

The issuance of the first green bond of the Republic of Serbia

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The Republic of Serbia's successful green bond debut

Serbia's first green Eurobond (September 2021)

Coupon rate	1.00%
Yield to Maturity	1.26%
Mid-Swap	-0.14%
Risk Premium (Spread vs. Mid-Swap) (Inicijalne smernice: IPTs)	+140 bps (+175 bps)
Amount issued	EUR 1.0 billion
Demand (Bid-to-Cover)	> EUR 3.0 billion (>3.0x)

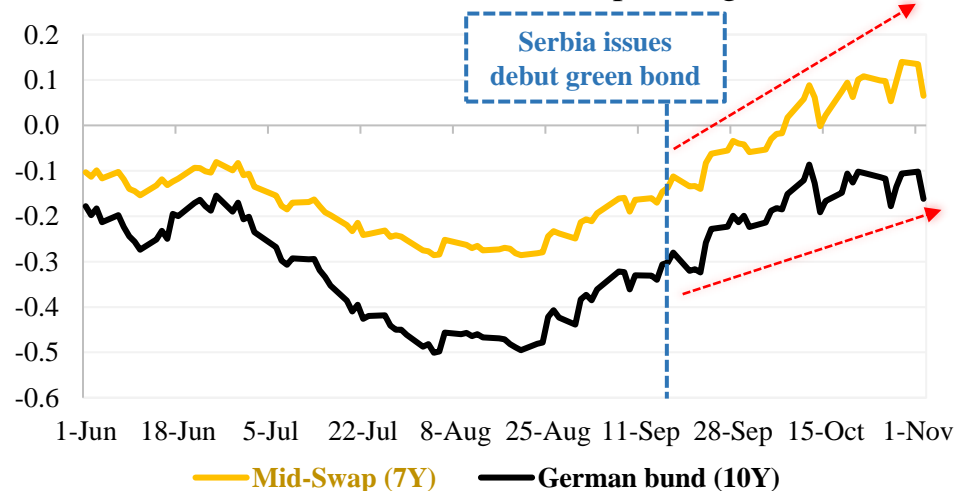
The lowest coupon rate our country has ever achieved!

35 bps tightening

- Positive macroeconomic transformation of the Republic of Serbia in previous years. Investors have been frequently pricing Serbian Eurobonds as Investment Grade.
- Serbia's economy has shown significant resilience amid the COVID-19 crisis. Quick return to pre-pandemic activity in form of a "V" shape recovery.
- Sizeable monetary and fiscal stimulus but keeping public debt below Maastricht criteria (60% of GDP).

Perfect timing for selling eurobonds

Risk-free interest rates (european region)



Adjustments of market expectations after the FED meeting in September have spurred surge in bond yields



Modelling the green premium (*greenium*)

- **Green bonds issued by advanced economies are usually issued with a premium – so-called “greenium”.**

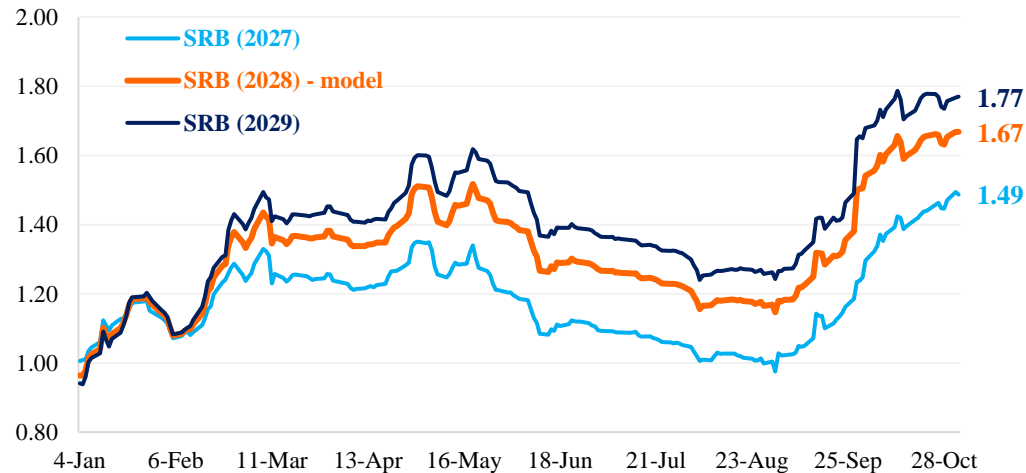
This means that green bonds usually carry a **lower yield compared to conventional bonds** with the same characteristics.

- In case of EME’s green bonds, results have been rather mixed.

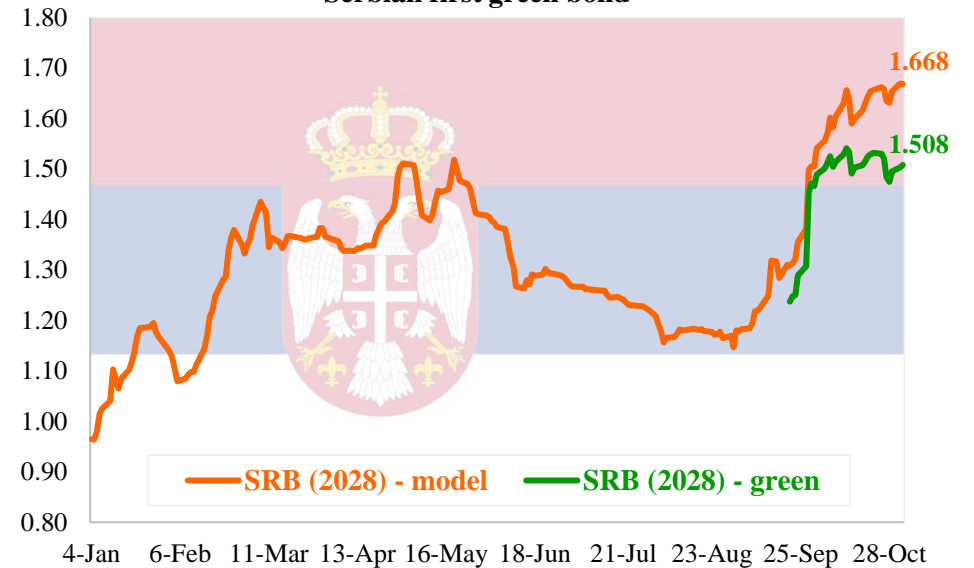
- According to our calculations there has been continuous presence of a positive greenium in case of Serbian green bond:

YTM of Serbian green bond averages 9.8 basis points below the modeled conventional one, **indicating the presence of positive greenium!**

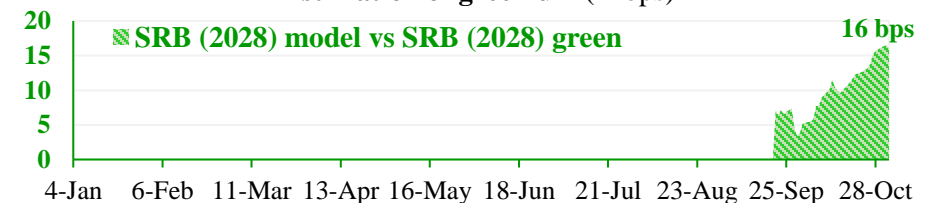
Modelling SRB (2028) conventional eurobond



Modelling the green premium (*greenium*) for Serbian first green bond



Estimation of greenium (in bps)





Republic of Serbia's Green Bond Framework: Overview

Republic of Serbia's Green Bond Framework is aligned with the Green Bond Principles (2021), published by the International Capital Market Association. Through the issue of Green Bonds, Serbia will finance government expenditures intended to contribute towards its ecological transition.



Use of Proceeds

- Financing new or re-financing existing expenditure meeting the eligibility criteria defined in the framework
- Eligible Categories include:
 - Renewable Energy
 - Energy Efficiency
 - Transport
 - Sustainable Water and Wastewater Management
 - Pollution Prevention and Control and Circular Economy
 - Protection of the Environment and Biodiversity and Sustainable Agriculture

Management of Proceeds

- Proceeds administered in accordance to general treasury policy
- Earmarking of proceeds on a portfolio basis with internal register ensuring mapping to approved Eligible Green Expenditures

Process for Expenditure Evaluation and Selection

- Green Bond Working Group established to act as responsible governance body
- Pre-selection of expenditures by respective Ministries

Reporting

- Annual Green Bond Report which details the allocation of proceeds and, where the information is provided in existing publicly available reports, environmental impacts of Eligible Green Expenditures
- External verification of the allocation of proceeds

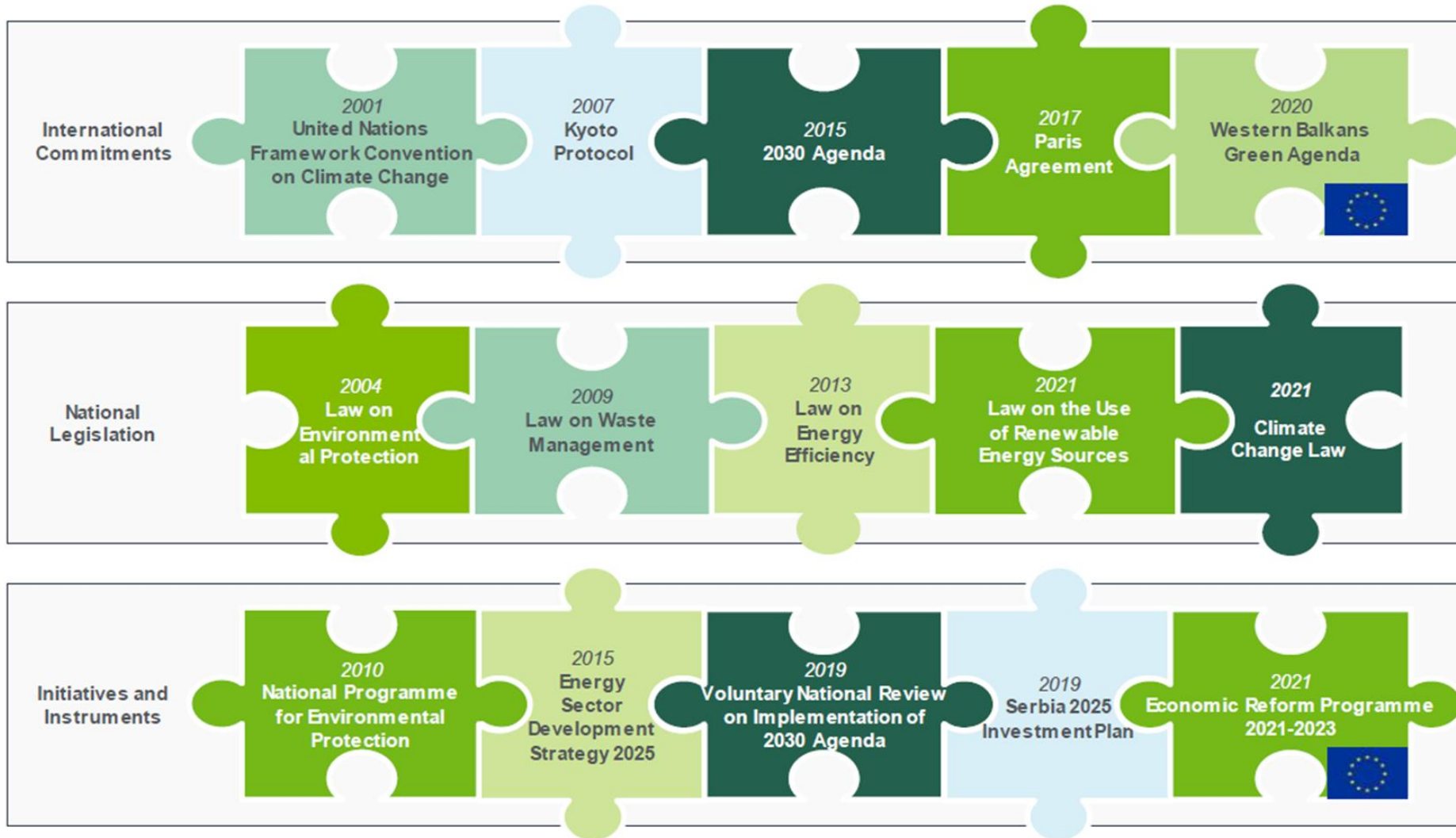


Framework reviewed by Second-Party Opinion (“SPO”) provider ISS ESG stating that it is credible and impactful



Serbia's Commitment to Confront Climate Change

Serbia has joined the global efforts to confront the threat of climate change through participation in global and regional initiatives in order to shift to a green economy. It has ratified all major international environmental agreements and adopted a number of national strategic documents





Central banks and the green transition



- The Republic of Serbia became a member of the **Network for Greening the Financial System** in July 2021.
- **NGFS represents the first step in spreading green initiatives to the field of central banking.**
- The National Bank of Serbia actively participates in the work of the Network, aiming to contribute to the development of climate risk management in the financial sector, and mobilize finance to support the transition towards a sustainable, green economy.

Latest information from the UN Climate Change Conference (COP26)

- More than 100 world leaders (including the ones from US, China, Russia, Brazil, and the UK) have promised to end and **reverse deforestation by 2030, in the COP26 climate summit's first major deal.**
- The countries who have signed the pledge cover around 85% of the world's forests.
- **The US led a group of 90 governments pledging to reduce methane emissions by 2030.** Their goal is to reduce the world's methane emissions for 30% from 2020 levels by 2030.
- China and Russia, two of the world's largest emitters of methane, did not join Biden's pledge.



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