

# Viet Nam's Oldest Bank BIDV Issues Inaugural Green Bond in the Domestic Market

The World Bank provided technical assistance to Viet Nam's BIDV (Joint Stock Commercial Bank for Investment and Development of Viet Nam) to issue its inaugural, USD equivalent 104 million, green bond. This transaction marks many firsts in the domestic market: it is the first senior, unsecured and unguaranteed<sup>1</sup> green bond issued by a local commercial bank in Viet Nam.

## Background

In 2021, at the United Nations Climate Change Summit (COP26), Viet Nam announced its commitment to achieving "Net Zero" emissions by 2050. The country supported this ambition by approving a [National Green Growth Strategy](#) for the period 2021-2030, updating its Nationally Determined Contributions (NDC), and approving a [plan](#) on tasks and solutions to respond to climate change and energy transition. To contribute to the implementation of the strategy and commitments of the Government of Viet Nam, the central bank (State Bank of Viet Nam) set out an [action plan](#) for the banking sector to implement the National Green Growth Strategy and the outcomes of COP26. Against this backdrop, BIDV intensified its efforts to promote green growth within the country's economy.

As the oldest financial institution in Viet Nam and one of the top three hundred largest banks in the world, BIDV is committed to contributing to finding solutions to current challenges facing the planet and society. It is focusing on tailoring green financial products and services as well as adjusting its structure and organizational model towards green banking, which is defined as a priority goal in its business strategy for the period of 2021 - 2025 and vision to 2030. In 2022, its green financing reached more than VND 63,773 billion



Photo Credit: Yen River with Rowing Boat Harvesting Waterlily in Ninh Binh, Vietnam by Vinh Dao - Canva

(equivalent to USD 2.7 billion) with 1,368 projects, accounting for 4.3 percent of BIDV's total outstanding loans and 13 percent of the total outstanding loans to the green sector of the whole economy.

Early in 2023, BIDV issued a [Sustainable Loan Framework aligned with international standards](#), creating the foundation for introducing sustainable financial products to Viet Nam's banking sector.<sup>2</sup> Determined to join the government in implementing the commitment to achieve net zero emissions by 2050, BIDV then focused on raising capital to fund activities that generate positive environmental impact, especially climate.

## Financial Solution

A green bond is a fixed income instrument where the proceeds are earmarked for projects aimed at generating positive environmental impact. They are well established and well understood by the mainstream financial markets and help investors drive capital towards projects that are in line with their environmental, social and governance priorities. Labeled green bonds have to conform to the International Capital Market Association [Green Bond Principles](#) if they are to attract investors who

<sup>1</sup> **Senior:** Senior green bonds have priority over other debts in asset distribution during bankruptcy.

**Unsecured:** These green bonds lack collateral, meaning they are not backed by specific assets.

**Unguaranteed:** Green bonds without external guarantees rely solely on the issuer's creditworthiness

<sup>2</sup> Press release – 16 February 2023 - First Vietnamese bank to issue Sustainable Loan Framework [link](#)

are interested in sustainable investments. This involves developing a green bond framework that sets out how the issuer intends to issue green bonds to fund projects that are consistent with its vision to improve the environment, combat climate change and transition to a low carbon economy.

In its [Green Bond Framework](#), BIDV has highlighted 13 categories of projects which would be eligible for financing with green bond proceeds, including – renewable energy, clean energy, green industry, environmental protection and energy saving services provision, sustainable transport, green construction, green agriculture, sustainable forestry, sustainable water management in urban and rural areas, waste treatment and pollution prevention, natural environment protection, ecological environment restoration and natural disasters prevention, recycled and renewable resources. In the Framework, BIDV provides details on how bond proceeds will be deposited in general accounts and earmarked for eligible projects. They retain some flexibility to finance existing projects, allowing for a lookback period of 36 months before the date of issuance. All bond proceeds will be allocated within 24 months of the issuance of a green bond. BIDV committed to reporting on the allocation and impact of proceeds through annual reports published on its website until proceeds are fully allocated. The Framework was reviewed by Moody's, received a score of SQS2 (Very Good, the second highest sustainability score in Moody's methodology).

## Outcome

BIDV's first green bond was issued on October 25, 2023, in the local market. The bond issuance highlighted many firsts. It became the first bank in Viet Nam to successfully issue a green bond in the

domestic market, the first green bond that has been ESG-rated in Viet Nam. It was also the first senior, unsecured and unguaranteed green bond in Viet Nam.

## World Bank's Role

BIDV's green bond was the result of a multi-institution, multi-team collaborative effort at the World Bank Group. The World Bank Treasury's [Sustainable Finance and ESG Advisory Services](#) in collaboration with Finance, Competitiveness and Innovation (FCI) and the International Finance Corporation (IFC) provided technical assistance to BIDV under the Joint Capital Market Development Program (J-CAP).<sup>3</sup> The technical assistance included helping BIDV understand international best practices and develop a roadmap and action plan, reviewing BIDV's green bond framework, and assisting with the independent external review (Second-Party Opinion) by Moody's. Going forward the World Bank will build BIDV's capacity to prepare the post issuance allocation and impact report.

### Summary of Financial Terms

<b>Date of issuance</b>	October 25, 2023
<b>Amount</b>	VND 2,500 billion (in local currency); USD 104 million equivalent
<b>Tenor</b>	5 years
<b>Use of proceeds</b>	In line with Green Bond Framework: green, energy saving, emission reduction, and environmental protection projects

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<sup>3</sup> Globally, the J-CAP initiative is made possible by the support of the governments of Australia, Germany, Japan, Luxembourg, the Netherlands, Norway, and Switzerland. In Vietnam, J-CAP is funded by the Swiss Secretariat

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