

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

## Highlights

- The World Bank partnered with Viet Nam's BIDV (Joint Stock Commercial Bank for Investment and Development of Viet Nam) to launch BIDV's sustainable finance journey and support two landmark transactions.
- In 2023, BIDV issued a USD 104 million equivalent green bond—the first senior, unsecured, and unguaranteed<sup>1</sup> green bond by a local Vietnamese commercial bank. This was followed by the country's first sustainability bond, valued at USD 122 million equivalent.

## 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 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,



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

its green financing reached more than VND 63,773 billion (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.

In February 2023, BIDV issued a [Sustainable Loan Framework aligned with international standards](#), introducing sustainable financial products to Viet Nam's banking sector. 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. With technical assistance from the World Bank, BIDV established its sustainable bond program by developing a [Green Bond Framework](#) in October 2023, followed by a [Sustainability Bond Framework](#), in August 2024.

## 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.

<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



Labeled green bonds have to conform to the International Capital Market Association [Green Bond Principles](#) if they are to attract investors who 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 the 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. Motivated by the success of the green bond, BIDV updated the framework to include the option to

[issue social and/or sustainability bonds](#) to support projects that aim to provide access to essential services such as healthcare and education, affordable housing, affordable infrastructure and lending for microfinance, SMEs and businesses supporting marginalized populations. In August 2024, BIDV issued the [first sustainability bond](#) (VND3,000 billion) in the domestic market in Vietnam.

## World Bank’s Role

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>2</sup> The technical assistance included:

- Helping BIDV understand international best practices and develop a roadmap and action plan,
- Developing BIDV’s [green](#) and [sustainability bond](#) frameworks to meet market expectations,
- Establishing criteria for evaluating eligible projects,
- Assisting with the independent external review ([Second-Party Opinion](#)).

Going forward the World Bank will build BIDV’s capacity to prepare the post issuance allocation and impact report.

Summary of Financial Terms		
	Green Bond	Sustainability Bond
<b>Date of issuance</b>	October 25, 2023	August 16, 2024
<b>Amount</b>	VND 2,500 billion, USD 104 million equivalent	VND 3,000 billion, USD 122 million equivalent
<b>Tenor</b>	5 years	5 years
<b>Use of proceeds</b>	Green, energy saving, emission reduction, and environmental protection projects	Projects with positive impact on the environment and society

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<sup>2</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 Viet Nam, J-CAP is funded by the Swiss Secretariat Updated on October 7, 2024

for Economic Affairs (SECO) and Australia’s Department of Foreign Affairs and Trade (DFAT).