

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

**October - December, 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)<sup>1</sup> 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 50 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 50 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 December 30, 2015.

<sup>1</sup> 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 October - December, 2015 and the activities of refinance schemes of BB for green products of the same quarter<sup>2</sup>.

## 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. 30 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 December 2015 quarter is shown in Table-1

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

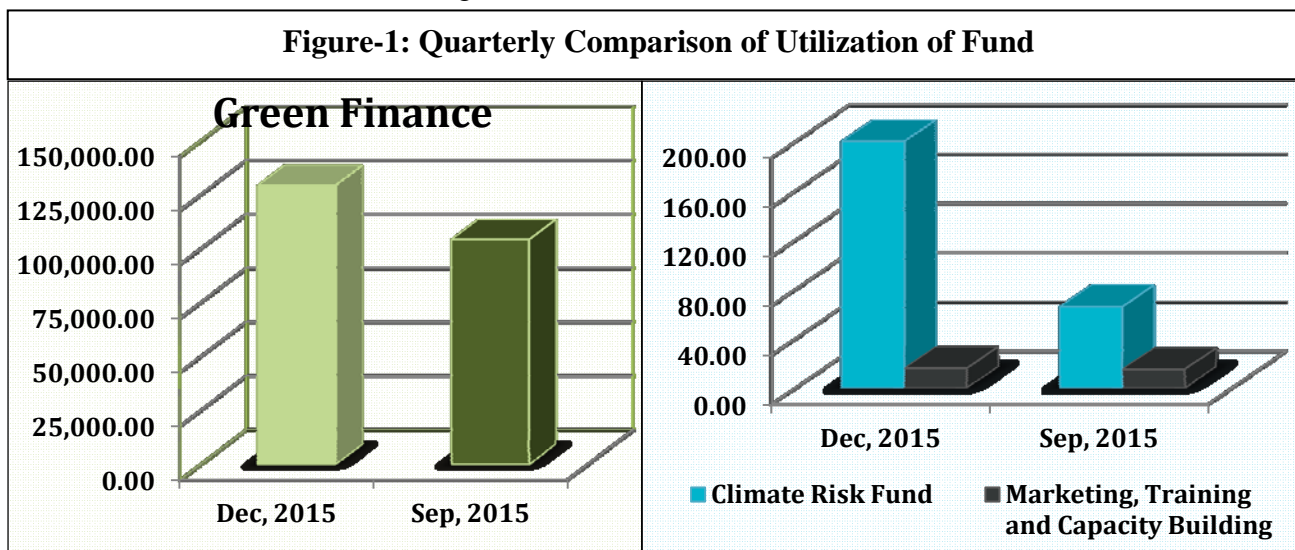
Type of Bank/FI	Annual Allocation of Fund, 2015 (in million Taka)				Utilization of Funds, October-December, 2015 (in million Taka)			
	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total
SOCBs	7,846.80	220.00	410.00	8,476.80	663.76	12.40	3.54	679.70
SDBs	210.00	0.20	0.10	210.30	5.10	0.00	0.00	5.10
PCBs	196,895.83	367.58	1,924.96	199,188.37	102,718.93	195.30	11.88	102,926.10
FCBs	57,718.61	1,178.00	40,465.40	99,362.01	20,620.27	27.48	0.00	20,647.75
New Banks	1,862.52	0.00	0.00	1,862.52	638.41	2.39	0.00	640.80
<b>Total</b>	<b>264,533.76</b>	<b>1,765.78</b>	<b>42,800.46</b>	<b>309,100.00</b>	<b>124,646.47</b>	<b>237.57</b>	<b>15.42</b>	<b>124,899.45</b>
<b>FIs</b>	<b>24,586.09</b>	<b>47.03</b>	<b>7.88</b>	<b>24,641.00</b>	<b>4,685.35</b>	<b>3.21</b>	<b>0.55</b>	<b>4,688.00</b>
<b>Grand Total</b>	<b>289,119.85</b>	<b>1,812.81</b>	<b>42,808.34</b>	<b>333,741.00</b>	<b>129,331.82</b>	<b>240.77</b>	<b>15.96</b>	<b>129,587.45</b>

<sup>2</sup> Now in Bangladesh there are 6 SCBs, 2 SDBs, 30 PCBs (Private Commercial Banks), 9 FCBs (Foreign Commercial Banks) and 9 new banks.

**Table-2: Utilization of Climate Risk Fund (in million taka)**

Type of Bank/FI	Event	Project
SOCBs (06)	12.40	0.00
SDBs (02)	0.00	0.00
PCBs (30)	193.62	1.68
FCBs (09)	7.62	19.86
Newly Scheduled Banks (09)	2.39	0.00
<b>Total</b>	<b>216.09</b>	<b>21.54</b>
<b>FIs (31)</b>	<b>2.56</b>	<b>0.65</b>
<b>Grand Total</b>	<b>218.59</b>	<b>22.19</b>

The quarterly shift from September 2015 to December 2015 evidences an upward trend in respect of utilization of fund as shown in Figure-1.

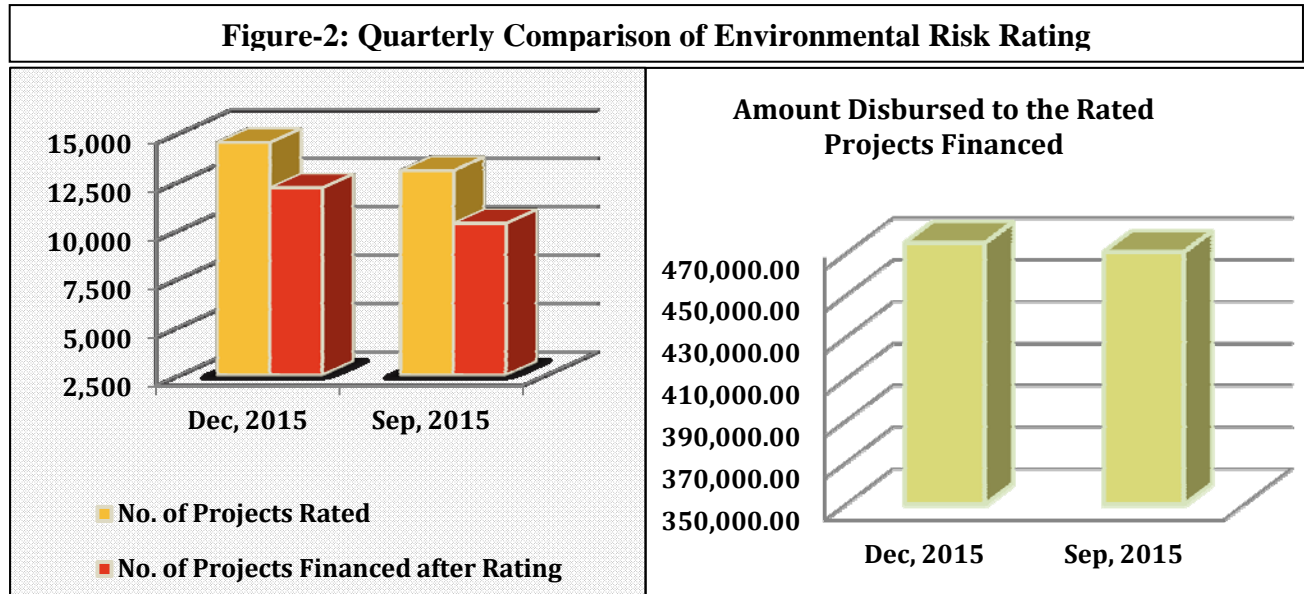
**Figure-1: Quarterly Comparison of Utilization of Fund**

### 2.3. Environmental Risk Rating (ERR):

**Table-3: Environmental Risk Rating**

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	543	515	481	9,949
SDBs	14	14	14	335
PCBs	14,241	12,186	10,569	491,849
FCBs	724	513	395	36,027
New Banks	129	129	128	9,159
<b>Total</b>	<b>15,651</b>	<b>13,357</b>	<b>11,587</b>	<b>547,319.42</b>
<b>FIs</b>	<b>757</b>	<b>796</b>	<b>574</b>	<b>28,561.70</b>
<b>Grand Total</b>	<b>16,408</b>	<b>14,153</b>	<b>12,161</b>	<b>575,881.12</b>

47 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 16,408. 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
<b>SOCBs (06)</b>	3705	42	1
<b>SDBs (02)</b>	1408	0	0
<b>PCBs (30)</b>	4016	342	244
<b>FCBs (09)</b>	75	4	6
<b>Newly Scheduled Banks (09)</b>	231	45	0
<b>Total</b>	<b>9435</b>	<b>433</b>	<b>251</b>
<b>FIs (31)</b>	202	4	0
<b>Grand Total</b>	<b>9637</b>	<b>437</b>	<b>251</b>

#### 2.5. Green Finance:

42 Banks out of 56 and 11 FIs out of 32 have had exposure in green finance, either direct (37 Banks, 8 FIs) or indirect (28 Banks, 6 FIs) mode in the reporting quarter. Total amount invested as green finance has been Tk. 129,331.82 million in October-December 2015 quarter. Though uprisng, 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 7.45% of total green finance and 0.63% 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	9.89	10.11	0.00	0.00	0.00	75.68
SDBs	0.00	0.00	0.00	0.00	0.00	4.50
PCBs	569.74	633.97	0.00	1,250.43	97.60	1,507.12
FCBs	0.00	0.00	0.00	0.00	0.00	0.00
New Banks	22.83	0.00	0.00	0.00	0.00	347.14
<b>Total</b>	<b>602.46</b>	<b>644.08</b>	<b>0.00</b>	<b>1,250.43</b>	<b>97.60</b>	<b>1,934.44</b>
FIs	1,156.87	100.10	0.00	75.50	0.00	36.00
<b>Grand Total</b>	<b>1,759.33</b>	<b>744.18</b>	<b>0.00</b>	<b>1,325.93</b>	<b>97.60</b>	<b>1,970.44</b>

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

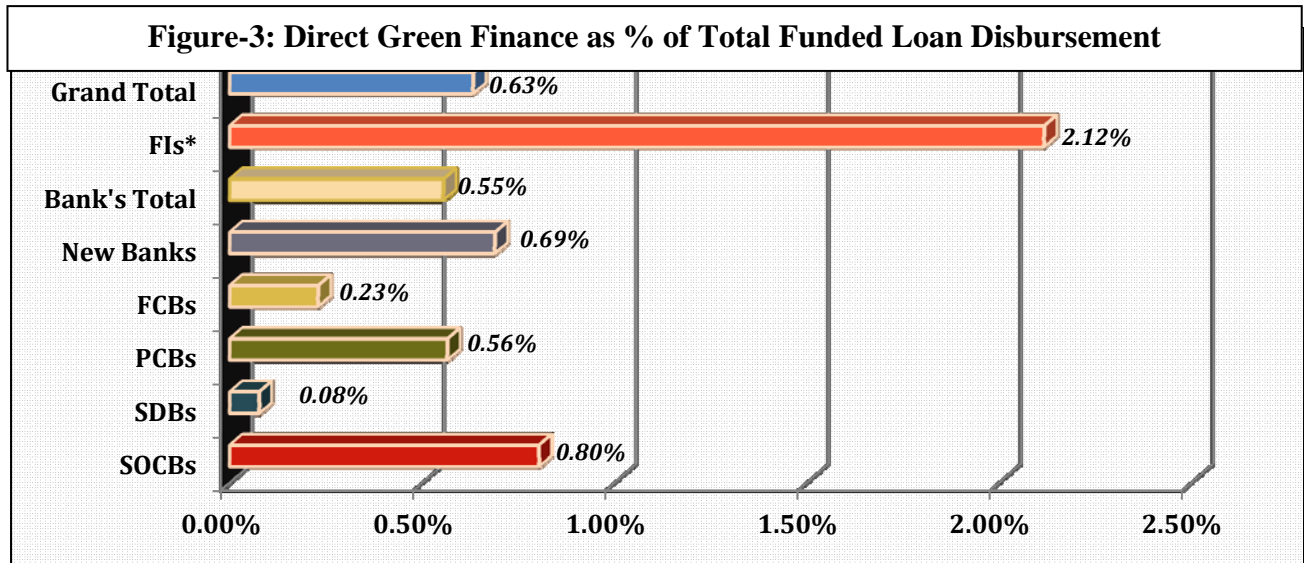
Type of Bank/FI	Category of Green Finance					
	Non Fire Block Brick	Recycling & Recyclable Product	Green Industry	Safety and Security of Factory	Misc.	Others
SOCBs	0.00	8.05	380.00	0.00	0.10	57.06
SDBs	0.00	0.00	0.00	0.00	0.60	0.00
PCBs	4.39	837.14	1,734.98	78.42	0.46	120.63
FCBs	0.00	0.00	92.38	12.60	0.00	133.75
New Banks	49.90	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>54.29</b>	<b>845.19</b>	<b>2,207.36</b>	<b>91.02</b>	<b>1.16</b>	<b>311.44</b>
FIs	0.00	138.35	50.00	40.00	0.00	0.00
<b>Grand Total</b>	<b>54.29</b>	<b>983.54</b>	<b>2,257.36</b>	<b>131.02</b>	<b>1.16</b>	<b>311.44</b>

Table-6: Green Finance (in million Taka)

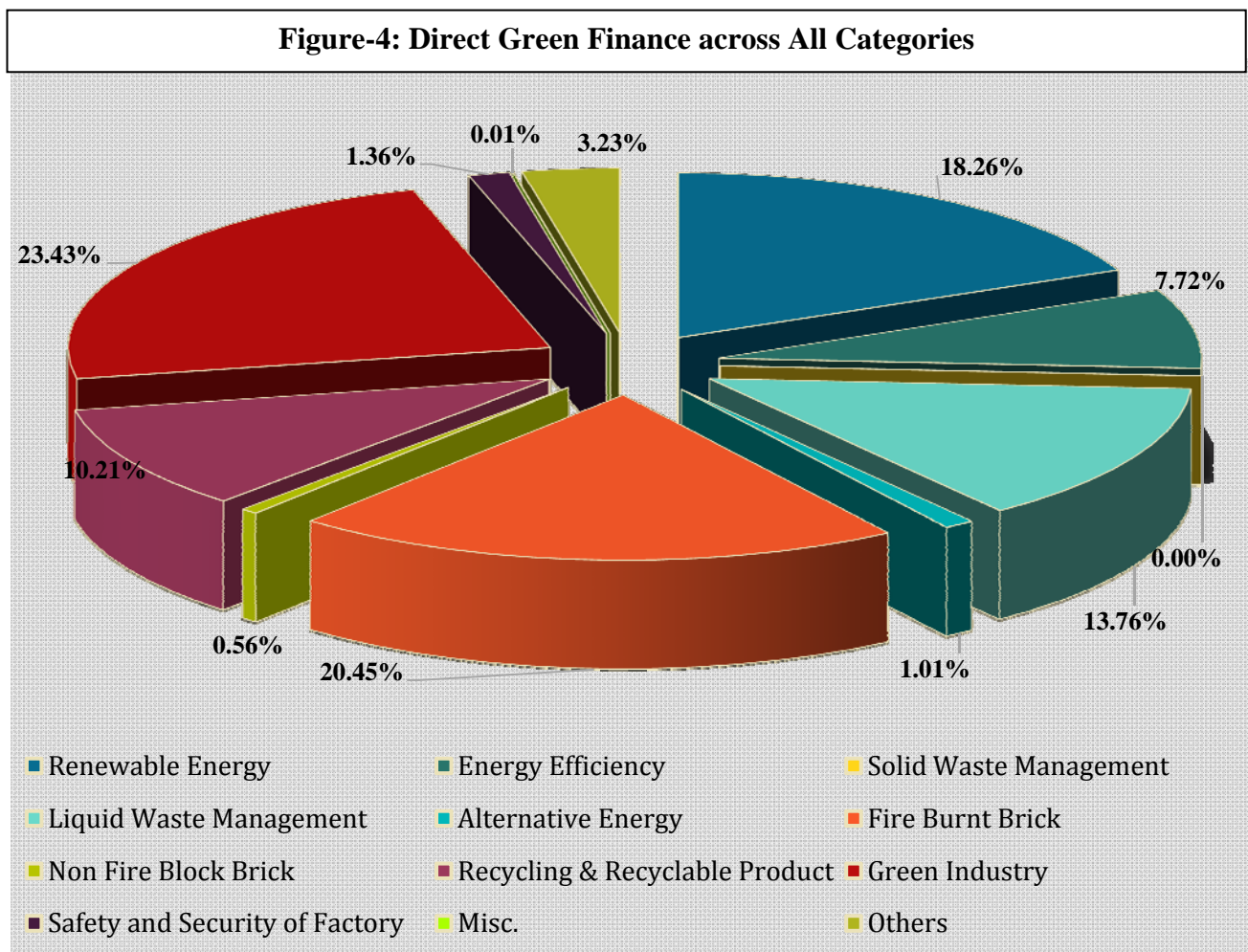
Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SOCBs	540.89	122.87	663.76
SDBs	5.10	0.00	5.10
PCBs	6,834.88	95,884.05	102,718.93
FCBs	238.73	20,381.54	20,620.27
New Banks	419.87	218.54	638.41
<b>Total</b>	<b>8,039.47</b>	<b>116,607.00</b>	<b>124,646.47</b>
FIs	1,596.82	3,088.53	4,685.35
<b>Grand Total</b>	<b>9,636.29</b>	<b>119,695.53</b>	<b>129,331.82</b>

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	81.49%	0.80%
SDBs	100.00%	0.08%
PCBs	6.65%	0.56%
FCBs	1.16%	0.23%
New Banks	65.77%	0.69%
<b>Total</b>	<b>6.45%</b>	<b>0.55%</b>
FIs	34.08%	2.12%
<b>Grand Total</b>	<b>7.45%</b>	<b>0.63%</b>



\*If we consider FIs except Infrastructure Development Company Ltd (IDCOL), then direct green finance of FIs became 0.58% of total loan disbursement.



## 2.6. Online Banking:

55 Banks out of 56 have at least one online branch and 40 banks have introduced internet banking facility up to December 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).

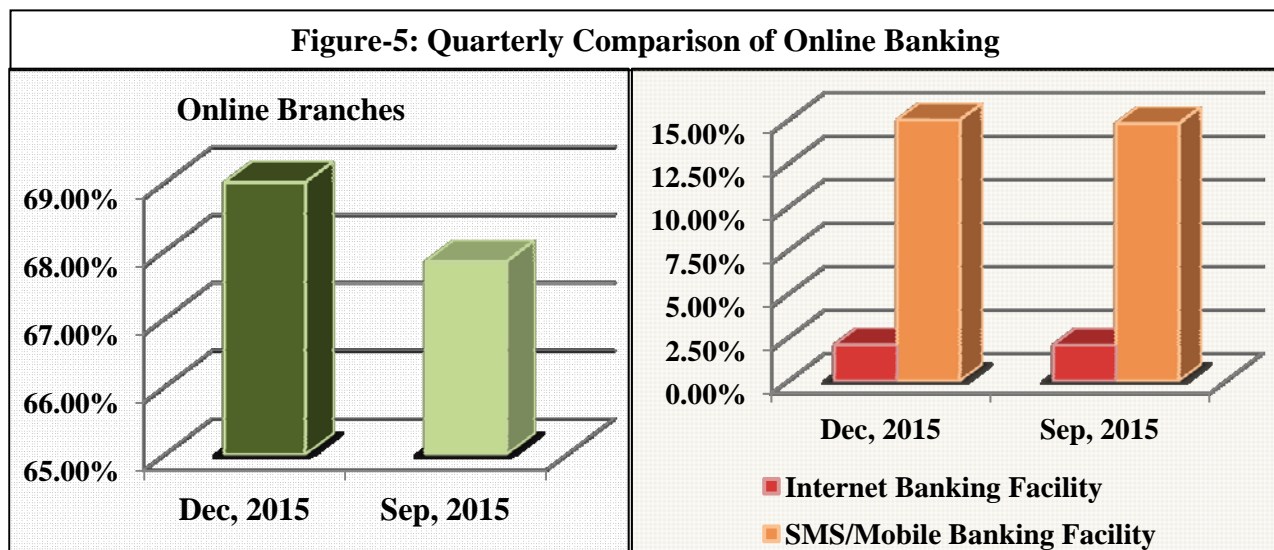
**Table-8: Online Banking (at December 31, 2015)**

Type of Bank	No. of ATM		No. of Total Branches	No. of Branches with online coverage	% of Online Branches
	Own	Shared			
SOCBs	155	8,951	3,697	2,673	72.30%
SDBs	0	5	1,408	94	6.68%
PCBs	7,293	55,826	4,015	3,995	99.50%
FCBs	165	4,207	75	75	100.00%
New Banks	136	8,612	263	263	100.00%
<b>Grand Total</b>	<b>7,749</b>	<b>77,601</b>	<b>9,458</b>	<b>7,100</b>	<b>75.07%</b>

**Table-9: Internet and Mobile/SMS Banking (at December 31, 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	36,126,434	26	0.00%	3,101	0.01%
SDBs	4,388,046	0	0.00%	3,166	0.07%
PCBs	37,826,183	1,481,270	3.92%	11,991,039	31.70%
FCBs	459,987	144,386	31.39%	165,989	36.09%
New Banks	313,746	4,090	1.30%	138,341	44.09%
<b>Grand Total</b>	<b>79,114,396</b>	<b>1,629,772</b>	<b>2.06%</b>	<b>12,301,636</b>	<b>15.55%</b>

**Figure-5: Quarterly Comparison of Online Banking**





## 2.7. Training, Promotion and Disclosure:

29 Banks out of 56 have arranged 75 training programs concerning green banking where total number of participants was 2489. On the other hand, 6 FIs out of 32 have arranged 17 training programs concerning green banking where total number of participants was 266. A snapshot on training is given below:

Type of Bank/FI	No. of Programs	No. of Participants
<b>SOCBs (06)</b>	8	474
<b>SDBs (02)</b>	6	136
<b>PCBs (30)</b>	54	1,710
<b>FCBs (09)</b>	5	167
<b>Newly Scheduled Banks (09)</b>	2	2
<b>Total</b>	<b>75</b>	<b>2,489</b>
<b>FIs (31)</b>	17	266
<b>Grand Total</b>	<b>92</b>	<b>2755</b>

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

Up to December 2015, 45 Banks and 15 FIs have pursued disclosure on green banking in their annual report; 41 Banks and 11 FIs have put green banking disclosure in their website. 19 Banks and 4 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 October-December, 2015:

Issue	Bank	FI
Number of banks/FIs having Green banking unit	56	30
Number of banks/FIs having Green banking policy	55	30
Number of banks/FIs having Green office guide	54	30
Number of environmental risk rated projects	13,704	796
Number of environmental risk rated projects and financed	11,587	574
Amount disbursed against rated projects (in million Taka)	547,319.42	28,561.70
Number of solar powered branches	433	4
Number of solar powered ATM/SME units	251	N/A
Online branches (as % of total branches)	75.07%	N/A
Amount disbursed as green finance (in million Taka)	124,646.47	4,685.35
Direct green finance as % of total funded loan disbursement	0.55%	2.12%
Amount utilized from climate risk fund (in million Taka)	237.57	3.21
Amount utilized for green marketing, training and development (in million Taka)	15.42	0.55

### 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 October-December, 2015 quarter is furnished below:

<b>SL. No</b>	<b>Sub-category/ Product</b>	<b>Taka in million</b>
1	Hybrid Hoffman Kiln (HHK)	17.00
2	Solar Home System	35.76
3	Biogas	02.00
4	Vermicompost	00.99
5	Green Industry	200.00
6	Safe Working Environment for Textile	28.68
	<b>Total Disbursement</b>	<b>284.43</b>

#### 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 fine 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.

During the quarter October-December, 2015, Bangladesh Bank has released USD 8.83 million (BDT 68.65 crore) to Rupali Bank Limited and Uttara Bank Limited against their financing for two sub projects. Liquidation application has been submitted to ADB for the said amount.

ADB has extended the project by 15(fifteen) months with a new closing date of March 31, 2017.

### 4. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended on December 31, 2015 evidences increasing 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 upcoming years. Thus, BB anticipates the more rigorous and effective performance of banks and FIs in mainstreaming green banking activities especially in direct green finance.

-----0-----