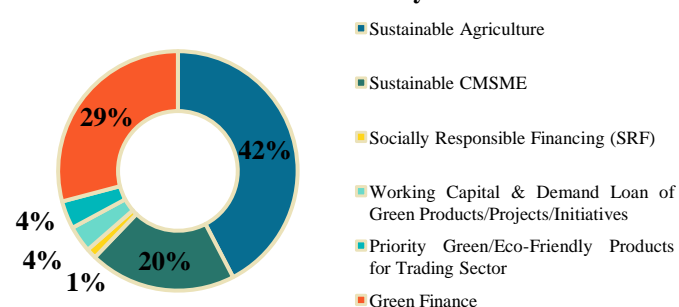
Number of Borrowers in Sustainable Finance	Rural	Urban	Total
Banks	341,730	111,185	452,915
FIs	229	276	505

D. Graphical Representation of Borrowers in Sustainable Finance

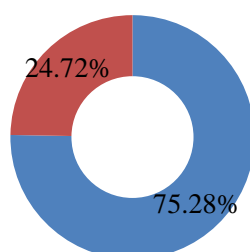
Borrowers in Sustainable Finance by Banks



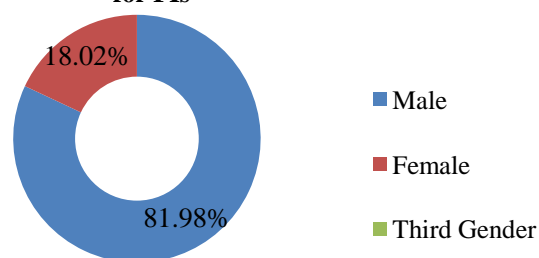
Borrowers in Sustainable Finance by FIs



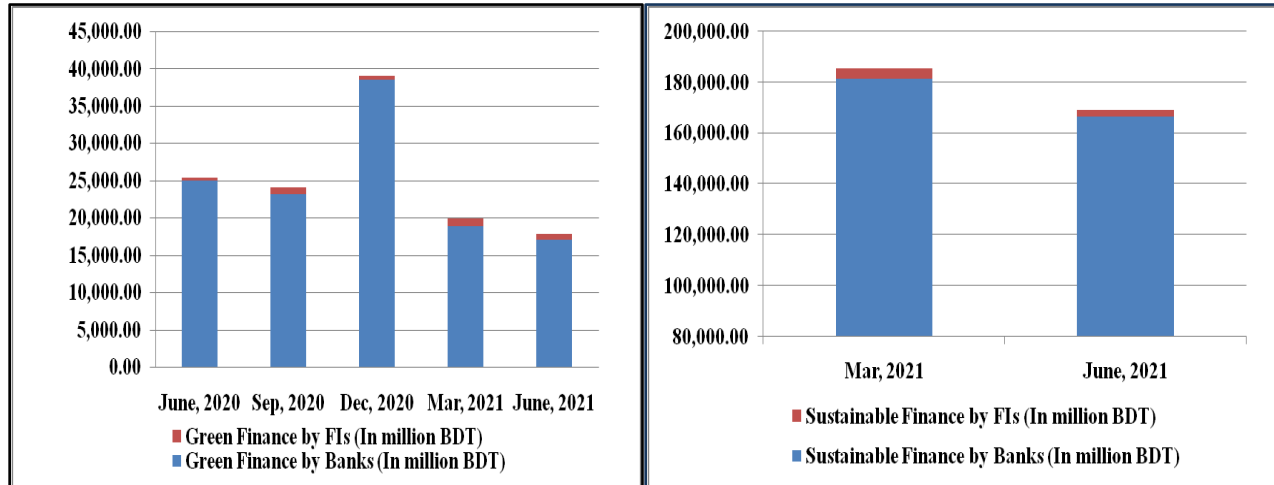
Number of Borrowers in Sustainable Finance for Banks



Number of Borrowers in Sustainable Finance for FIs

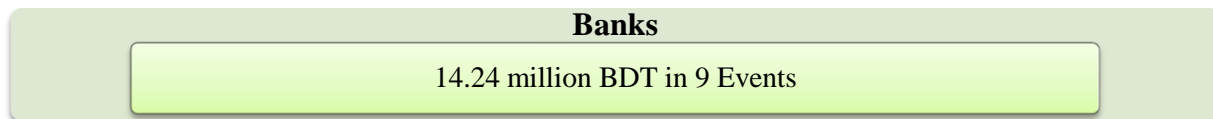


E. Quarterly Trend of Green Finance & Sustainable Finance*



*Due to change in the definition and base for target attainment of Green Finance there is a shuttle change in Green Finance disbursement from January 2021. Since sustainable finance has been introduced for the first time in Sustainable Finance Policy on 30 December 2020, the data of sustainable finance has been available from January 2021.

3.3 Utilization of Climate Risk Fund:



There is no contribution from FIs in Climate Risk Fund in this quarter.

3.4 Environmental & Social Risk Management:

Issue	Banks	FIs
Number of Environmental Risk Rated Projects	25,151	2,254
Number of Environmental Risk Rated Projects Financed	17,606	2,003
Amount Disbursed Against Rated Projects (in million BDT)	662,870.66	55,438.67

3.5 Environmental Conservation in Business Centres:

Issue	Banks	FIs
Number of Solar Powered Branches	714	4
Number of Branches with Rainwater Harvesting	5	2
Number of Branches with Solid Waste Management System	9	2
Number of Solar powered ATM Booths	22	-
Number of Solar Powered Agent Outlets	20	-
Online branches (as % of total branches)	95.48%	N/A

3.6 Leading Banks & FIs in Sustainable Finance & Green Finance¹:

A. Sustainable Finance

Name of the Banks	Target Attainment	Name of the NBFIs	Target Attainment
Rupali Bank Ltd.	72.61%	National Finance Ltd.	40.23%
State Bank of India	72.54%	Industrial and Infrastructure Development Finance Company Ltd (IIDFC)	33.24%
Bangladeh Krishi Bank	55.60%	Agrani SME Financing Company Ltd.	32.19%
Citi Bank NA	40.55%		
United Commercial Bank Ltd.	22.62%		

B. Green Finance

Name of the Banks	Target Attainment	Name of the NBFIs	Target Attainment
Citi Bank NA	100.00%	IDLC Finance Ltd.	7.91%
Southeast Bank Ltd.	20.60%	Agrani SME Financing Company Ltd.	7.29%
Islami Bank Bangladesh Ltd.	13.90%	Infrastructure Development Company Ltd. (IDCOL)	5.66%
National Bank Ltd.	9.60%		
IFIC Bank Ltd.	7.15%		
Standard Chartered Bank Ltd.	6.89%		
Basic Bank Ltd.	5.48%		

¹ Target attainment in Sustainable Finance (SF): Disbursement in SF \geq 20% of total loan disbursement.
Target attainment in Green Finance (GF): Disbursement in GF \geq 5% of total term loan disbursement.

4. Review on Sustainable Finance Activities of Banks and Financial Institutions (FIs)

4.1 Policy Formulation and Governance:

All scheduled banks and FIs except Bengal Commercial Bank Ltd have formed their own Sustainable Finance Unit. All scheduled banks and FIs except Bengal Commercial Bank Ltd and Strategic Finance & Investment Ltd have prepared their own Green Banking Policy. Bangladesh Bank has introduced Sustainable Finance Policy in December 2020. Through this policy BB has defined Sustainable Finance for Banks & FIs. All the Banks and FIs have to form their own Sustainable Finance Policy within this year.

4.2 Overview of Sustainable Finance:

51 Banks out of 61 and 9 FIs out of 34 have had exposure in sustainable finance in the reporting quarter. The snapshot of Sustainable Finance by banks and FIs during April-June 2021 quarter is shown in Table-4.1, 4.2 and 4.3.

Table-4.1: Sustainable Finance in April-June 2021

(In million BDT)

Type of Bank/FI	Total Loan Disbursed	Total Term Loan Disbursed	Green Finance		Sustainable Finance	
			Disbursed	Outstanding	Disbursed	Outstanding
SOCBs (06)	162,350.70	67,908.27	332.49	23,635.58	9,969.29	143,721.22
SDBs (03)	32,114.62	4,560.24	2.43	220.81	15,131.89	185,768.05
PCBs (43)	2,090,230.47	621,527.39	16,170.20	231,864.11	116,331.80	595,630.87
FCBs (09)	272,080.76	22,287.61	576.37	4,033.52	25,202.15	51,577.53
Total	2,556,776.54	716,283.51	17,081.49	259,754.02	166,635.13	976,697.67
FIs (34)	48,498.23	30,988.91	799.49	35,175.85	2,284.87	56,156.55

Table-4.2: Recovery and Rescheduling of Sustainable Finance in April-June 2021

(In million BDT)

Type of Bank/FI	Green Finance		Sustainable Finance	
	Recovery	Rescheduled	Recovery	Rescheduled
SOCBs (06)	3,846.24	4,659.85	12,215.34	4,870.37
SDBs (03)	0.40	0.00	6,014.41	0.00
PCBs (43)	46,353.50	19.81	92,433.91	922.75
FCBs (09)	1,581.28	0.00	34,419.84	0.00
Total	51,781.42	4,679.66	145,083.50	5,793.12
FIs (34)	663.29	188.18	3,660.92	440.55

Table-4.3: Sustainable Finance in Million BDT (April-June 2021)

(In million BDT)

Type of Bank/FI	Sustainable Linked Finance (SLF)					Green Finance	Sustainable Finance
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects /Initiatives	Priority Green/Eco-Friendly Products for Trading Sector		
SOCBs (06)	5,385.87	1,930.93	2,315.00	5.00	0.00	332.49	9,969.29
SDBs (03)	13,899.60	1,229.86	0.00	0.00	0.00	2.43	15,131.89
PCBs (43)	34,902.51	22,318.63	24,028.43	14,480.11	4,431.93	16,170.20	116,331.80
FCBs (09)	5,256.09	372.44	7,548.41	10,628.52	820.32	576.37	25,202.15
Total	59,444.06	25,851.86	33,891.84	25,113.63	5,252.25	17,081.49	166,635.13
FIs (34)	148.50	583.55	420.00	308.53	24.80	799.49	2,284.87

Figure-4.1: Sustainable Finance by Banks in different sectors

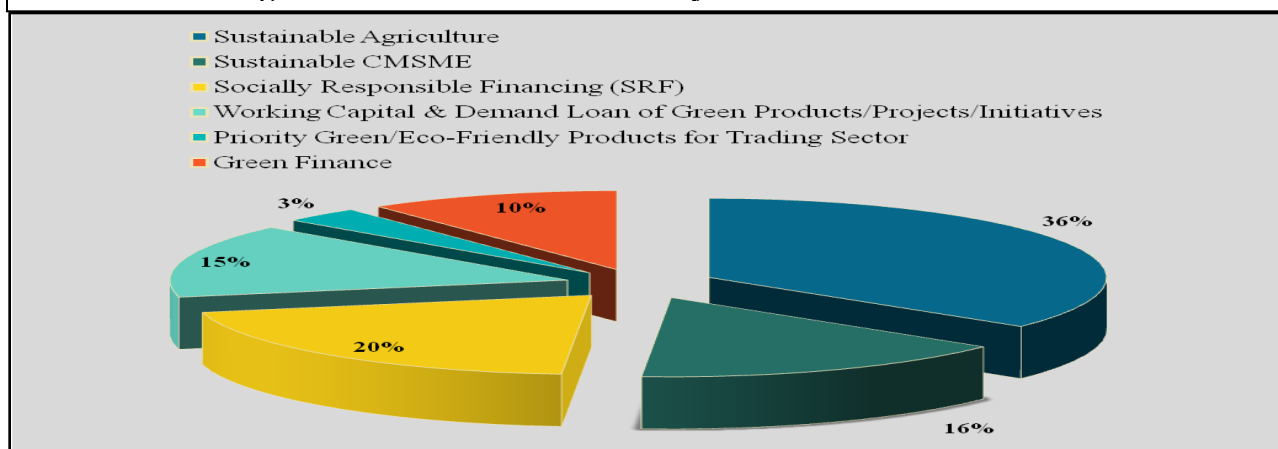
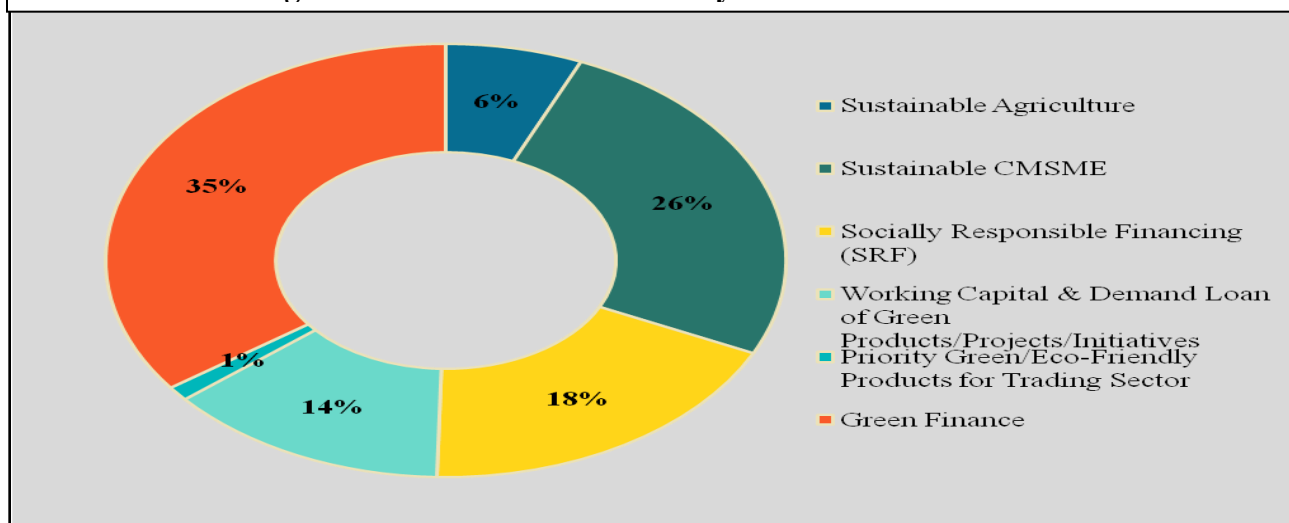


Figure-4.2: Sustainable Finance by FIs in different sectors



4.3 Green Finance- Category wise:

39 Banks out of 61 and 6 FIs out of 34 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been BDT 17,081.49 million by banks and 799.49 million by FIs in April-June 2021 quarter. A brief picture of green finance by Banks and FIs is shown in Table-4.4 & 4.5:

Table-4.4: Green Finance (in million BDT)

Type of Bank/FI	Sectors of Green Finance				
	Renewable Energy	Energy Efficiency	Alternative Energy	Liquid Waste Management	Solid Waste Management
SOCBs (06)	8.31	2.60	0.00	40.20	0.00
SDBs (03)	1.45	0.00	0.00	0.00	0.00
PCBs (43)	151.61	3,450.84	8.00	963.01	37.80
FCBs (09)	0.00	301.40	0.00	5.50	0.00
Banks' Total	161.37	3,754.84	8.00	1,008.71	37.80
FIs (34)	88.39	62.85	0.00	340.00	83.15

Table-4.4: Green Finance (in million BDT)- Table Continued

Type of Bank/FI	Sectors of Green Finance					
	Recycling & Manufacturing of Recyclable Goods	Environment Friendly Brick Production	Green/ Environment Friendly Establishments	Green Agriculture	Green CMSME	Green SRF
SOCBs (06)	51.43	62.05	91.90	12.33	63.67	0.00
SDBs (03)	0.00	0.00	0.00	0.98	0.00	0.00
PCBs (43)	1,018.80	624.44	9,799.61	37.40	54.99	23.70
FCBs (09)	0.00	0.00	69.41	0.00	200.05	0.00
Banks' Total	1,070.23	686.49	9,960.93	50.71	318.71	23.70
FIs (34)	0.00	50.00	0.00	20.40	145.00	9.70

Table-4.5: Target Attainment by Banks and FIs

Type of Bank/FI	Green Finance as % of Total Term Loan Disbursement	Sustainable Finance as % of Total Loan Disbursement
SOCBs (06)	0.49%	6.14%
SDBs (03)	0.05%	47.12%
PCBs (43)	2.60%	5.57%
FCBs (09)	2.59%	9.26%
Banks' Total	2.38%	6.52%
FIs (34)	2.58%	4.71%

4.4 Compliance Overview of ESRM Framework:

42 banks out of 61 and 14 FIs out of 34 have conducted environmental risk rating in the reporting quarter.

Table-4.6: Environmental & Social Risk Rating

Type of Bank/FI	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million BDT)
SOCBs (06)	568	529	5,534.65
SDBs (03)	0	0	0.00
PCBs (43)	23,708	16,476	619,325.13
FCBs (09)	875	601	38,010.88
Banks' Total	25,151	17,606	662,870.66
FIs (34)	2,254	2,003	55,438.67

4.5 In-house Environment Management:

Table-4.7: Environmental Conservation in Business Centers

Type of Bank/FI	No. of Branches	No. of Branches Powered by Solar Energy	Number of Branches with Rainwater Harvesting	Number of Branches with Solid Waste Management System	No. of ATM Booths	No. of ATM Booths powered by Solar Energy	Number of Agent Outlets	Number of Solar Powered Agent Outlets
SOCBs (06)	3,816	81	0	0	343	2	400	0
SDBs (03)	1,502	0	0	0	7	0	0	0
PCBs (43)	5,434	629	3	2	9,101	19	18,927	20
FCBs (09)	72	4	2	7	135	1	0	0
Banks' Total	10,824	714	5	9	9,586	22	19,327	20
FIs (34)	282	4	2	2	-	-	-	-

4.6 Green Investment

There is no investment in Green Bond, Green Sukuk or Impact Fund by Banks & FIs in this Quarter.

4.7 Training, Promotion and Disclosure:

25 Banks and 6 FIs have arranged training programs concerning Sustainable Financing. A snapshot on training in April-June 2021 quarter is given below:

Table-4.8: Training in April-June 2020

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
SOCBs (06)	3	153	0
SDBs (03)	1	30	0
PCBs (43)	56	2791	4
FCBs (09)	19	73	0
Total	79	3,047	4
FIs (34)	8	339	0

5. Review on Refinancing Schemes of BB for Green Finance

Table-5.1: At a glance Funding Schemes of BB for Green Finance in April-June 2021

Funding scheme of BB	Amount	Number of Project
Disbursement from Refinance Scheme for Environment Friendly Products/Initiatives (in million BDT)	285.35	9
Disbursement from Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives (In million BDT)	4.59	4
Disbursement from Green Transformation Fund (GTF) (In million USD)	12.99	2
Disbursement from Green Transformation Fund (GTF) (In million Euro)	1.17	1
Disbursement from Technology Development/Up-gradation Fund (TDF) (In million BDT)	-	-

5.1 Refinance Scheme for Environment Friendly Products/Initiatives:

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB established a revolving refinance scheme amounting to BDT 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The size of the fund has been increased from BDT 2 billion to BDT 4 billion in view of the growing demand for financing of environment friendly products/initiatives². The product line has been enhanced to 55 under 09 categories. Since inception, total amount of Tk. 5,912.69 million has been disbursed as refinance facility from the fund till 30 June 2021. The disbursement scenario of this scheme during April-June 2021 quarter is furnished below:

Table-5.2: Sub-category/ Product wise Disbursement

SL. No	Sub-category/ Product	BDT in million
1	Establishment of Certified Green Industry	200.00
2	Safety and Work Environment of Factory	60.00
3	Solar Home System	24.40
4	Integrated Cow Rearing and Setting up of Bio-gas Plant	0.95
	Total Disbursement	285.35

5.2 Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives:

Bangladesh Bank has introduced refinance scheme funded by excess liquidity of shariah based financial institutions to facilitate the shariah based banks and FIs in 2014³. In 2018 Bangladesh Bank has issued an integrated and comprehensive “master circular”⁴ by revising and incorporating all the existing circular and circular letters related to this refinance scheme. BB has enhanced the product range under this scheme to 51 and segregated these products into 08 categories. During April-June

² SFD Circular 02/2020

³ GBCSRD circular no. 06 /2014

⁴ SFD Circular No.02/2018

2021 quarter Bangladesh Bank has disbursed BDT 4.59 million for “Working Environment and Fire Safety of Factory” and collected BDT 1.27 million profit against this product.

5.3 Green Transformation Fund (GTF):

In January 2016, a longer-term refinancing window named Green Transformation Fund (GTF) of 200 million USD was launched to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country⁵. To further fortify the financing arrangement under GTF, it was decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended banks. To widen the scope of this fund, it has been opened for all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment–friendly initiatives since September, 2019⁶. Recently, 200 million Euros has been added to the fund⁷. This Euro component of GTF can be used to import not only green machineries but also industrial raw materials (only Buyer’s Credit) used in all manufacturing enterprises including both export oriented and deem exporters. Under the GTF in USD and Euro Component, consecutively 27 banks and 21 banks have signed participation agreement with BB. The disbursement from this Fund is 118.59 million USD & 5.10 million Euro till 30 June 2021. In April-June 2021 quarter disbursement from this fund is 12.99 million USD & 1.17 million Euro.

5.4 Technology Development/Up-gradation Fund

Refinance Fund for Technology Development/Up-gradation of Tk.1000.00 (One Thousand) Crore offers refinance facility for the modernization and technological development/up-gradation of export oriented industries in Bangladesh⁸. So far 32 industrial sectors mentioned in Export Policy 2018-2021 under 11 initiatives/categories are included in the fund. The fund has been circulated for banks and FIs through the SFD Circular No-02 dated 17 January 2021. So far 23 banks and 7 FIs became Participating Financial Institution or PFI till 30 June 2021.

⁵ FE Circular No. 02/2016

⁶ FE Circular Letter No. 14/2019

⁷ FE Circular No. 20/2020

⁸ SFD Circular No 02/2021

6. Concluding Remarks:

Shaping a Secure and Sustainable Finance Future for All is essential for national level coordination, as well as international cooperation and international coordination. Recognizing this reality, BB has gone to a paradigm shift by introducing Sustainable Finance Policy for Banks & NBFIs. During the quarter under consideration, after introducing the policy, country has been severely affected by the COVID-19 scenario. Despite of this adverse situation, followings are the outcome:

- In case of Green Finance,
 - ✓ few banks have surpassed the target of green finance compared to the total term loan disbursement (5%). Citi Bank NA, Southeast Bank Ltd., Islami Bank Bangladesh Ltd., National Bank Ltd., IFIC Bank Ltd., Standard Chartered Bank and Basic Bank Ltd. belong to that league.
 - ✓ NBFIs like IDLC Finance Ltd., Agrani SME Financing Company Ltd. and Infrastructure Development Company Ltd. (IDCOL) have done a decent job.
- In case of Sustainable Finance,
 - ✓ very few banks have been able to stand up against their target (20% of the total loan disbursement). Among the banks, Rupali Bank Ltd., State Bank of India, Bangladesh Krishi Bank, Citi Bank NA and United Commercial Bank Ltd. have performed well; and
 - ✓ among the NBFIs, performance of National Finance Ltd., Industrial and Infrastructure Development Finance Company Ltd. (IIDFC) and Agrani SME Financing Company Ltd. were significant.

BB is pursuing to boost up the whole scenario by taking appropriate policy initiatives. Refinance support from BB is also playing an important role to incentivize the green banking activities. As the outcome of these initiatives, it is expected that positive impact will be evidenced in the trend of sustainable finance by banks and FIs in gradual manner. Sustainable Finance Department, BB also anticipates robust, effective and coherent efforts from banks and FIs in the field of sustainable finance.

Preserve nature & reduce pollution



for the sustainability of human race.....