

**Quarterly Review Report
on
Green Banking Activities of Banks &
Financial Institutions
and
Green Refinance Activities of Bangladesh Bank**

April-June, 2015



**Sustainable Finance Department
Bangladesh Bank
Head Office**

1. Introduction:

Environment Risk Management Guidelines for banks and FIs for assessing environmental risk and Policy Guidelines for Green Banking for banks for green banking activities were issued vide BRPD Circular No.01/2011 and 02/2011 respectively. In 2012, Bangladesh Bank introduced a uniform reporting format for reporting green banking activities in a structured manner for banks. In 2013, Policy Guidelines for Green Banking was also issued (GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013) to the Financial Institutions (FIs)¹ and the banks scheduled in 2013 where they were brought under the structured reporting system as well. To expedite the ongoing initiatives of banks and FIs at faster pace for sustaining the environment compatible to climate change risk, minimum target of direct green finance as certain % of total funded loan to be disbursed/invested in each year effective from January 2015 onwards (GBCSRD Circular No. 04/2014) in the following manner:

- 1.1. a) This target will be 5% of the total disbursement/investment of funded loan in 2015 for banks scheduled before 2013.
- b) This target will be 3% of total disbursement/investment of funded loan in 2015 for banks scheduled in 2013.
- c) This target will be 4% of total disbursement/investment of funded loan in 2015 for FIs.
- 1.2. This target will be 5% of the total loan disbursement/investment from January 2016 onwards for all banks and FIs.

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 Taka. 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. BB enhanced the product line to 47 under 11 categories (Renewable Energy, Energy Efficiency, Solid Waste Management, Liquid Waste Management, Alternative Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Ensuring Safety & Work Environment of Factories and Miscellaneous) since 2009 till date.

An on lending scheme namely “Financing Brick Kiln Efficiency Improvement Project”, was established in BB supported by ADB with a view to reducing greenhouse gas emissions and refine particulate pollution from brick fields throughout the country and building environment friendly brick fields through development of efficiency of brick kiln with usage of appropriate technology and energy in 2012. In this scheme, total amount of loan from ADB is 50.00 million USD/converted to equivalent BDT for local use. It has two parts: Part-A: 30.00 million USD for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: 20.00 million USD for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln.

In September 2014, BB introduced a refinance scheme funded by liquidity of Shariah based banks and FIs in excess of their requirement which will be explicitly utilized for direct green finance of the said banks and FIs. These banks and FIs can utilize this fund for financing in the 47 products identified under BB Refinance scheme according to GBCSRD Circular No. 06/2014. Under this scheme, 3 banks and 1 FI have signed participation agreement with BB till June 30, 2015.

¹ Financial Institutions licensed under Financial Institutions Act, 1993.

This review report has highlighted the activities of refinance schemes of BB. Thus, this review report is the consolidated reflection of the quarterly reports of all scheduled banks and FIs of April-June, 2015 and the activities of refinance schemes of BB for green products of the same quarter².

2. Review on Green Banking Activities of Banks and Financial Institutions (FIs)

2.1. Policy Formulation and Governance:

All 47 banks (scheduled before 2013) have their own Green Banking Policy Guidelines approved by their respective Board of Directors/Competent authority as well as have Green Banking Unit (GBU) for pursuing Green Banking activities. They also have their own Green Office Guide for conducting in-house green activities.

All newly scheduled banks (9 banks) have formulated their own Green Banking Policy Guidelines and all have formed Green Banking Unit (GBU) till the reporting quarter. 7 out of 9 newly scheduled banks have prepared their own Green Office Guide.

29 out of 31 FIs have formulated their own Green Banking Policy Guidelines approved by their respective Board of Directors and 30 FIs have formed Green Banking Unit (GBU) till the reporting quarter. 28 FIs have prepared own Green Office Guide for conducting their in-house green activities.

2.2. Allocation and Utilization of Fund for Green Banking Activities:

The snapshot of allocation and utilization by banks and FIs in Green Finance, Climate Risk Fund as well as Marketing, Training and Capacity Building in June 2015 quarter is shown in Table-1:

Table-1: Allocation and Utilization of Fund for Green Banking Activities

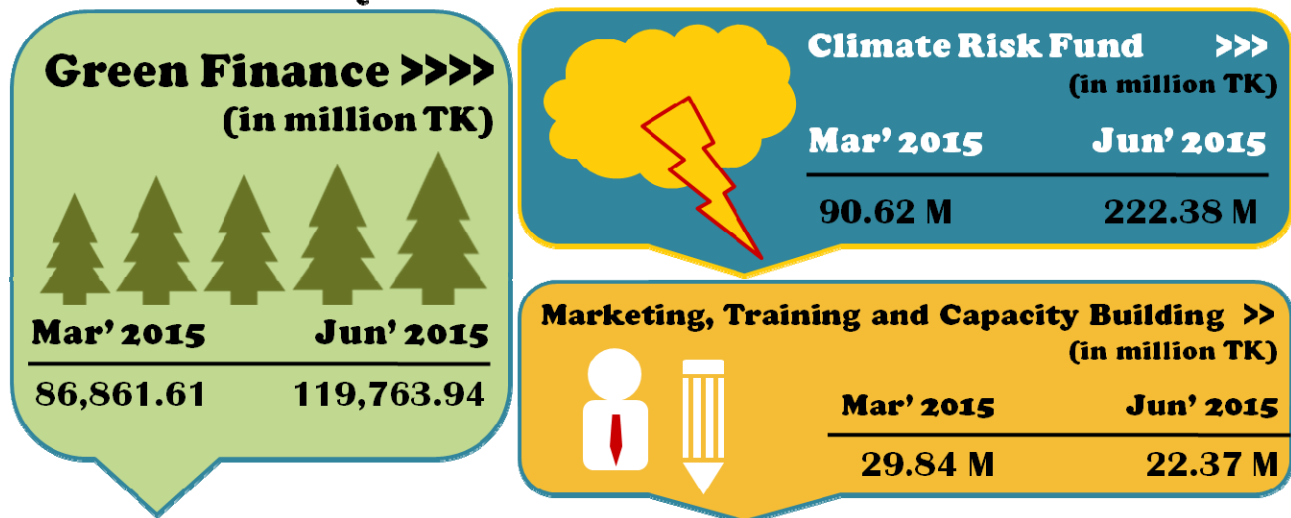
| Type of Bank/FI | Annual Allocation of Fund, 2015 (in million Taka) | | | | Utilization of Funds, April-June, 2015 (in million Taka) | | | |
|--------------------|--|-------------------|---|-------------------|--|-------------------|---|-------------------|
| | Green Finance | Climate Risk Fund | Marketing, Training and Capacity Building | Total | Green Finance | Climate Risk Fund | Marketing, Training and Capacity Building | Total |
| SCBs | 11,310.90 | 213.5 | 410 | 11,934.40 | 756.51 | 0.10 | 3.51 | 760.12 |
| SDBs | 210.00 | 0.2 | 0.1 | 210.30 | 0.05 | 0.00 | 0.00 | 0.05 |
| PCBs | 186,473.86 | 351.46 | 1,918.76 | 188,744.08 | 94,384.82 | 177.57 | 17.91 | 94,580.30 |
| FCBs | 53,545.40 | 178.77 | 65.20 | 53,789.37 | 18,652.56 | 44.12 | 0.00 | 18,696.68 |
| New Banks | 1,155.00 | 0.00 | 0.03 | 1,155.03 | 768.62 | 0.00 | 0.00 | 768.62 |
| Total | 252,695.16 | 743.93 | 2,394.09 | 255,833.18 | 114,562.56 | 221.79 | 21.42 | 114,805.77 |
| FIs | 10,596.89 | 35.88 | 4.28 | 10,637.04 | 5,201.38 | 0.59 | 0.95 | 5,202.92 |
| Grand Total | 263,292.05 | 779.80 | 2,398.37 | 266,470.22 | 119,763.94 | 222.38 | 22.37 | 120,008.69 |

² From this quarter, Bangladesh Development Bank Ltd has been considered as State-owned Commercial Bank (SCB) instead of State-owned Development Bank (SDB) in preparing quarterly Review report. Now in Bangladesh there are 6 SCBs, 2 SDBs, 30 PCBs (Private Commercial Banks), 9 FCBs (Foreign Commercial Banks) and 9 new banks.

| Type of Bank/FI | Event | Project |
|--------------------|--------------|---------------|
| SCBs | 0.10 | 0.00 |
| SDBs | 0.00 | 0.00 |
| PCBs | 65.29 | 112.28 |
| FCBs | 0.62 | 43.50 |
| New Banks | 0.00 | 0.00 |
| Total | 66.01 | 155.78 |
| FIs | 0.20 | 0.39 |
| Grand Total | 66.21 | 156.17 |

The quarterly shift from March 2015 to June 2015 evidences a uprising trend in respect of utilization of fund as shown in Figure-1.

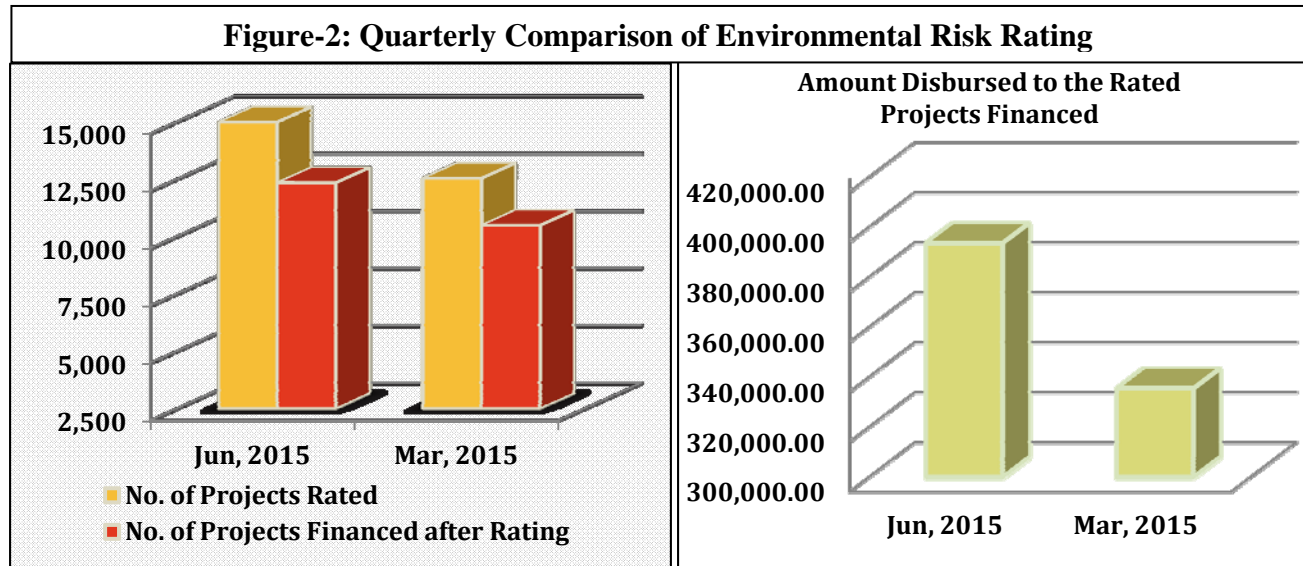
FIGURE-1: QUARTERLY COMPARISON OF UTILIZATION OF FUND



2.3. Environmental Risk Rating (ERR):

| Type of Bank/FI | No. of Projects Applicable for EDD | No. of Projects Rated | No. of Rated Projects Financed | Amount disbursed in Rated projects (in million taka) |
|--------------------|------------------------------------|-----------------------|--------------------------------|--|
| SCBs | 572 | 471 | 466 | 5,886.45 |
| SDBs | 33 | 33 | 33 | 270.27 |
| PCBs | 16,063 | 13,491 | 10,733 | 336,765.38 |
| FCBs | 1,027 | 788 | 400 | 30,566.58 |
| New Banks | 101 | 101 | 101 | 4,907.85 |
| Total | 17,796 | 14,884 | 11,733 | 378,396.53 |
| FIs | 602 | 596 | 634 | 15,094.38 |
| Grand Total | 18,398 | 15,480 | 12,367 | 393,490.91 |

51 Banks out of 56 and 23 FIs out of 31 have conducted environmental risk rating in the reporting quarter. According to that, number of Projects applicable for Environmental Due Diligence (EDD) rating in this quarter is 18,398. The quarterly shift of ERR by banks and FIs is showing a consistent trend (Figure-2).



2.4. In-house Environment Management:

Table-4: Solar Powered Branches and ATM/SME Units

| Type of Bank/FI | No. of Branches | No. of branches powered by Solar Energy | No. of ATM/SME units powered by Solar Energy |
|--------------------|-----------------|---|--|
| SCBs | 3683 | 41 | 0 |
| SDBs | 1406 | 23 | 0 |
| PCBs | 3739 | 313 | 243 |
| FCBs | 75 | 4 | 6 |
| New Banks | 202 | 35 | 0 |
| Total | 9105 | 416 | 249 |
| FIs | 140 | 4 | 0 |
| Grand Total | 9245 | 420 | 249 |

2.5. Green Finance:

43 Banks out of 56 and 12 FIs out of 31 have had exposure in green finance, either direct (38 Banks, 9 FIs) or indirect (30 Banks, 8 FIs) mode in the reporting quarter. Total amount invested as green finance has been Tk. 119,763.94 million in April-June 2015 quarter. Green Finance by Banks and FIs is still concentrated in Indirect Green Finance. In this quarter, direct green finance by Banks and FIs is 5.12% of total green finance and 0.43% of total funded loan disbursement. A brief picture of green finance by Banks and FIs is shown in Table-5, Table-6 and Table-7:

Table-5: Direct Green Finance (in million Taka)

| Type of Bank/FI | Category of Green Finance | | | | | |
|--------------------|---------------------------|-------------------|------------------------|-------------------------|--------------------|------------------|
| | Renewable Energy | Energy Efficiency | Solid Waste Management | Liquid Waste Management | Alternative Energy | Fire Burnt Brick |
| SCBs | 7.96 | 35.00 | 0.00 | 0.00 | 0.00 | 390.99 |
| SDBs | 0.05 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| PCBs | 285.86 | 254.41 | 129.20 | 302.76 | 0.00 | 955.28 |
| FCBs | 2.60 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| New Banks | 41.14 | 0.00 | 0.00 | 0.00 | 0.00 | 108.72 |
| Total | 337.61 | 289.41 | 129.20 | 302.76 | 0.00 | 1,454.99 |
| FIs | 1,658.08 | 67.50 | 0.00 | 38.50 | 0.00 | 0.00 |
| Grand Total | 1,995.69 | 356.91 | 129.20 | 341.26 | 0.00 | 1,454.99 |

Table-5: Direct Green Finance (in million Taka)- Table Continued

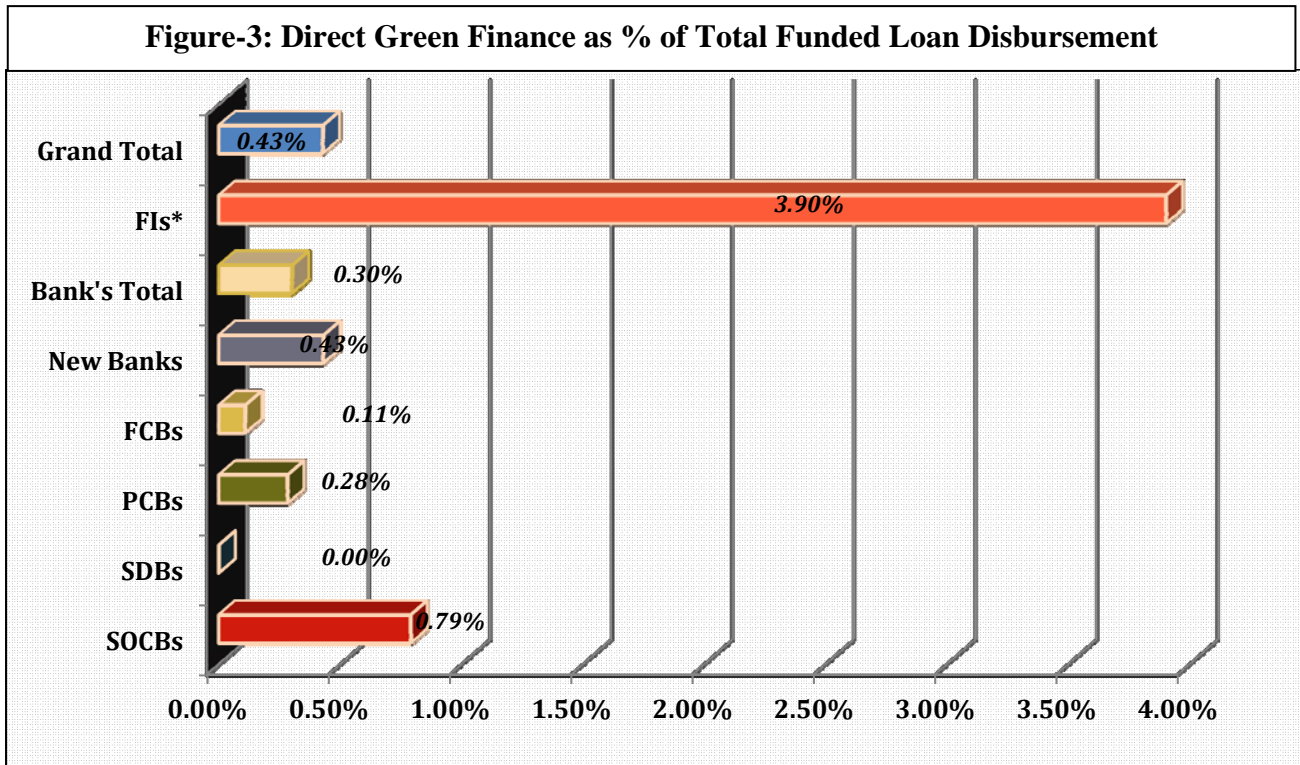
| Type of Bank/FI | Category of Green Finance | | | | | |
|--------------------|---------------------------|--------------------------------|----------------|--------------------------------|-------------|---------------|
| | Non Fire Block Brick | Recycling & Recyclable Product | Green Industry | Safety and Security of Factory | Misc. | Others |
| SCBs | 0.00 | 0.00 | 100.00 | 0.00 | 0.55 | 85.00 |
| SDBs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| PCBs | 0.00 | 351.67 | 588.49 | 160.82 | 0.50 | 244.65 |
| FCBs | 0.00 | 0.00 | 103.51 | 0.00 | 0.00 | 0.00 |
| New Banks | 0.00 | 14.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 365.67 | 792.00 | 160.82 | 1.05 | 329.65 |
| FIs | 0.00 | 119.28 | 30.00 | 9.00 | 0.00 | 43.17 |
| Grand Total | 0.00 | 484.95 | 822.00 | 169.82 | 1.05 | 372.82 |

Table-6: Green Finance (in million Taka)

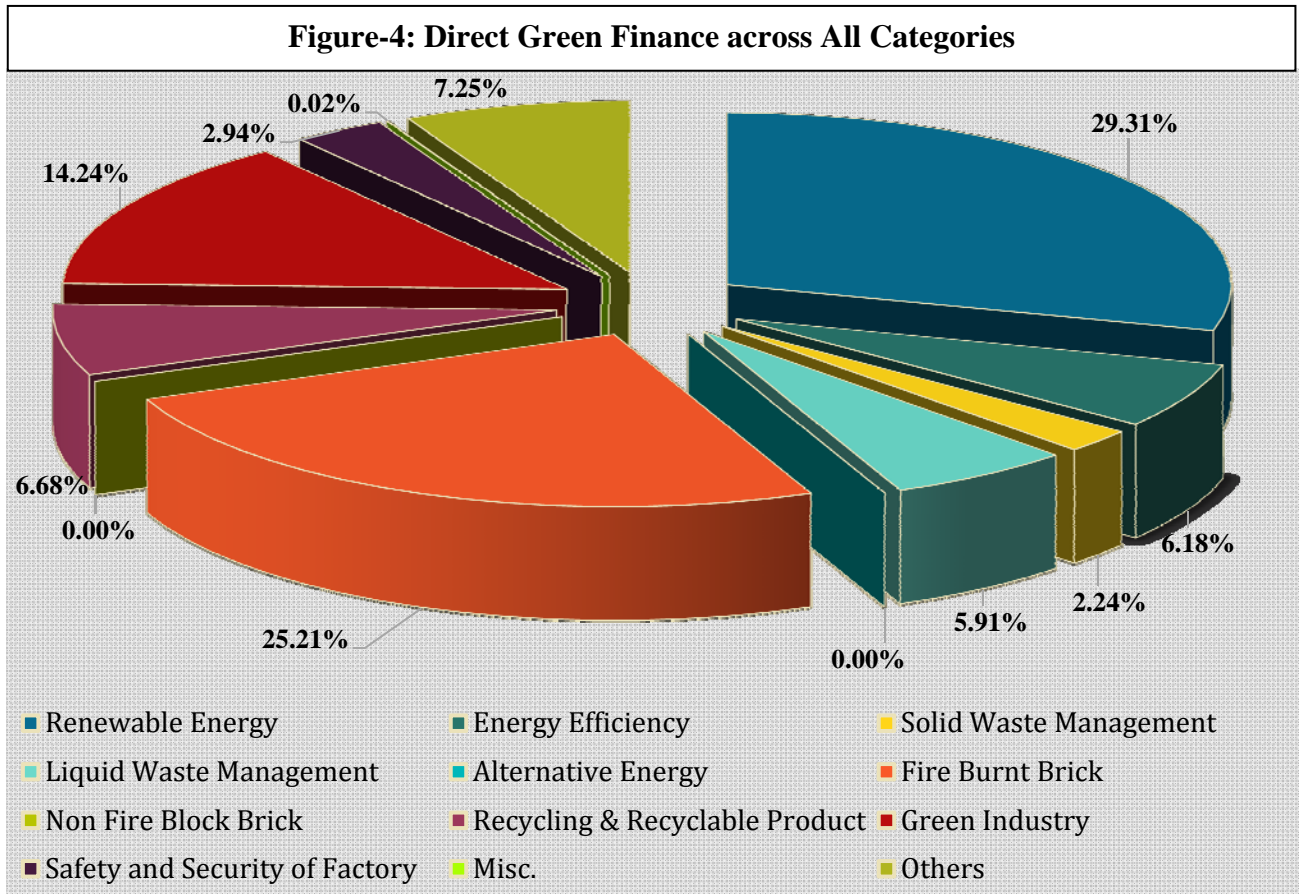
| Type of Bank/FI | Direct Green Finance | Indirect Green Finance | Total Green Finance |
|--------------------|----------------------|------------------------|---------------------|
| SCBs | 619.50 | 137.01 | 756.51 |
| SDBs | 0.05 | 0.00 | 0.05 |
| PCBs | 3,273.64 | 91,111.18 | 94,384.82 |
| FCBs | 106.11 | 18,546.45 | 18,652.56 |
| New Banks | 163.86 | 604.76 | 768.62 |
| Total | 4,163.16 | 110,399.40 | 114,562.56 |
| FIs | 1,965.53 | 3,235.85 | 5,201.38 |
| Grand Total | 6,128.69 | 113,635.25 | 119,763.94 |

Table-7: Direct Green Finance as % of Total Finance

| Type of Bank/FI | As % of Total Green Finance | As % of Total Funded Loan Disbursement |
|--------------------|-----------------------------|--|
| SCBs | 81.89% | 0.79% |
| SDBs | 100.00% | 0.00% |
| PCBs | 3.47% | 0.28% |
| FCBs | 0.57% | 0.11% |
| New Banks | 21.32% | 0.43% |
| Total | 3.63% | 0.30% |
| FIs | 37.79% | 3.90% |
| Grand Total | 5.12% | 0.43% |



*If we consider FIs except Infrastructure Development Company Ltd (IDCOL), then direct green finance of FIs became 0.45% of total loan disbursement.



2.6. Online Banking:

55 Banks out of 56 have at least one online branch and 38 banks have introduced internet banking facility up to June 2015. Significant progress has been observed in the expansion of online branches since the previous quarter. Moreover, SMS/mobile banking facility has been observed a little varied than the previous quarter (Figure-5).

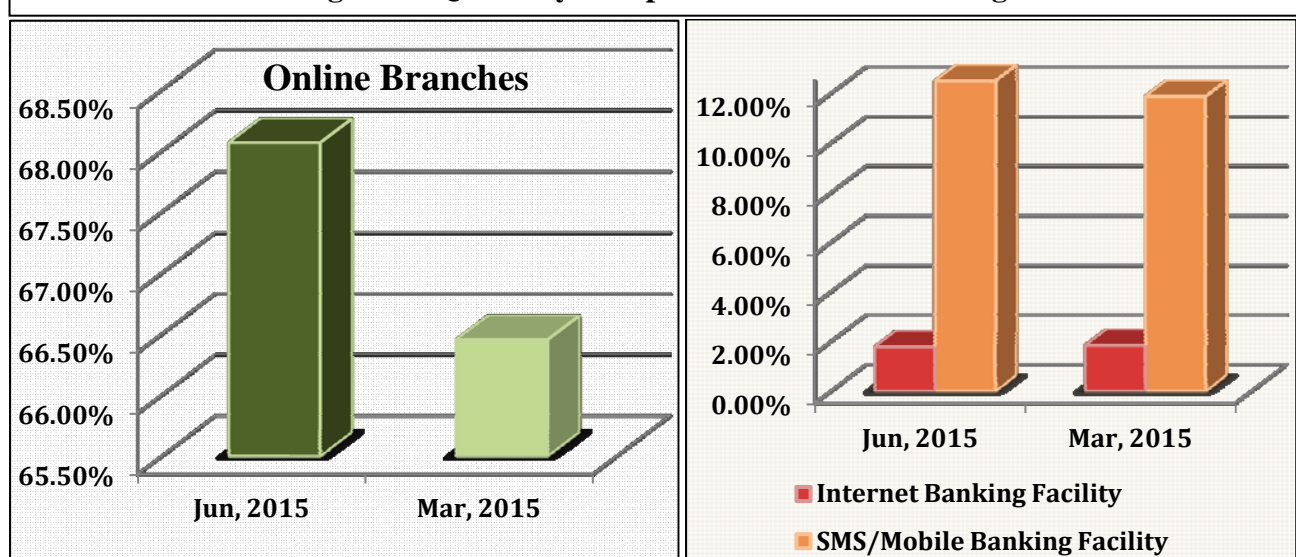
Table-8: Online Banking (at June 30, 2015)

| Type of Bank | No. of ATM | | No. of Total Branches | No. of Branches with online coverage | % of Online Branches |
|-----------------------|--------------|---------------|-----------------------|--------------------------------------|----------------------|
| | Own | Shared | | | |
| SCBs | 124 | 8,272 | 3,683 | 2,079 | 56.45% |
| SDBs | 0 | 0 | 1,406 | 76 | 5.41% |
| PCBs | 6,058 | 52,146 | 3,838 | 3,837 | 99.97% |
| FCBs | 162 | 4,207 | 75 | 75 | 100.00% |
| Newly Scheduled Banks | 78 | 7,098 | 202 | 198 | 98.02% |
| Grand Total | 6,422 | 71,723 | 9,204 | 6,265 | 68.07% |

Table-9: Internet and Mobile/SMS Banking (at June 30, 2015)

| Type of Bank | No. of Total Accounts | No. of Accounts facilitated with | | % of Accounts facilitated with | |
|----------------------------|-----------------------|----------------------------------|--------------------|--------------------------------|--------------------|
| | | Internet Banking | Mobile/SMS Banking | Internet Banking | Mobile/SMS Banking |
| SCBs | 34,757,266 | 27 | 3,119 | 0.00% | 0.01% |
| SDBs | 15,001,237 | 0 | 12,126 | 0.00% | 0.08% |
| PCBs | 35,960,090 | 1,406,825 | 10,547,442 | 3.91% | 29.33% |
| FCBs | 465,200 | 137,469 | 156,391 | 29.55% | 33.62% |
| Newly Scheduled Banks (09) | 297,169 | 3,710 | 91,966 | 1.25% | 30.95% |
| Grand Total | 86,480,962 | 1,548,031 | 10,811,044 | 1.79% | 12.50% |

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

40 Banks out of 56 have arranged 254 training programs concerning green banking where total number of participants was 6,655. On the other hand, 11 FIs out of 31 have arranged 36 training programs concerning green banking where total number of participants was 384. A snapshot on training is given below:

| Type of Bank/FI | No. of Programs | No. of Participants |
|-----------------------|-----------------|---------------------|
| SCBs | 17 | 597 |
| SDBs | 13 | 486 |
| PCBs | 213 | 5,299 |
| FCBs | 7 | 199 |
| Newly Scheduled Banks | 4 | 74 |
| Total | 254 | 6,655 |
| FIs | 36 | 384 |
| Grand Total | 290 | 7039 |

32 Banks and 6 FIs have initiated Green Marketing while 7 Banks and 1 FI have arranged Green Events in this quarter.

Up to June 2015, 46 Banks and 14 FIs have pursued disclosure on green banking in their annual report; 41 Banks and 10 FIs have put green banking disclosure in their website. 17 Banks and 5 FIs have disclosed their green banking activities in the media; 9 Banks and 2 FIs have prepared Independent Report on green banking activities.

2.8. Major Green Banking Activities at a Glance in April-June, 2015:

| Issue | Bank | FI |
|---|------------|-----------|
| Number of banks/FIs having Green banking unit | 56 | 30 |
| Number of banks/FIs having Green banking policy | 56 | 29 |
| Number of banks/FIs having Green office guide | 54 | 28 |
| Number of environmental risk rated projects | 14,884 | 596 |
| Number of environmental risk rated projects and financed | 11,733 | 634 |
| Amount disbursed against rated projects (in million Taka) | 378,396.53 | 15,094.38 |
| Number of solar powered branches | 416 | 4 |
| Number of solar powered ATM/SME units | 249 | N/A |
| Online branches (as % of total branches) | 68.07% | N/A |
| Amount disbursed as green finance (in million Taka) | 114,562.56 | 5,201.38 |
| Direct green finance as % of total funded loan disbursement | 0.30% | 3.90% |
| Amount utilized from climate risk fund (in million Taka) | 89.95 | 0.59 |
| Amount utilized for green marketing, training and development (in million Taka) | 21.42 | 0.95 |

3. Review on Green Refinance Activities of BB:

3.1. BB Refinance Scheme for Renewable Energy & Environment Friendly Financeable Sectors:

Promotion of renewable energy & environmental friendly financial activity of Bangladesh is the main objective of this fund. Refinance facilities are extended to the participating Banks and Financial Institutions (PFIs) in this purpose. 37 banks and 15 Financial Institutions so far have signed participation agreement with Bangladesh Bank. The disbursement scenario of this scheme during April-June, 2015 quarter is furnished below:

| SL. No | Sub-category/ Product | Taka in million |
|---------------|------------------------------|------------------------|
| 1 | Bio gas | 11.09 |
| 2 | Solar Home System | 45.70 |
| 3 | HHK | 7.50 |
| 4 | Vermicompost | 0.57 |
| | Total Disbursement | 64.86 |

3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

Objective of the Project is to improve the efficiency of the brick kiln through efficient use of energy including reducing 'Green House Gas (GHG)' and 'Suspended Particulate Matter (SPM)'. Facilities are extended to the Participatory Banks and Financial Institutions (PFIs) in this purpose. 35 banks and 18 financial institutions so far have signed participation agreement with Bangladesh Bank.

Upto December, 2014, USD 4.62 million has been disbursed under this project. During the reporting quarter April-June, 2015, USD 2.745 million (BDT 21.34 crore) for two sub projects, namely Bondhu Unity Auto Bricks Limited and Panchgaon Auto Bricks Limited financed by Mutual Trust Bank Limited and National Bank Limited respectively has been released from Bangladesh Bank under this project. Liquidation application has been submitted for the said amount.

4. Concluding Remarks:

The scenario of green banking activities of banks and FIs in the quarter ended on June 30, 2015 evidences steady scenario comparing the beginning quarter of the year. This trend of investment and expenditure in various green banking activities of banks and FIs will expectedly be heightened in the 2015. Thus, BB anticipates the more rigorous and effective performance of banks and FIs in mainstreaming green banking activities especially in direct green finance.

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