

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

July-September, 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, 4 banks and 1 FI have signed participation agreement with BB till September 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 July-September, 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.

30 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. 29 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 September 2015 quarter is shown in Table-1:

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

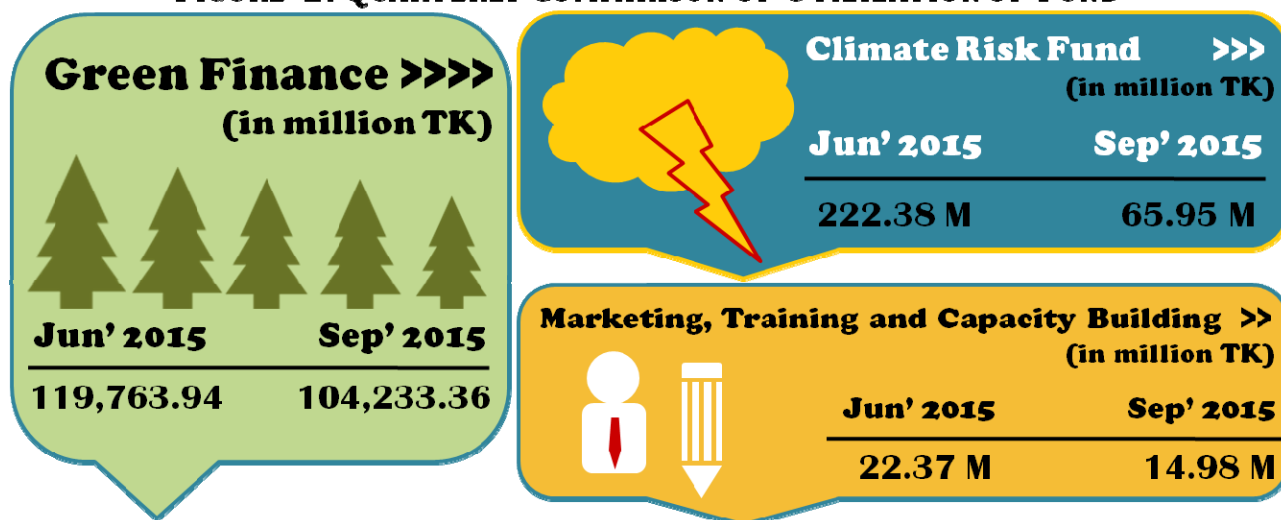
Type of Bank/FI	Annual Allocation of Fund, 2015 (in million Taka)				Utilization of Funds, July-September, 2015 (in million Taka)			
	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total
SOCBs	11,453.85	213.50	410.00	12,077.35	1,235.21	0.00	3.32	1,238.53
SDBs	210.00	0.20	0.10	210.30	12.00	0.00	0.00	12.00
PCBs	167,976.86	352.83	1,924.85	170,254.54	79,329.37	42.21	10.95	79,382.54
FCBs	57,547.56	179.20	65.30	57,792.06	18,583.71	23.56	0.00	18,607.27
New Banks	1,537.50	0.00	0.03	1,537.53	648.30	0.00	0.00	648.30
Total	238,725.77	745.73	2,400.28	241,871.78	99,808.59	65.77	14.27	99,888.64
FIs	17,496.26	55.75	6.78	17,558.78	4,424.77	0.18	0.71	4,425.66
Grand Total	256,222.03	801.48	2,407.06	259,430.56	104,233.36	65.95	14.98	104,314.29

² 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
SOCBs	0.00	0.00
SDBs	0.00	0.00
PCBs	41.72	0.50
FCBs	0.78	22.78
New Banks	0.00	0.00
Total	42.50	23.28
FIs	0.18	0.00
Grand Total	42.67	23.28

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

FIGURE-1: QUARTERLY COMPARISON OF UTILIZATION OF FUND

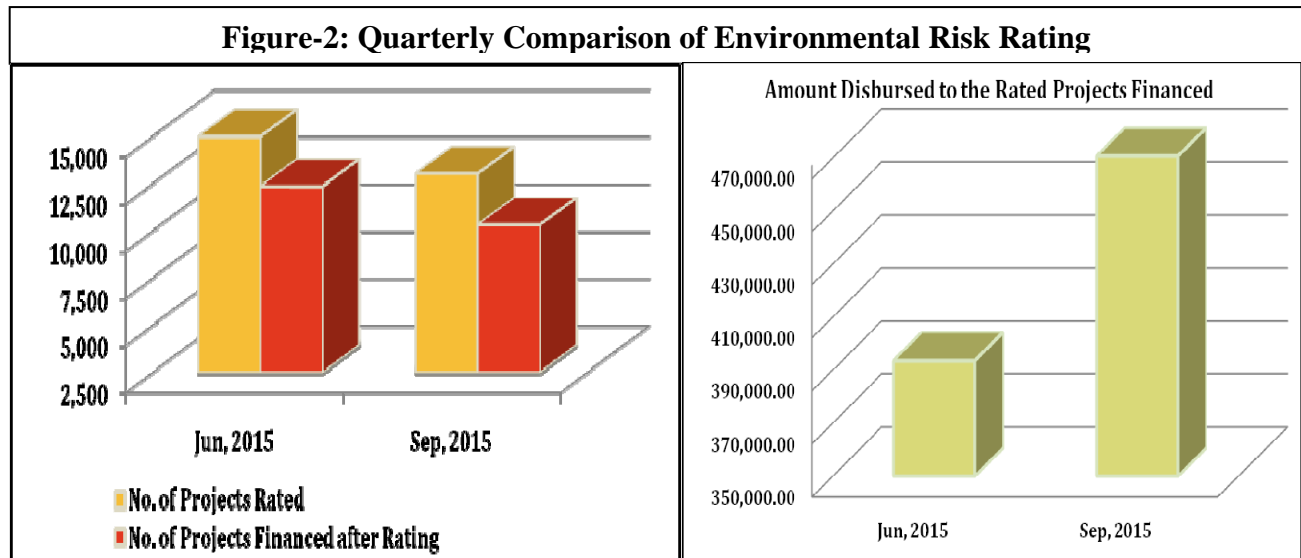


2.3. Environmental Risk Rating (ERR):

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)
SOCBs	479	431	427	15,198
SDBs	8	8	9	428
PCBs	14,081	11,136	8,890	402,406
FCBs	1,042	814	414	32,060
New Banks	73	73	75*	4,215
Total	15,683	12,462	9,815	454,307.68
FIs	540	582	516	16,341.76
Grand Total	16,223	13,044	10,331	470,649.44

* Rated but not financed previously included with

49 Banks out of 56 and 25 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 16,223. 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
SOCBs	3687	41	0
SDBs	1406	0	0
PCBs	3871	317	244
FCBs	75	4	6
New Banks	233	44	0
Total	9272	406	250
FIs	152	4	0
Grand Total	9424	410	250

2.5. Green Finance:

45 Banks out of 56 and 9 FIs out of 31 have had exposure in green finance, either direct (41 Banks, 8 FIs) or indirect (27 Banks, 4 FIs) mode in the reporting quarter. Total amount invested as green finance has been Tk. 104,233.36 million in July-September 2015 quarter. Though uprising, but still Green Finance by Banks and FIs is concentrated in Indirect Green Finance. In this quarter, direct green finance by Banks and FIs is 7.48% of total green finance and 0.54% 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
SOCBs	16.34	0.00	0.00	15.00	0.00	854.44
SDBs	0.00	0.00	0.00	0.00	0.00	12.00
PCBs	157.63	336.81	2.25	579.69	0.50	1,204.47
FCBs	0.00	0.60	0.00	0.00	0.00	0.00
New Banks	5.00	0.00	0.00	0.00	0.00	137.30
Total	178.97	337.41	2.25	594.69	0.50	2,208.21
FIs	1,511.90	0.00	0.00	259.00	0.00	50.00
Grand Total	1,690.87	337.41	2.25	853.69	0.50	2,258.21

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

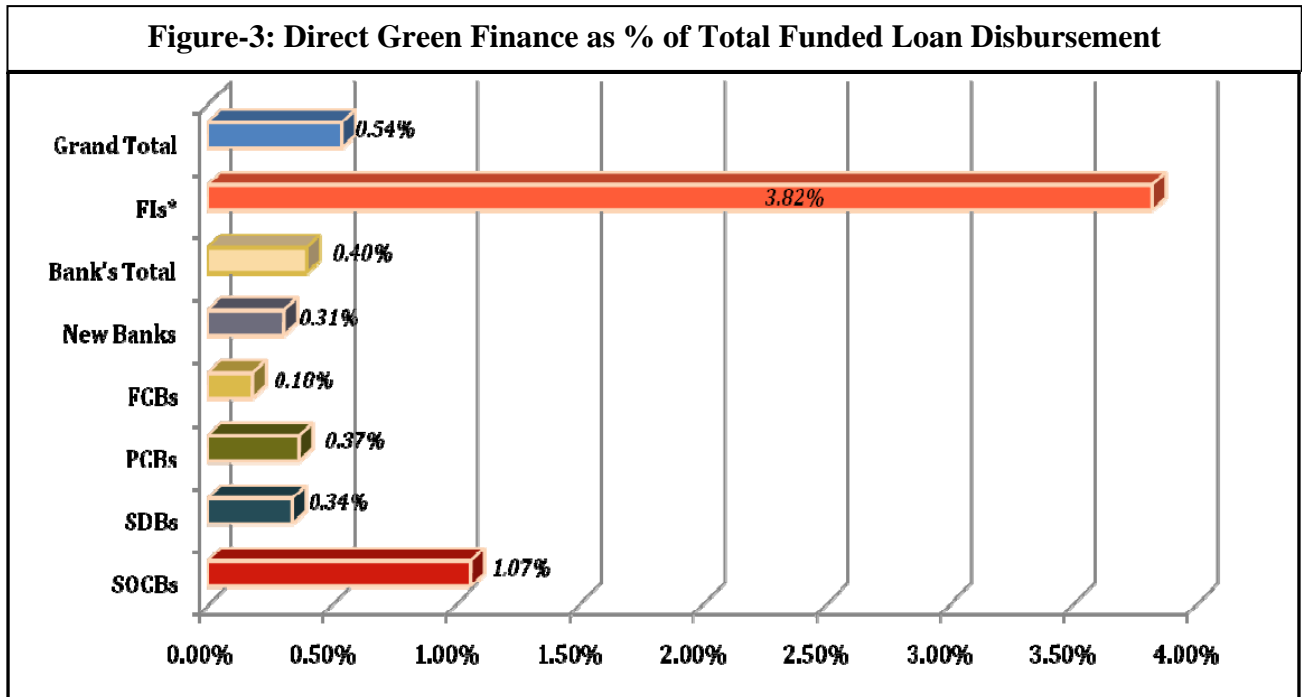
Type of Bank/FI	Category of Green Finance					
	Non Fire Block Brick	Recycling & Recyclable Product	Green Industry	Safety and Security of Factory	Misc.	Others
SOCBs	0.00	0.00	0.00	0.00	0.00	73.73
SDBs	0.00	0.00	0.00	0.00	0.00	0.00
PCBs	5.31	1,025.62	708.25	53.74	0.99	106.93
FCBs	0.00	2.95	141.50	1.36	0.00	17.00
New Banks	32.50	20.00	0.00	0.00	1.80	0.00
Total	37.81	1,048.57	849.75	55.10	2.79	197.66
FIs	40.00	300.00	100.00	25.00	0.00	0.00
Grand Total	77.81	1,348.57	949.75	80.10	2.79	197.66

Table-6: Green Finance (in million Taka)

Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SOCBs	959.51	275.70	1,235.21
SDBs	12.00	0.00	12.00
PCBs	4,182.18	75,147.19	79,329.37
FCBs	163.41	18,420.30	18,583.71
New Banks	196.60	451.70	648.30
Total	5,513.70	94,294.89	99,808.59
FIs	2,285.90	2,138.87	4,424.77
Grand Total	7,799.60	96,433.76	104,233.36

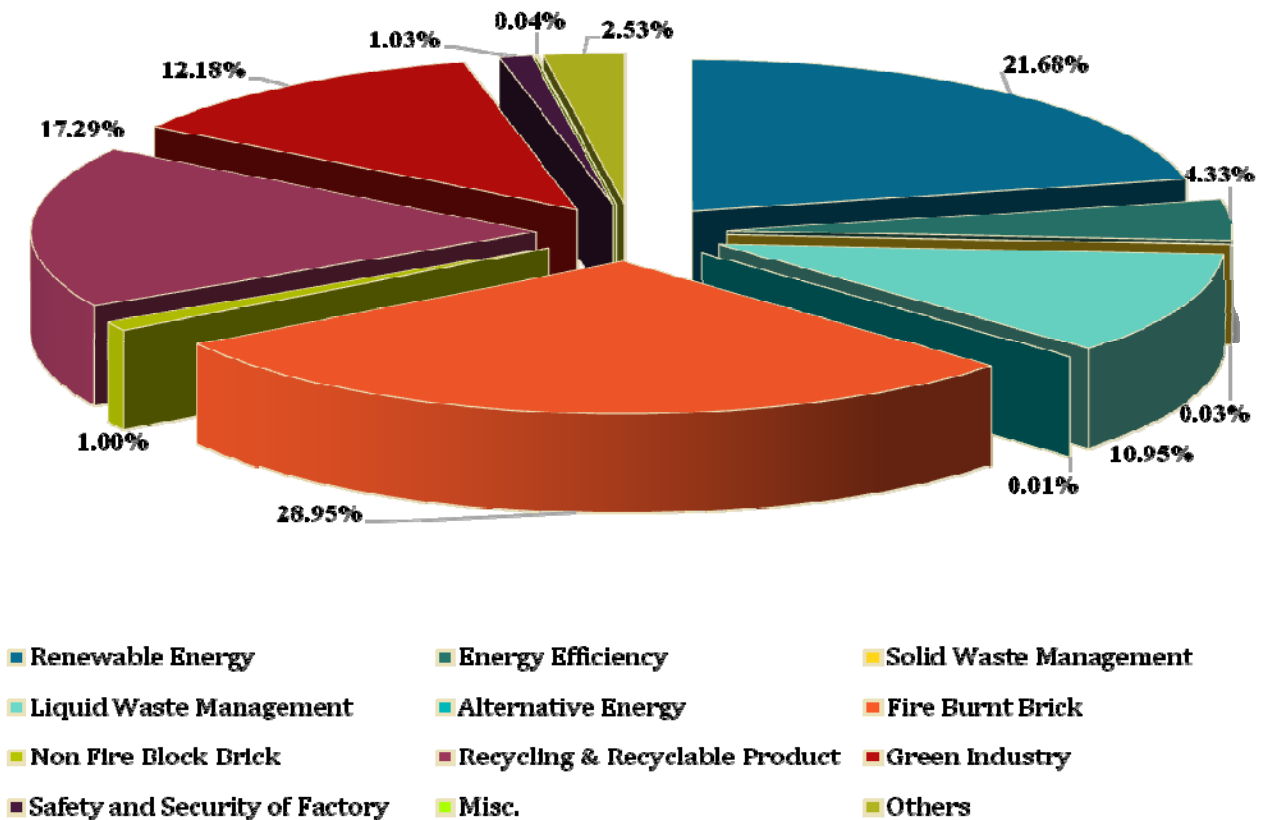
Table-7: Direct Green Finance as % of Total Finance

Type of Bank/FI	As % of Total Green Finance	As % of Total Funded Loan Disbursement
SOCBs	77.68%	1.07%
SDBs	100.00%	0.34%
PCBs	5.27%	0.37%
FCBs	0.88%	0.18%
New Banks	30.33%	0.31%
Total	5.52%	0.40%
FIs	51.66%	3.82%
Grand Total	7.48%	0.54%



*If we consider FIs except Infrastructure Development Company Ltd (IDCOL), then direct green finance of FIs became 1.30% of total loan disbursement.

Figure-4: Direct Green Finance across All Categories



2.6. Online Banking:

55 Banks out of 56 have at least one online branch and 39 banks have introduced internet banking facility up to September 2015. Significant progress has been observed in the expansion of online branches in the previous quarters. Moreover, SMS/mobile banking facility has been observed a little varied than the previous quarter (Figure-5).

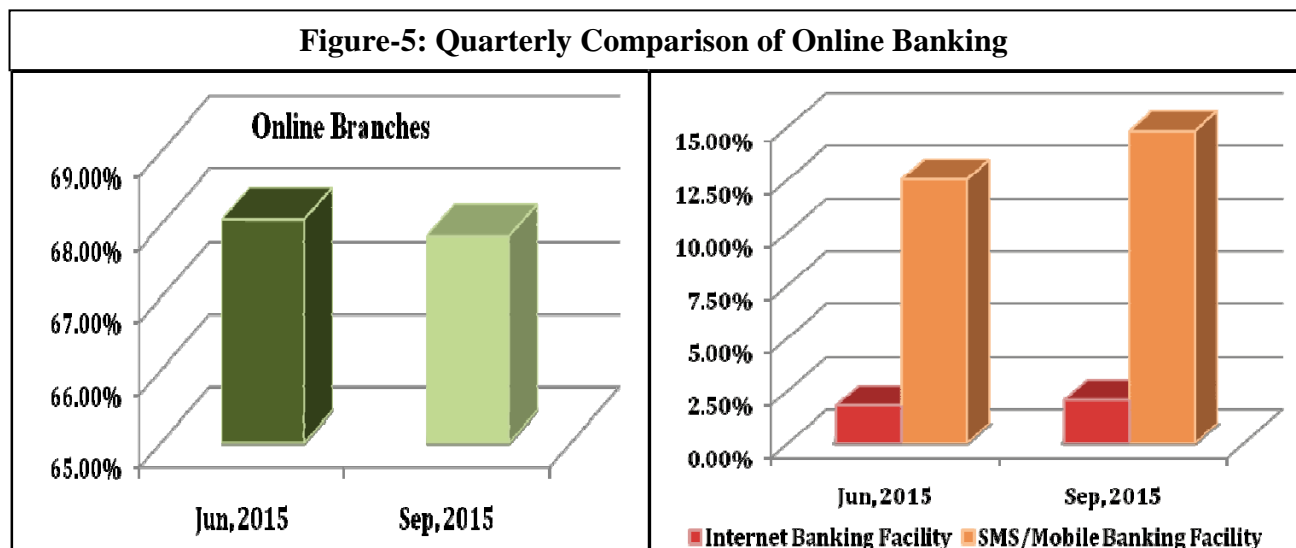
Table-8: Online Banking (at September 30, 2015)

Type of Bank	No. of ATM		No. of Total Branches	No. of Branches with online coverage	% of Online Branches
	Own	Shared			
SOCBs	132	8,421	3,687	2,028	55.00%
SDBs	0	5	1,406	88	6.26%
PCBs	6,413	56,472	3,870	3,869	99.97%
FCBs	164	4,207	75	75	100.00%
New Banks	103	8,562	233	229	98.28%
Grand Total	6,812	77,667	9,271	6,289	67.84%

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

Type of Bank	No. of Total Accounts	% of Accounts facilitated with		No. of Accounts facilitated with Mobile/SMS Banking	% of Accounts facilitated with Mobile/SMS Banking
		Internet Banking	Internet Banking		
SOCBs	35,688,076	26	0.00%	3,445	0.01%
SDBs	4,396,805	0	0.00%	3,077	0.07%
PCBs	37,015,994	1,447,572	3.91%	11,236,691	30.36%
FCBs	459,249	141,977	30.92%	160,710	34.99%
New Banks	316,335	3,479	1.10%	115,993	36.67%
Grand Total	77,876,459	1,593,054	2.05%	11,519,916	14.79%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

27 Banks out of 56 have arranged 119 training programs concerning green banking where total number of participants was 4,622. On the other hand, 6 FIs out of 31 have arranged 22 training programs concerning green banking where total number of participants was 260. A snapshot on training is given below:

Type of Bank/FI	No. of Programs	No. of Participants
SOCBs	5	355
SDBs	4	306
PCBs	107	3,823
FCBs	3	138
New Banks	0	0
Total	119	4,622
FIs	22	260
Grand Total	141	4882

33 Banks and 6 FIs have initiated Green Marketing while 8 Banks and 1 FI have arranged Green Events in this quarter.

Up to September 2015, 45 Banks and 15 FIs have pursued disclosure on green banking in their annual report; 41 Banks and 12 FIs have put green banking disclosure in their website. 19 Banks and 5 FIs have disclosed their green banking activities in the media; 8 Banks and 2 FIs have prepared Independent Report on green banking activities.

2.8. Major Green Banking Activities at a Glance in July-September, 2015:

Issue	Bank	FI
Number of banks/FIs having Green banking unit	56	30
Number of banks/FIs having Green banking policy	56	30
Number of banks/FIs having Green office guide	54	29
Number of environmental risk rated projects	12,462	582
Number of environmental risk rated projects and financed	9,815	516
Amount disbursed against rated projects (in million Taka)	454,307.68	16,341.76
Number of solar powered branches	406	4
Number of solar powered ATM/SME units	250	N/A
Online branches (as % of total branches)	67.84%	N/A
Amount disbursed as green finance (in million Taka)	99,808.59	4,424.77
Direct green finance as % of total funded loan disbursement	0.40%	3.82%
Amount utilized from climate risk fund (in million Taka)	65.77	0.18
Amount utilized for green marketing, training and development (in million Taka)	14.27	0.71

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. 40 banks and 16 Financial Institutions so far have signed participation agreement with Bangladesh Bank. The disbursement scenario of this scheme during July-September, 2015 quarter is furnished below:

Table-11: Sub-category/ Product wise Disbursement		
SL. No	Sub-category/ Product	Taka in million
1	Hybrid Hoffman Kiln (HHK)	10.82
2	Solar Home System	13.66
3	Biogas	36.63
4	Vermicompost	0.14
5	Effluent Treatment Plant (ETP)	6.40
6	Solar Irrigation Pumping System	0.60
7	Solar Assembly Plant	16.30
	Total Disbursement	84.54

3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

“Financing Brick Kiln Efficiency Improvement Project” has been established in Bangladesh Bank under financing of Asian Development Bank (ADB) for reducing greenhouse gas emissions and suspended particulate pollution from brick fields of the country and building environment friendly brick field through efficiency development of brick kiln with appropriate use of energy. Reimbursement 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 September, 2015, USD 7.37 million has been disbursed under this project. Liquidation applications for USD 5.88 million are pending at ADB's end. During the reporting quarter July-September, 2015 there is no disbursement under this project.

4. Concluding Remarks:

The green banking activities of banks and FIs in the quarter ended on September 30, 2015 evidences steady scenario comparing the previous quarters 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.