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ACRA confirms compliance of projects financed using Center-invest Bank's green bond issue with internationally recognized principles and standards in the field of ecology and/or green financing (Green Bond Principles)

Compliance of the issue of with Regulation of the Bank of Russia dated December 19, 2019 No. 706-P

As part of the green bond issue of [Center-invest Bank](#) (hereinafter, the Bank) ACRA verified the compliance of projects that are planned to be financed with the proceeds from the bond issue with internationally recognized principles and standards in the field of ecology and/or green financing (in accordance with Regulation of the Bank of Russia dated December 19, 2019 No. 706-P). The 45 projects presented by the Bank to a total of RUB 387.2 mln are part of the clean transportation category and their general purpose is to improve the energy efficiency of agricultural machinery. Financing of this area of projects through the issuance of green debt instruments is possible both in international and in Russian practice. In this case, the Bank refinances loans issued to replace old agricultural equipment (combine harvesters and tractors) with more environmentally friendly and energy efficient models. These projects allow a significant positive effect to be achieved from the point of view of the environment: in total, for all 45 projects, the volume of greenhouse gas emissions will decrease by 6,400 tons of CO₂-equivalent per year. ACRA notes that all funds raised through the issuance of green bonds will be used exclusively to refinance previously issued green loans.

Brief information about projects that are refinanced via green bond issues and their environmental impact (a complete list of projects can be found in *Appendix 1*)

| | |
|--|---|
| Total projects | 45 |
| Industry | Agriculture |
| Project category | Clean transportation |
| Project area | Reduction of specific energy consumption |
| Total energy savings | 63.3% |
| Total annual reduction of greenhouse gas emissions | 6,408 tons of CO ₂ -equivalent (64,080 tons of CO ₂ -equivalent for the entire service life of the purchased equipment, or 0.002% of the estimated greenhouse gas emissions in Russia for the specified period) |
| Average lifetime of purchased equipment in the refinanced projects | 10 years |

Compliance of the issue with the ICMA's GBP

ACRA confirms that the Bank's planned bond issue complies with all basic GBP of the International Capital Market Association (ICMA). The use of proceeds (projects financed under the bond issue are aimed at achieving goals that correspond to the ICMA taxonomy and have a positive environmental impact), process of project evaluation and selection, approaches to managing proceeds, and the Bank's reporting as presented in the document "Procedure and principles for placing funds raised via the green bond issues" (hereinafter GBP (Green Bond Framework)) fully meet the GBP criteria. Therefore, ACRA considers the Bank's planned bond issue to be green.

Key issue properties

| | |
|---|---|
| Borrower | Center-invest Bank |
| Issuer's credit rating | A(RU), outlook Stable, from ACRA (JSC) |
| Actual issuer | Center-invest Bank |
| Type, series and other identification signs of securities | Green uncertified non-convertible exchange-traded interest-bearing bond subject to centralized title registration, Series BO-001R-07, placed under the 001P series exchange-traded bonds program (identification number 402225B001P02E) dated June 2, 2017 |
| Planned Issue volume | RUB 300 mln |
| ISIN | To be determined |
| Placement start date | To be determined |
| Maturity date | To be determined |

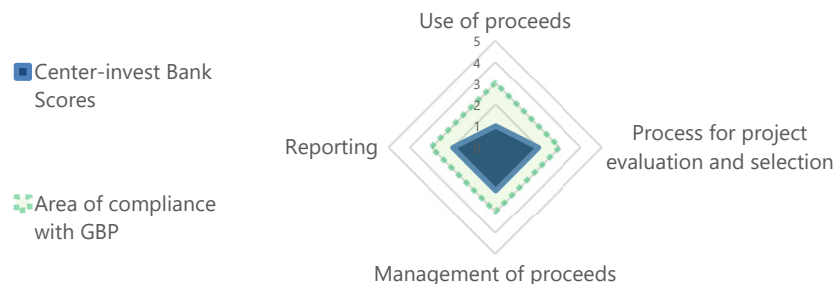
The Bank is a regional bank with organic business expansion, ranking 71st in capital among Russian banks. The Southern Federal District is the Bank's key area of operation. The Bank specializes in consumer, especially mortgage, lending, and SME lending and issuing guarantees. The largest shareholders of the Bank include the European Bank for Reconstruction and Development (19.7%), German investment corporation DEG (16.1%), as well as founders Vasily Vysokov and Tatiana Vysokova (24.4%).

The Bank was one of the first in Russia to start moving towards sustainable development. Since 2005, the Bank has been financing energy-efficient projects by providing corporate and retail clients with loans to finance modern, energy-saving technologies and activities that contribute to environmental protection in Russia. In 2019, the Bank became the first financial organization in Russia to issue green bonds.

Key assessment factors

The Bank provided ACRA with documents containing detailed project eligibility criteria that can be included in the green bond issue, project selection process, approaches to managing proceeds, and reporting. ACRA made conclusions on the compliance of the bond issue with the four GBP based on these documents.

GBP assessment



Source: ACRA

Use of proceeds

The goals of the Bank's green bond issue are clearly formulated and correspond to GBP. Proceeds will be used exclusively to refinance previously issued green loans that were used for financing of projects purchasing energy-efficient agricultural machinery. The Bank provided a list of projects for refinancing, as well as calculations of energy efficiency and reduction of greenhouse gas emissions for each of these projects. All of the projects comply with internationally recognized principles and standards in the field of ecology and/or green

financing. In addition, ACRA notes that the financing of these projects is admissible within the framework of GBP and fully complies with them.

The complete list of green projects refinanced using the proceeds from this green bond issue, including an indication of their compliance with internationally recognized principles and standards in the field of ecology and/or green financing is given in *Appendix 1* hereto.

Process of evaluating and selecting projects

The Bank's project selection principles are clearly defined and described in detail in the GBF. According to these principles, projects financed/refinanced by the Bank via green bond issues can fall into three categories: renewable energy, energy efficiency, and clean transportation. These project categories, according to the Bank, are aimed at solving priority environmental problems that are specific to the region in which the Bank operates (climate change mitigation (SDG 13¹); combat desertification, halt biodiversity loss (SDG 15); energy and resource conservation (SDG 7)). Each project category is provided with detailed selection criteria that contain qualitative and quantitative characteristics, as well as a list of possible projects.

At the evaluation stage, all projects are additionally classified by the level of environmental risks, the assessment criteria for which are given in the Bank's "Environmental and Social Policy". If a project does not provide satisfactory solutions to environmental problems, or if the environmental impact is unacceptably high, the Bank may refuse to finance it. In addition, the Bank's "Environmental and Social Policy" contains a list of activities that it does not finance, as well as a list of projects that have a potentially high level of risk and require increased attention at the selection stage.

The Bank's general project selection procedure is transparent and consists of four stages. In Stage 1, a potential borrower fills out a questionnaire indicating the main technical characteristics of the project. In Stage 2, based on this data, the corresponding credit officer of the Bank, who has experience and training² in lending for energy efficiency projects, produces a preliminary assessment of the borrower and the project on their compliance with established criteria. In Stage 3, the Bank's environmental secretary reviews the completed assessment and makes a preliminary decision. In Stage 4, the Bank's authorized body, the credit committee, collectively makes the final decision on financing each specific project.

ACRA confirms that the process of evaluating and selecting projects fully complies with GBP.

Management of proceeds

According to the GBF, the Bank will record funds from the placement of the series BO-001P-07 green bonds placed under the 001P series exchange-traded bonds program (identification number 402225B001P02E) dated June 2, 2017 in a separate account. A register of issued green bonds is created to record the spending of raised funds, which will be reviewed by the Bank's treasury on a quarterly basis.

In accordance with Regulation of the Bank of Russia dated December 19, 2019 No. 706-P, funds raised through the targeted issue of green bonds are directed by the issuer to refinance loans previously issued for the implementation of green projects. The complete list of these projects is given in *Appendix 1*; their compliance with internationally recognized principles and standards in the field of ecology and/or green financing has been confirmed by ACRA. According to the issue documentation, the issuer is obliged to publish on its website the "Report on the Use of Funds" within ten business days after the completion of the placement of the issue. The issuer undertakes to update the data contained in the report on a quarterly basis if the last report published by the issuer contains information on the incomplete use of

¹ Sustainable development goals of the UN, <https://www.un.org/sustainabledevelopment/ru/sustainable-development-goals/>.

² Sustainability training and e-learning program (STEP) from IFC, the E-learning Programme on Environmental and Social Risk Analysis (ESRA), training course on "Environmental and Social Training for Financial Intermediaries" from the EBRD.

funds. Thus, the issuer confirms that the funds raised are fully aimed at refinancing green projects in order to comply with Russian regulatory requirements.

The issuer also assumes an additional obligation to confirm the issue's compliance with GBP: during the circulation period of the green bonds, the Bank plans to maintain the aggregate value of projects financed through the placement of green bonds at a level no lower than the total nominal value of the green bonds in circulation.

If the nominal value of green bonds in circulation exceeds the value of projects financed via these bonds, the excess amount will be distributed according to the Bank's Liquidity Management and Control Policy. In the quarter following the quarter during which the debt on the loan issued to finance the project was repaid, the Bank must make every effort to replace it with another project, provided that the total cost of projects financed under this program corresponded to the value of the placed green bonds.

ACRA confirms that the process of management of funds fully complies with GBP.

Reporting

In order to comply with the requirements of Russian legislation, the issuer plans to post on the Interfax.ru platform (<https://e-disclosure.ru/portal/company.aspx?id=3018>) information on refinanced projects from the list in *Appendix 1* no later than ten business days from the date of completion of the placement of the issue of green bonds.

According to the GBF, the Bank is obliged to publish lists of all the projects financed by green bonds in the reporting year in its annual environmental reports. The Bank has released these reports since 2008.

Projects financed using funds from the placement of green bonds will be covered in a separate section that indicates the following for each project: total project value; part of the projects financed by green bond funds; industry sector; level of reduction in the specific consumption of energy resources and carbon dioxide emissions.

ACRA notes that in the Bank's 2019 environmental report, information on projects financed in the aforementioned year using green bonds is provided in full and in accordance with the plans announced by the GBF.

ACRA confirms that the process of reporting fully complies with GBP.

Additional assessment factors

Organizational structure and strategy

The Bank's development strategy is balanced and takes into account the general development trends of the Russian banking system. The quality of corporate governance at the Bank and its ownership structure have received a high score because the senior management team has worked continuously for many years, the organizational structure of the Bank corresponds to the accepted risks, the ownership structure is sufficiently transparent, and the volume of related-party transactions is extremely low.

The Bank's strategy is focused on sustainable development, and environmental responsibility is one of the key priorities alongside the growth of traditional banking products and services. The Bank actively carries out measures to protect the environment through efficient consumption of resources and active development of electronic services. In addition, it takes part in environmental protection activities. The Bank has implemented a program to finance energy efficient projects since 2005. Under this program, loans are offered to corporate and retail clients to finance the deployment of modern energy saving technologies and carry out related activities. The Bank has invested more than RUB 17.4 bln in 21,000 green projects of its clients.

Financial feasibility of projects

Projects financed by issuing green bonds are assessed in terms of credit risk. With this in mind, ACRA believes that all projects financed using the proceeds of the issuance of green bonds are financially viable.

Key assumptions

- Targeted use of funds from loans refinanced through the issuance of green bonds;
- Use of agricultural equipment with the productivity and fuel consumption indicators specified in the Bank's calculations.

Rating components

Compliance of the issue with GBP: yes.

Assessment score: GR1.

Additional information

The assessment of the projects refinanced as part of the green bond issue of Center-invest Bank for compliance with internationally recognized principles and standards in the field of ecology and/or green financing, as well as of the bonds themselves — for compliance with GBP, have been performed based on the [Methodology for Green Debt Obligation Assessment](#) with regard to green bond assessment.

ACRA has published its opinion on the compliance of the projects refinanced by the issuer with internationally recognized principles and standards in the field of ecology and/or green financing, and also on the compliance of the bonds of Center-invest Bank with GBP for the first time. The compliance assessment may be revised within one year following the publication date of this press release.

ACRA's opinion on the compliance of the projects refinanced by the issuer with internationally recognized principles and standards in the field of ecology and/or green financing, and also on the compliance of the bonds of Center-invest Bank with GBP is based on the data provided by Center-invest Bank, information from publicly available sources, as well as ACRA's own databases. The assessment of compliance of the projects refinanced by the issuer with internationally recognized principles and standards in the field of ecology and/or green financing, and also on the compliance of the bonds of Center-invest Bank with GBP was solicited, and Center-invest Bank participated in the assessment process.

No material discrepancies between the provided data and the data officially disclosed by Center-invest Bank have been discovered.

No conflicts of interest were discovered in the course of the assessment process.

The assigned assessment is not a credit rating.

Appendix 1

List of projects refinanced as part of the issue of green bonds by Center-invest Bank

| | Borrower name | Project amount (RUB thousand) | Financing amount (RUB thousand) | Energy savings (per unit) | Industry / project category / project area* | CO ₂ reduction (tons per year) |
|----|---------------|-------------------------------|---------------------------------|---------------------------|---|---|
| 1 | Borrower 1 | 5,975.400 | 5,975.400 | 55.4% (diesel fuel) | A / CT / RSEC | 100.9 |
| 2 | Borrower 2 | 13,752.050 | 13,752.050 | 62.3% (diesel fuel) | A / CT / RSEC | 129.3 |
| 3 | Borrower 3 | 5,390.000 | 4,850.000 | 51.5% (diesel fuel) | A / CT / RSEC | 79.8 |
| 4 | Borrower 4 | 8,319.000 | 7,319.000 | 63.3% (diesel fuel) | A / CT / RSEC | 134.7 |
| 5 | Borrower 5 | 6,736.794 | 5,720.000 | 58.1% (diesel fuel) | A / CT / RSEC | 104.1 |
| 6 | Borrower 6 | 16,000.000 | 15,000.000 | 67.9% (diesel fuel) | A / CT / RSEC | 165.1 |
| 7 | Borrower 7 | 7,903.164 | 7,903.164 | 46.4% (diesel fuel) | A / CT / RSEC | 67.8 |
| 8 | Borrower 8 | 9,500.000 | 9,500.000 | 70.5% (diesel fuel) | A / CT / RSEC | 194.0 |
| 9 | Borrower 9 | 13,064.448 | 12,900.000 | 61.9% (diesel fuel) | A / CT / RSEC | 122.0 |
| 10 | Borrower 10 | 10,075.000 | 10,075.000 | 66.0% (diesel fuel) | A / CT / RSEC | 158.2 |
| 11 | Borrower 11 | 8,100.000 | 8,100.000 | 57.6% (diesel fuel) | A / CT / RSEC | 110.3 |
| 12 | Borrower 12 | 9,829.230 | 9,829.000 | 60.1% (diesel fuel) | A / CT / RSEC | 108.3 |
| 13 | Borrower 13 | 6,600.000 | 5,940.000 | 62.3% (diesel fuel) | A / CT / RSEC | 119.0 |
| 14 | Borrower 14 | 1,620.000 | 1,353.600 | 42.1% (diesel fuel) | A / CT / RSEC | 59.1 |
| 15 | Borrower 15 | 10,500.000 | 10,500.000 | 70.1% (diesel fuel) | A / CT / RSEC | 161.1 |
| 16 | Borrower 16 | 3,850.000 | 3,820.000 | 65.7% (diesel fuel) | A / CT / RSEC | 131.9 |
| 17 | Borrower 17 | 20,407.402 | 20,407.000 | 65.8% (diesel fuel) | A / CT / RSEC | 265.0 |
| 18 | Borrower 18 | 6,799.830 | 6,799.830 | 69.4% (diesel fuel) | A / CT / RSEC | 156.5 |
| 19 | Borrower 19 | 10,917.769 | 9,588.000 | 72.5% (diesel fuel) | A / CT / RSEC | 181.5 |
| 20 | Borrower 20 | 7,303.202 | 6,300.000 | 71.8% (diesel fuel) | A / CT / RSEC | 175.2 |
| 21 | Borrower 21 | 12,877.041 | 10,500.000 | 73.1% (diesel fuel) | A / CT / RSEC | 187.4 |
| 22 | Borrower 22 | 10,407.420 | 9,000.000 | 71.9% (diesel fuel) | A / CT / RSEC | 200.4 |
| 23 | Borrower 23 | 8,256.084 | 8,256.000 | 65.7% (diesel fuel) | A / CT / RSEC | 65.7 |
| 24 | Borrower 24 | 6,839.829 | 6,839.000 | 61.8% (diesel fuel) | A / CT / RSEC | 131.6 |
| 25 | Borrower 25 | 5,499.900 | 5,499.900 | 55.0% (diesel fuel) | A / CT / RSEC | 84.0 |
| 26 | Borrower 26 | 9,690.000 | 9,690.000 | 66.7% (diesel fuel) | A / CT / RSEC | 144.2 |
| 27 | Borrower 27 | 7,903.164 | 7,100.000 | 64.9% (diesel fuel) | A / CT / RSEC | 150.6 |
| 28 | Borrower 28 | 8,592.800 | 8,592.000 | 59.8% (diesel fuel) | A / CT / RSEC | 102.4 |
| 29 | Borrower 29 | 15,617.209 | 14,055.000 | 67.8% (diesel fuel) | A / CT / RSEC | 164.5 |
| 30 | Borrower 30 | 13,554.780 | 8,000.000 | 71.9% (diesel fuel) | A / CT / RSEC | 200.1 |
| 31 | Borrower 31 | 10,100.000 | 7,070.000 | 62.9% (diesel fuel) | A / CT / RSEC | 121.8 |
| 32 | Borrower 32 | 9,887.049 | 8,898.000 | 67.1% (diesel fuel) | A / CT / RSEC | 159.6 |
| 33 | Borrower 33 | 7,049.829 | 6,839.829 | 64.9% (diesel fuel) | A / CT / RSEC | 150.6 |
| 34 | Borrower 34 | 6,530.000 | 5,877.000 | 63.9% (diesel fuel) | A / CT / RSEC | 143.9 |

| | Borrower name | Project amount (RUB thousand) | Financing amount (RUB thousand) | Energy savings (per unit) | Industry / project category / project area* | CO ₂ reduction (tons per year) |
|--------------|---------------|-------------------------------|---------------------------------|---------------------------|---|---|
| 35 | Borrower 35 | 5,795.300 | 5,795.000 | 57.9% (diesel fuel) | A / CT / RSEC | 103.3 |
| 36 | Borrower 36 | 8,318.700 | 6,654.000 | 64.3% (diesel fuel) | A / CT / RSEC | 135.2 |
| 37 | Borrower 37 | 5,795.300 | 4,635.000 | 60.2% (diesel fuel) | A / CT / RSEC | 113.8 |
| 38 | Borrower 38 | 9,882.000 | 9,732.000 | 59.6% (diesel fuel) | A / CT / RSEC | 111.0 |
| 39 | Borrower 39 | 9,150.800 | 7,150.000 | 66.7% (diesel fuel) | A / CT / RSEC | 150.2 |
| 40 | Borrower 40 | 7,875.792 | 5,741.000 | 62.1% (diesel fuel) | A / CT / RSEC | 123.2 |
| 41 | Borrower 41 | 22,355.000 | 17,560.000 | 68.8% (diesel fuel) | A / CT / RSEC | 330.9 |
| 42 | Borrower 42 | 8,808.480 | 8,808.000 | 64.7% (diesel fuel) | A / CT / RSEC | 132.1 |
| 43 | Borrower 43 | 8,000.000 | 6,500.000 | 64.2% (diesel fuel) | A / CT / RSEC | 128.8 |
| 44 | Borrower 44 | 22,836.810 | 15,900.000 | 61.7% (diesel fuel) | A / CT / RSEC | 216.9 |
| 45 | Borrower 45 | 8,592.000 | 6,874.000 | 63.7% (diesel fuel) | A / CT / RSEC | 131.8 |
| Total | | 432,858.576 | 387,197.773 | 63.3% | A / CT / RSEC | 6,407.8 |

* A — agriculture; CT — clean transportation; RSEC — reduction of specific energy consumption.

ACRA confirms that the purpose of each of these loans is to address ecological issues and that the implementation of the projects fully comply with internationally recognized principles and standards in the field of ecology and/or green financing (Green Bond Principles).

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