

CENTRAL BANK OF EGYPT
Egyptian Banking Institute



62.432

البنك المركزي المصري
المعهد المصرفي المصري

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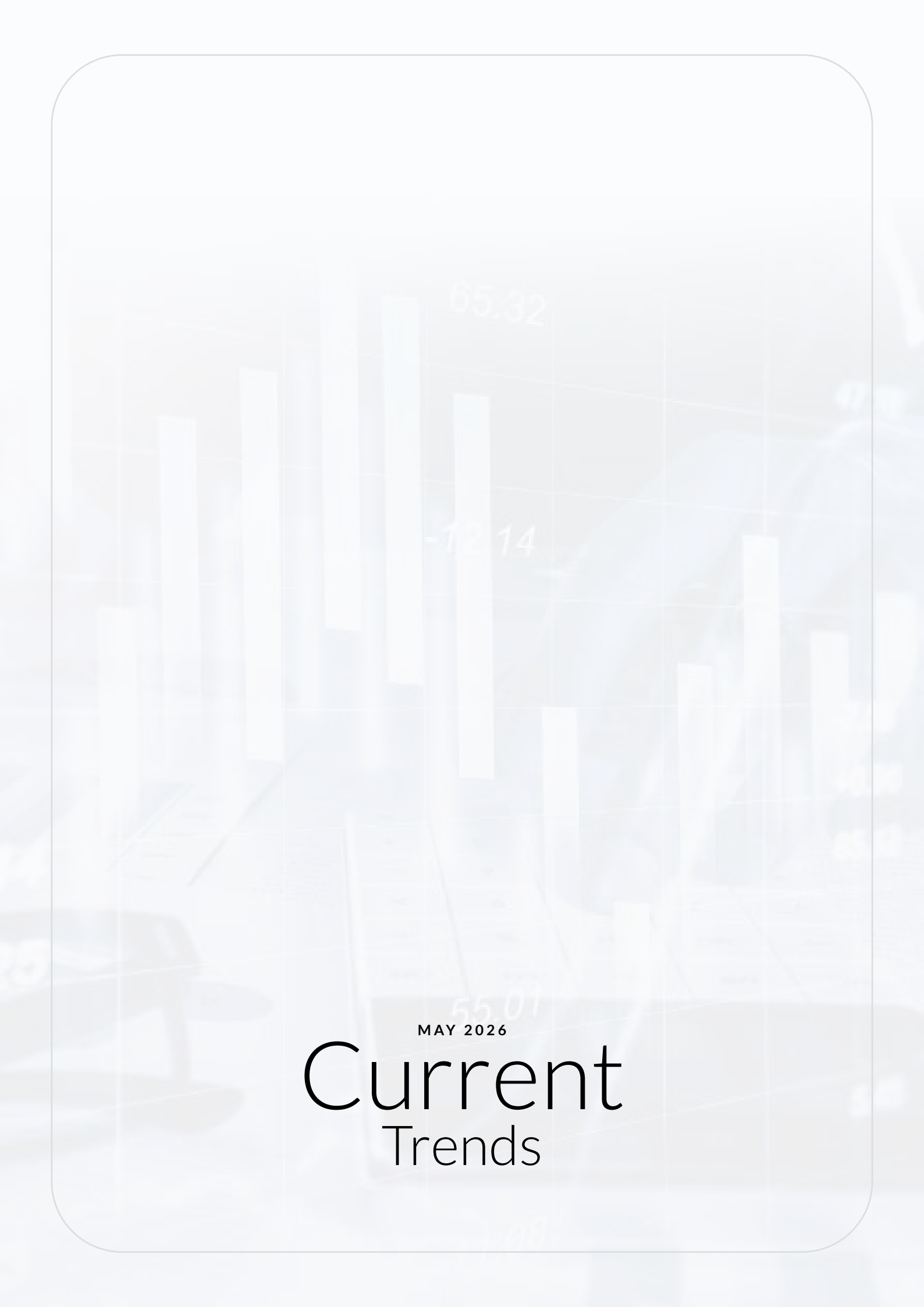
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Green Gold: Monetizing Sustainability

Current Trend

12.751



MAY 2026

Current Trends

| Background

In past years, sustainability in banking was a second order activity referred to as a Corporate Social Responsibility (CSR) activity or a regulatory checkbox but now the concept of sustainability in banking has changed from a regulatory and reputation need to a business and revenue-generating strategy.

The original aim of environmental, social, and governance (ESG) practices by banks was to meet international standards and to handle environmental risks. Though, as the markets of sustainable finance rapidly expanded, the banks started to look at sustainability as a potential commercial opportunity instead of a cost center. Tools such as green bonds and sustainability-linked loans have catalyzed this transition. These tools help banks to finance environmental and social projects and receive returns. Sustainable bonds and loans have been expanded considerably as instruments that are supportive of the shift towards a low-carbon economy, and which are also in demand by investors and corporations. Now sustainability can be converted into a quantifiable financial value, what is often referred to as a new form of green gold.

| Concept and Definition

The concept of Green Gold means that banks can monetize sustainability by incorporating ESG factors into financial products, services, and risk models to generate revenue and provide environmental and social impact. The key component of this idea is the use of such instruments as sustainability-linked loans (SLLs) and other instruments.

Monetizing Sustainability in banking is the strategic inclusion of environmental, social, and governance (ESG) elements in the bank revenue-generating products and capital allocation strategies.

| Benefits

Profile diversification and introduction of new products:

Monetizing sustainability enables banks to diversify their sources of revenue and enhance their risk profile.

Banks are creating new sources of income by developing special products such as Green Mortgages, Sustainability-Linked Loans (SLLs), ESG-oriented investment funds and advisory fees.

Reduced cost of funding:

By issuing Green Bonds, in many cases, the banks can access a wider range of investors and a lower cost of borrowing due to a high demand of sustainable assets.

Challenges

Improved analysis of credit Risk:

Incorporating climate risk data in credit scoring of borrowers will enable the banks to have a better understanding of the long-term sustainability of the borrowers. This will minimize the chances of non-performing loans (NPLs) being caused by environmental disasters or policy changes (carbon taxes).

Capital efficiency:

Some regulators are considering having Green Supporting Factors which may potentially reduce capital requirements in loans that are directed towards sustainable projects, and this will essentially free up more capital to be lent out.

Competitive advantage:

As retail customers grow more conscious of value-based banking, banks that offer customers a green mortgage, or carbon-tracking apps, are experiencing an increase in customer retention.

Brand positioning:

Brand positioning is improved by sustainable finance to allow banks to align themselves with global efforts such as net-zero commitments and sustainable development goals. This is more in emerging markets where sustainability leadership can open international relationships and concessional funding.

The lack of universally accepted ESG standards and metrics:

The lack of standardized sustainability frameworks is a major barrier to monetizing sustainability. Because banks and other financiers rely on different reporting standards and metrics, it is difficult to quantify and compare sustainability performance across clients and sectors. Sustainability-linked loans require lenders and borrowers to agree on specific KPIs and reporting protocols; when these measures are bespoke, they become time-consuming and costly to implement. This fragmentation reduces scalability, increases transaction and operational costs, and complicates ongoing monitoring and verification.

Greenwashing and credibility risk:

With the growing popularity of sustainable finance, the risk of greenwashing, where claims of sustainability are inflated or not matched with actual impact, increases.

Since certain instruments (such as SLLs) are not associated with particular projects, it becomes more difficult to be certain that financing results in actual sustainability improvements. This puts banks at reputational risk and regulatory oversight in case the sustainability claims are not plausible.

Profitability vs. Sustainability trade-off:

Not every ESG investment has direct financial payoffs. Banks have to strike a balance between the long-term sustainability and the short-term profitability pressures. This poses a strategic dilemma: How to make sustainable products commercially viable and have them deliver measurable impact.

Data, technology and capability gaps:

Having an effective ESG integration requires advanced data analytics, quality sources of ESG data and skilled human capital.

In many banks, especially in developing markets, there remains little access to ESG information and technical knowledge, slowing the implementation process.

Client transition risk:

Banks have to deal with the issue of financing customers in the high-emission sectors and helping them to transition. This is partially solved by sustainability-linked loans, which encourage gradual improvement, instead of cutting off such clients. Nevertheless, it is still difficult to balance financial inclusion with sustainability alignment.

| Practices

- **ING Group** was one of the first banks globally to pioneer sustainability-linked loans, launching its first ESG-linked financing with Philips in 2017. ING links loan pricing directly to clients' sustainability performance, meaning companies that achieve ambitious ESG targets benefit from lower interest rates. The bank has financed sustainability-linked transactions across sectors such as renewable energy, logistics, manufacturing, shipping, and consumer goods.
- **HSBC** has increased its sustainable finance initiatives with green and sustainability-linked financing, which facilitates renewable energy, clean transportation and energy efficiency initiatives. The bank has established sustainability as a core aspect of its lending strategy, which has allowed it to expand its sustainable finance loan portfolio and generate revenues through sustainable finance products, advisory services and green bond work.

- **BNP Paribas** has a diverse portfolio of sustainable finance solutions, such as green bonds, sustainability-linked loans and sustainable supply chain finance. Monetization of sustainability is done by working through the entire financing lifecycle, from ESG advice and structuring to underwriting, risk management, and assisting clients in reaching their sustainability goals.
- **DBS Bank** does not only offer sustainability-linked loans, but also serves as a sustainability advisor, assisting its customers in defining ESG targets and measuring performance. DBS created ESG-linked loans that change their interest rates depending on independently verified sustainability performance.

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Current Trends

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