

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

**July-September 2014**



**Green Banking and CSR Department  
Bangladesh Bank  
Head Office**

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## 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, banks were provided with a uniform reporting format for reporting green banking activities in a structured manner. 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 six green products in 2009. BB enhanced the product line from 6 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 and Work Environment of Factories and Miscellaneous) from 2009 to till date.

A refinance 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 has 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 (so far identified by BB) under BB Refinance scheme discussed above.

<sup>1</sup> Financial Institutions licensed under Financial Institutions Act, 1993.

This review report for the first time 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, 2014 and the activities of refinance schemes of BB for green products of the same quarter.

## **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.

Out of 9 newly scheduled banks, 5 have formulated their own Green Banking Policy Guidelines and 5 have formed Green Banking Unit (GBU) till the reporting quarter. 4 newly scheduled banks have prepared their own Green Office Guide.

21 out of 31 FIs have formulated their own Green Banking Policy Guidelines approved by their respective Board of Directors and 22 FIs have formed Green Banking Unit (GBU) till the reporting quarter. 21 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 2014 quarter is shown in Table-1:

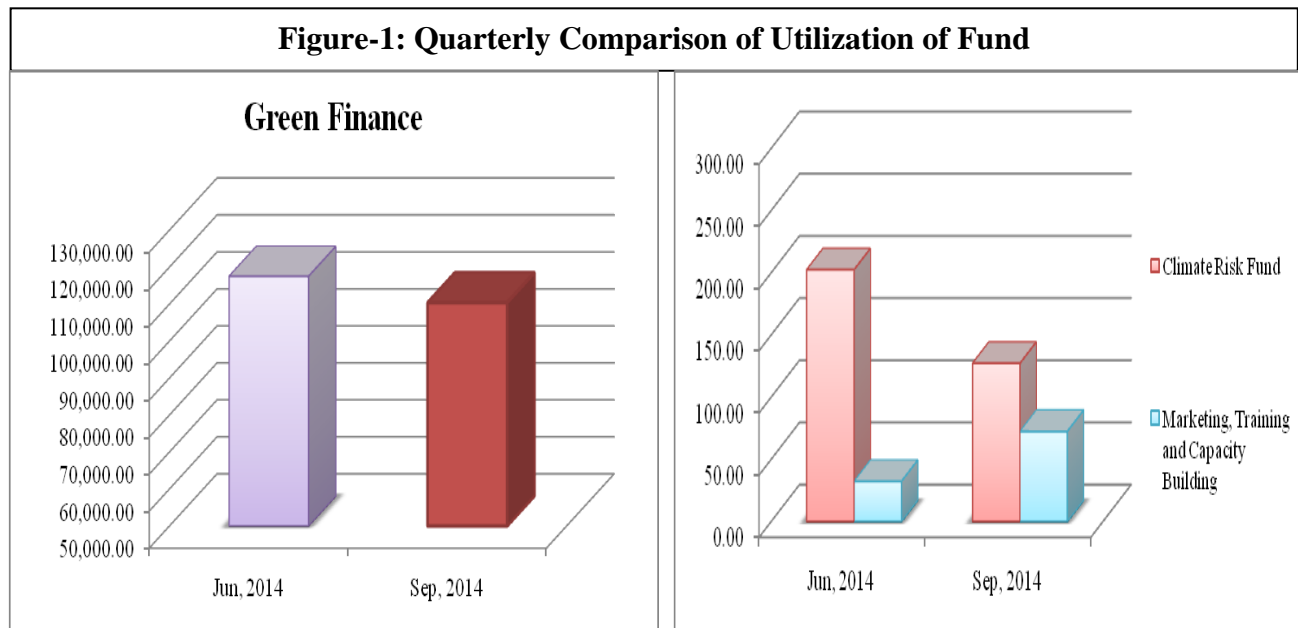
**Table-1: Allocation and Utilization of Fund for Green Banking Activities**

| Banks/<br>FIs               | Annual Allocation of Fund<br>(in million Taka) |                         |   |                   | Utilization of Funds,<br>July-September, 2014<br>(in million Taka) |                         |  |                   |
|-----------------------------|--|-------------------------|---|-------------------|--|-------------------------|--|-------------------|
|                             | Green<br>Finance                               | Climate<br>Risk<br>Fund | Marketing,<br>Training<br>and<br>Capacity<br>Building | Total             | Green<br>Finance   | Climate<br>Risk<br>Fund | Marketing<br>Training<br>and<br>Capacity<br>Building | Total             |
| SCBs                        | 9,821.17                                       | 191.80                  | 386.00  | 10,398.97         | 791.31   | 6.39                    | 2.72   | 800.42            |
| SDBs                        | 5,800.87                                       | 432.20                  | 40.10   | 6,273.17          | 200.51   | 0.00                    | 0.00   | 200.51            |
| PCBs                        | 342,011.68                                     | 829.38                  | 605.50  | 343,446.56        | 82,178.56  | 88.84                   | 69.28  | 82,336.68         |
| FCBs                        | 65,124.39                                      | 169.40                  | 65.60   | 65,359.39         | 22,144.19  | 28.11                   | 0.00   | 22,172.30         |
| Newly<br>Scheduled<br>Banks | 506.47   | 3.50                    | 1.00  | 510.97            | 196.47   | 3.50                    | 0.23   | 200.20            |
| FIs                         | 34,250.34                                      | 260.78                  | 37.10   | 34,548.22         | 4,846.71   | 0.38                    | 0.29   | 4,847.37          |
| <b>Total</b>                | <b>457,514.92</b>                              | <b>1,887.06</b>         | <b>1,135.30</b>                                       | <b>460,537.28</b> | <b>110,357.75</b>  | <b>127.22</b>           | <b>72.52</b>   | <b>110,557.48</b> |

The quarterly shift from June 2014 to September 2014 evidences a slight fall in respect of utilization of fund as shown in Figure-1.

| Types of Banks        | Event        | Project      |
|-----------------------|--------------|--------------|
| SCBs                  | 6.39         | 0.00         |
| SDBs                  | 0.00         | 0.00         |
| PCBs                  | 88.74        | 0.10         |
| FCBs                  | 7.03         | 21.08        |
| Newly Scheduled Banks | 3.50         | 0.00         |
| FIs                   | 0.00         | 0.38         |
| <b>Total</b>          | <b>84.31</b> | <b>18.18</b> |

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

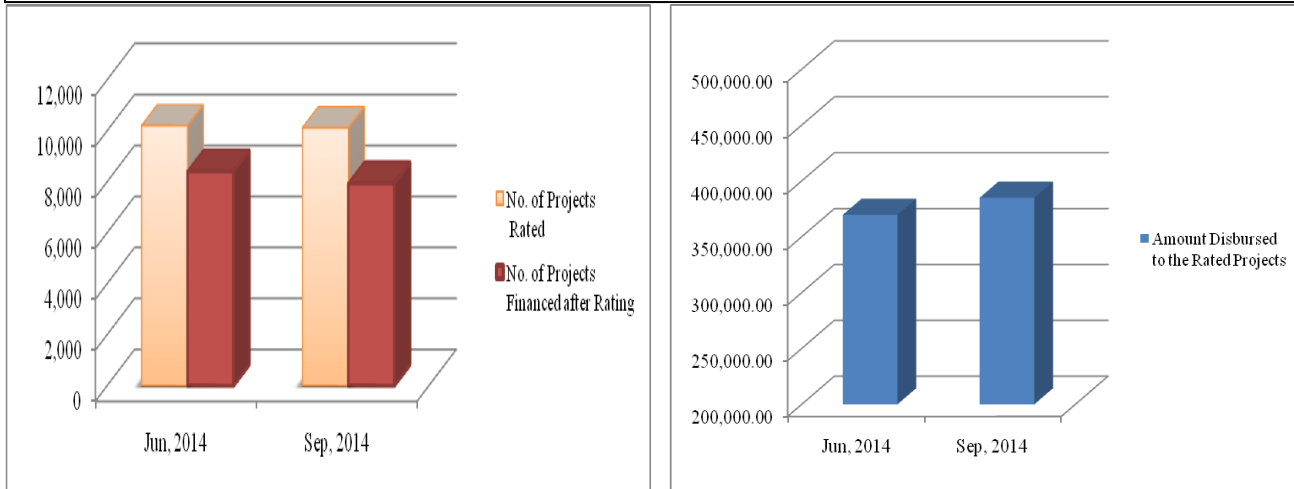


### 2.3. Environmental Risk Rating (ERR):

48 banks out of 56 and 20 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 12,203. The quarterly shift of ERR by banks and FIs is showing a consistent trend (Figure-2).

| 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                  | 392                                | 337                   | 275                            | 2,732.43   |
| SDBs                  | 78                                 | 78                    | 78                             | 1,693.61   |
| PCBs                  | 10,200                             | 8,407                 | 6,688                          | 320,108.98   |
| FCBs                  | 868                                | 641                   | 311                            | 32,297.61  |
| Newly Scheduled Banks | 31                                 | 26                    | 26                             | 5,334.69   |
| FIs                   | 634                                | 628                   | 565                            | 22,748.11  |
| <b>Total</b>          | <b>12,203</b>                      | <b>10,117</b>         | <b>7,943</b>                   | <b>384,915.00</b>                                    |

**Figure-2: Quarterly Comparison of Environmental Risk Rating**



### 2.4. In-house Environment Management:

| Type of Bank/FI       | No. of Branches | No. of branches powered by Solar Energy | No. of ATM/SME units powered by Solar Energy |
|-----------------------|-----------------|---|--|
| SCBs                  | 3,544           | 32                                      | 0  |
| SDBs                  | 1,502           | 29                                      | 0  |
| PCBs                  | 3,653           | 305                                     | 198  |
| FCBs                  | 75              | 4                                       | 6  |
| Newly Scheduled Banks | 137             | 24                                      | 1  |
| FIs                   | 131             | 4                                       | 0  |
| <b>Total</b>          | <b>9,042</b>    | <b>398</b>                              | <b>205</b>                                   |

## 2.5. Green Finance:

40 banks out of 56 and 10 FIs out of 31 have had exposure in green finance, either direct or indirect mode in the reporting quarter. On the other hand, 32 banks and 8 FIs have disbursed direct green finance in this period. Total amount invested as green finance has been Tk. 110,357.75 million in September 2014 quarter. Green Finance by banks and FIs is still concentrated in Indirect Green Finance. In September 2014 quarter, direct green finance by banks and FIs is 7.84% of total green finance and 0.60% of total funded loan disbursement. A brief picture of green finance by banks and FIs is shown in Table-5.1, Table-5.2, Table-6 and Table-7:

| Type of Bank/FI       | Category of Green Finance |                   |                        |                         |                    |                  |
|-----------------------|---------------------------|-------------------|------------------------|-------------------------|--------------------|------------------|
|                       | Renewable Energy          | Energy Efficiency | Solid Waste Management | Liquid Waste Management | Alternative Energy | Fire Burnt Brick |
| SCBs                  | 41.85                     | 0.00              | 14.90                  | 21.90                   | 0.00               | 661.08           |
| SDBs                  | 2.77                      | 0.00              | 0.00                   | 0.00                    | 0.00               | 14.40            |
| PCBs                  | 860.43                    | 490.37            | 1,588.22               | 799.08                  | 0.00               | 1,390.86         |
| FCBs                  | 0.00                      | 0.00              | 0.00                   | 0.00                    | 0.00               | 0.00             |
| Newly Scheduled Banks | 0.00                      | 0.00              | 0.00                   | 0.00                    | 0.00               | 26.60            |
| FIs                   | 1,231.44                  | 0.00              | 0.00                   | 51.97                   | 0.00               | 0.00             |
| <b>Total</b>          | <b>2,136.49</b>           | <b>490.37</b>     | <b>1,603.12</b>        | <b>872.95</b>           | <b>0.00</b>        | <b>2,092.94</b>  |

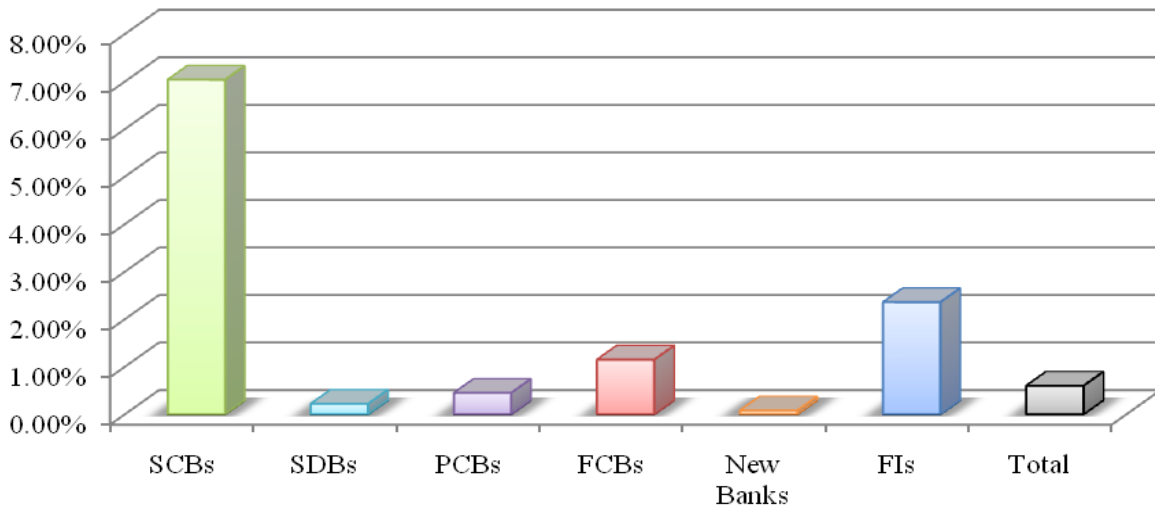
| Type of Bank/FI       | Category of Green Finance |                                |                 |                                |             |               |
|-----------------------|---------------------------|--------------------------------|-----------------|--------------------------------|-------------|---------------|
|                       | Non Fire Block Brick      | Recycling & Recyclable Product | Green Industry  | Safety and Security of Factory | Misc.       | Others        |
| SCBs                  | 0.00                      | 0.00                           | 0.00            | 0.00                           | 0.00        | 14.79         |
| SDBs                  | 0.00                      | 3.70                           | 0.00            | 0.00                           | 0.00        | 16.69         |
| PCBs                  | 0.00                      | 495.10                         | 0.00            | 0.00                           | 0.00        | 124.23        |
| FCBs                  | 0.00                      | 0.00                           | 1,199.70        | 0.00                           | 0.00        | 0.00          |
| Newly Scheduled Banks | 0.00                      | 0.00                           | 0.00            | 0.00                           | 0.00        | 0.00          |
| FIs                   | 0.00                      | 0.00                           | 0.00            | 0.00                           | 0.00        | 1.22          |
| <b>Total</b>          | <b>0.00</b>               | <b>498.80</b>                  | <b>1,199.70</b> | <b>0.00</b>                    | <b>0.00</b> | <b>156.93</b> |

| Type of Bank/FI       | Direct Green Finance | Indirect Green Finance | Total Green Finance |
|-----------------------|----------------------|------------------------|---------------------|
| SCBs                  | 754.51               | 36.80                  | 791.31              |
| SDBs                  | 37.56                | 162.95                 | 200.51              |
| PCBs                  | 5,748.29             | 76,430.27              | 82,178.56           |
| FCBs                  | 1,243.34             | 20,900.85              | 22,144.19           |
| Newly Scheduled Banks | 26.60                | 169.87                 | 196.47              |
| FIs                   | 1,284.63             | 3,562.08               | 4,846.71            |
| <b>Total</b>          | <b>9,094.93</b>      | <b>101,262.82</b>      | <b>110,357.75</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 |
|-----------------------|-----------------------------|--|
| SCBs                  | 95.35%                      | 7.04%                                  |
| SDBs                  | 18.73%                      | 0.22%                                  |
| PCBs                  | 6.54%                       | 0.45%                                  |
| FCBs                  | 5.61%                       | 1.15%                                  |
| Newly Scheduled Banks | 13.54%                      | 0.08%                                  |
| FIs                   | 26.51%                      | 2.36%                                  |
| <b>Total</b>          | <b>7.84%</b>                | <b>0.60%</b>                           |

**Figure-3: Direct Green Finance as % of Total Funded Loan Disbursement**



**2.6. Online Banking:**

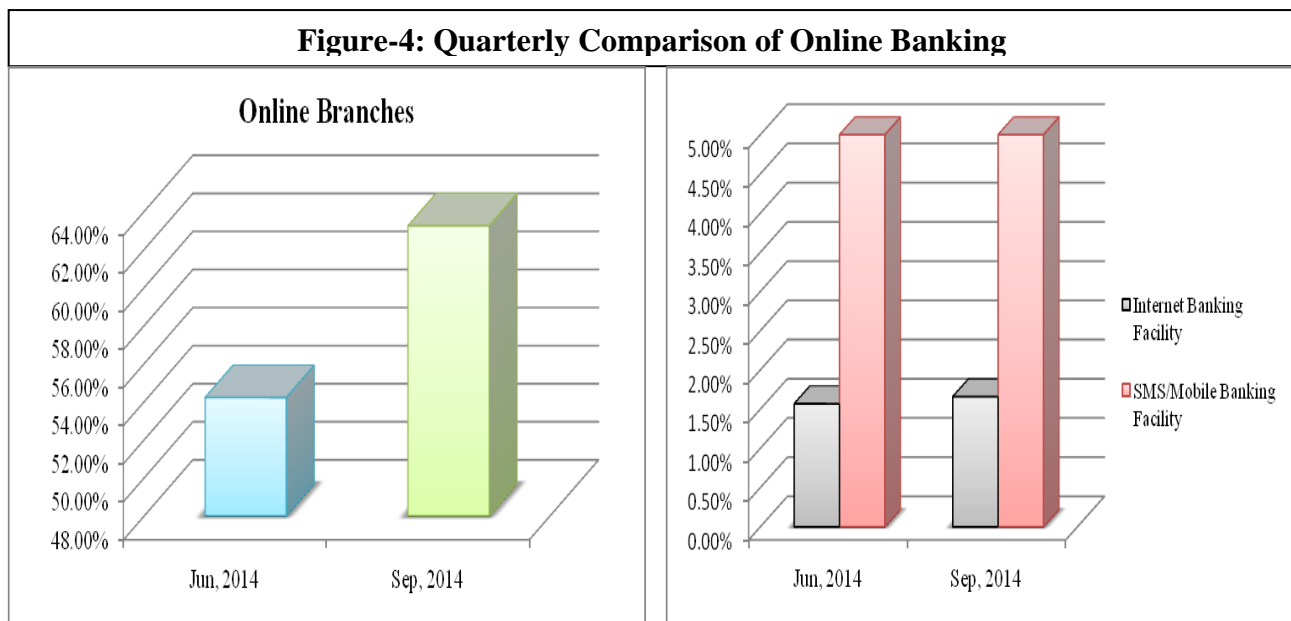
54 banks out of 56 have at least one online branch and 32 banks have introduced internet banking facility upto September 2014. Significant progress has been observed in the expansion of online branches since the previous quarter. Moreover, SMS/mobile banking facility have been increased notably over the preceding quarter (Figure-4).

**Table-8: Online Banking**

| Type of Bank/FI       | No. of Total Branches | No. of Branches with online coverage | Percentage of Online Branches |
|-----------------------|-----------------------|--------------------------------------|-------------------------------|
| SCBs                  | 3,544                 | 1,661                                | 46.87%                        |
| SDBs                  | 1,502                 | 138                                  | 9.19%                         |
| PCBs                  | 3,653                 | 3,648                                | 99.86%                        |
| FCBs                  | 75                    | 75                                   | 100.00%                       |
| Newly Scheduled Banks | 137                   | 113                                  | 82.48%                        |
| <b>Total</b>          | <b>8,911</b>          | <b>5,635</b>                         | <b>63.24%</b>                 |

**Table-9: Internet and Mobile/SMS Banking**

| Type of Bank/FI       | No. of Total Accounts | No. of A/Cs facilitated with Internet Banking | Percentage of A/Cs facilitated with Internet Banking | No. of A/Cs facilitated with Mobile/SMS Banking | Percentage of A/Cs facilitated with Mobile/SMS Banking |
|-----------------------|-----------------------|---|--|---|--|
| SCBs                  | 30,373,606            | 23  | 0.00%  | 3,255   | 0.01%  |
| SDBs                  | 14,626,162            | 0   | 0.00%  | 7,171   | 0.05%  |
| PCBs                  | 34,184,960            | 1,137,185                                     | 3.33%  | 11,402,993                                      | 33.36%   |
| FCBs                  | 432,780               | 183,414                                       | 42.38%   | 228,715   | 52.85%   |
| Newly Scheduled Banks | 50,046                | 174   | 0.35%  | 4,740   | 9.47%  |
| <b>Total</b>          | <b>79,667,554</b>     | <b>1,320,796</b>                              | <b>1.66%</b>   | <b>11,646,874</b>                               | <b>14.62%</b>  |





**2.7. Training, Promotion and Disclosure:**

35 banks out of 56 have arranged 188 training programs concerning green banking where total number of participants was 12,035. On the other hand, 7 FIs out of 31 have arranged 18 training programs concerning green banking where total number of participants was 119. A snapshot on training is given below:

| Type of Bank/FI       | No. of Programs | No. of Participants |
|-----------------------|-----------------|---------------------|
| SCBs                  | 13              | 316                 |
| SDBs                  | 3               | 108                 |
| PCBs                  | 146             | 10,956              |
| FCBs                  | 6               | 471                 |
| Newly Scheduled Banks | 2               | 65                  |
| FIs                   | 18              | 119                 |
| <b>Total</b>          | 188             | 12035               |

31 banks and 7 FIs have initiated Green Marketing while 9 banks and 2 FIs have arranged Green Events in this quarter.

Upto September 2014, 41 banks and 9 FIs have pursued disclosure on green banking in their annual report; 41 banks and 7 FIs have put green banking disclosure in their website. 24 banks and 5 FIs have disclosed their green banking activities in the media; 1 bank and 1 FI have prepared Independent Report on green banking activities.

**2.8. Major Green Banking Activities at a Glance in September 2014:**

| Issue   | Bank/FI    |           |
|---|------------|-----------|
|   | Bank       | FI        |
| Number of banks/FIs having Green banking unit                                   | 52         | 22        |
| Number of banks/FIs having Green banking policy                                 | 52         | 21        |
| Number of banks/FIs having Green office guide                                   | 51         | 20        |
| Number of environmental risk rated projects                                     | 9,489      | 628       |
| Number of environmental risk rated projects and financed                        | 7,378      | 565       |
| Amount disbursed against rated projects (in million Taka)                       | 362,166.89 | 22,748.11 |
| Number of solar powered branches  | 394        | 4         |
| Number of solar powered ATM/SME units   | 205        | N/A       |
| Online branches (as % of total branches)  | 63.24%     | N/A       |
| Amount disbursed as green finance (in million Taka)                             | 105,511.04 | 4,846.71  |
| Direct green finance as % of total funded loan disbursement                     | 0.53%      | 2.36%     |
| Amount utilized from climate risk fund (in million Taka)                        | 126.84     | 0.38      |
| Amount utilized for green marketing, training and development (in million Taka) | 72.23      | 0.29      |

### 3. Review on Green Refinance Activities of BB:

#### 3.1. BB Refinance Scheme for Renewable Energy and Green Products:

Under this scheme, refinance is provided to Participatory Financial Institutions (PFIs) who come into agreement with BB. In July-September 2014, 1 PFI has come into agreement. Upto the reporting quarter, total number of PFIs is 48 where 34 are banks and 14 are FIs. The disbursement scenario of this scheme during July-September, 2014 quarter is furnished below:

| SL. No | Category                  | Taka in million |
|--------|---------------------------|-----------------|
| 1      | Bio gas                   | 48.85           |
| 2      | Solar Home System         | 14.70           |
| 3      | Solar Irrigation Pump     | 26.50           |
|        | <b>Total Disbursement</b> | <b>90.04</b>    |

#### 3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

Under this project, refinance is provided to Participatory Financial Institutions (PFIs) who come into agreement with BB. Upto the reporting quarter, total number of PFIs is 52 where 35 are banks and 17 are FIs. In July-September, 2014, Tk. 865 million (USD 10.88 million) has been claimed by PFIs for refinance to BB against 5 projects. Out of these, 3 are HHK and 2 are Tunnel Kiln.

### 4. Concluding Remarks:

The scenario of green banking activities of banks and FIs in the quarter ended on September 30, 2014 evidences almost similar scenario of the quarter ended on June 30, 2014. This trend of investment and expenditure in various green banking activities of banks and FIs will expectedly be increased in the quarter to be ended on December 31, 2014. Thus, BB anticipates the more rigorous and effective performance of banks and FIs in mainstreaming green banking activities.

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