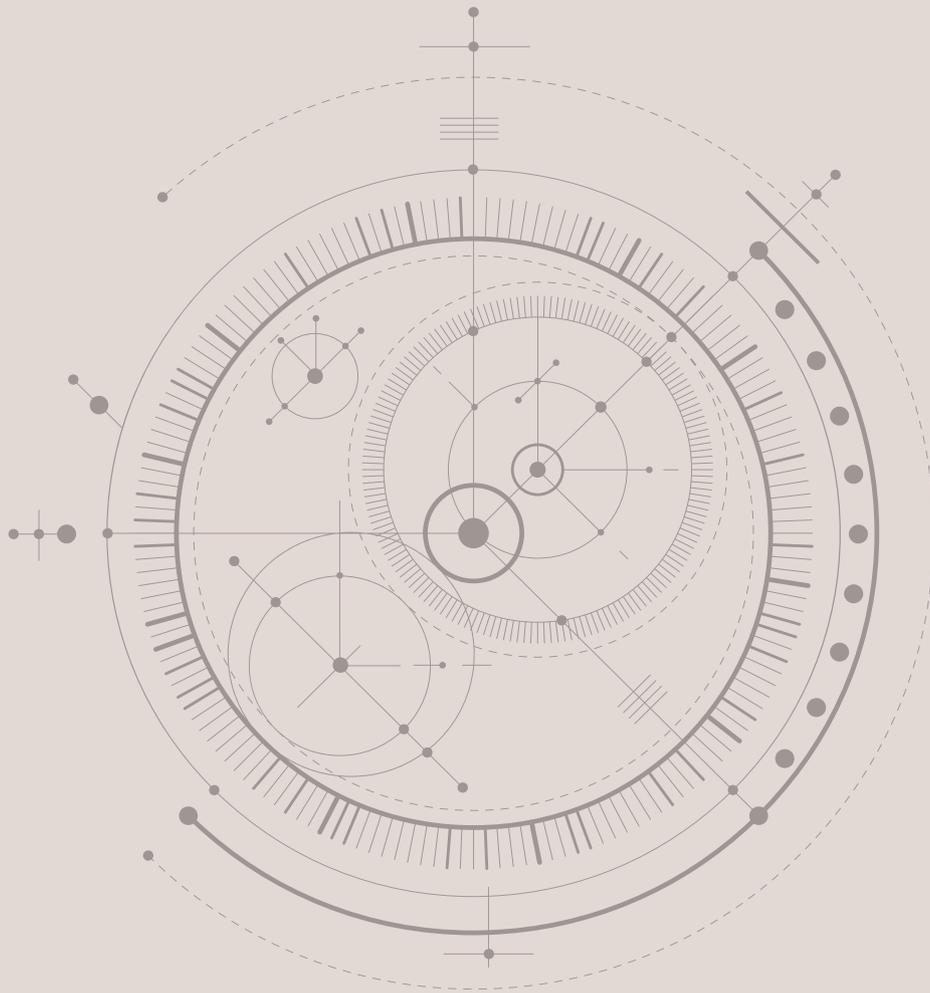
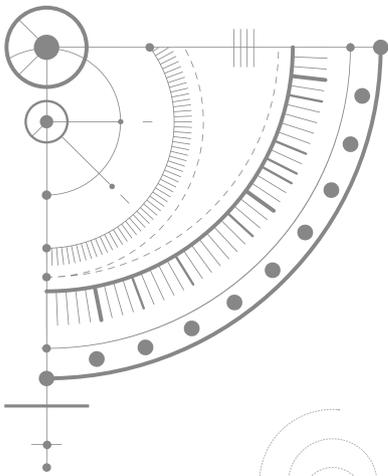


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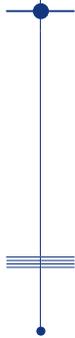
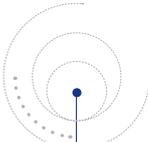






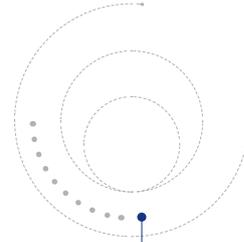
2003

Permit to acquire Postbank a.d.; name changed to EFG Eurobank a.d. Beograd



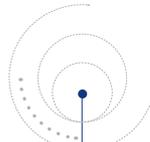
2008

Official change of name to Eurobank EFG



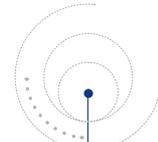
2005

Growth based on investments and introduction of innovations



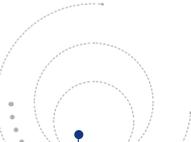
2009

The "Big Heart" affinity credit card launched



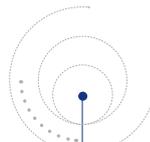
2004

Acquisition of Nacionalna štedionica (National Savings Bank)



2006

Legal merger of National Savings Bank to Eurobank EFG



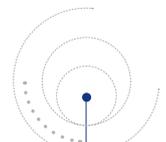
2007

Eurobank EFG štedionica starts its operational functioning as a single bank

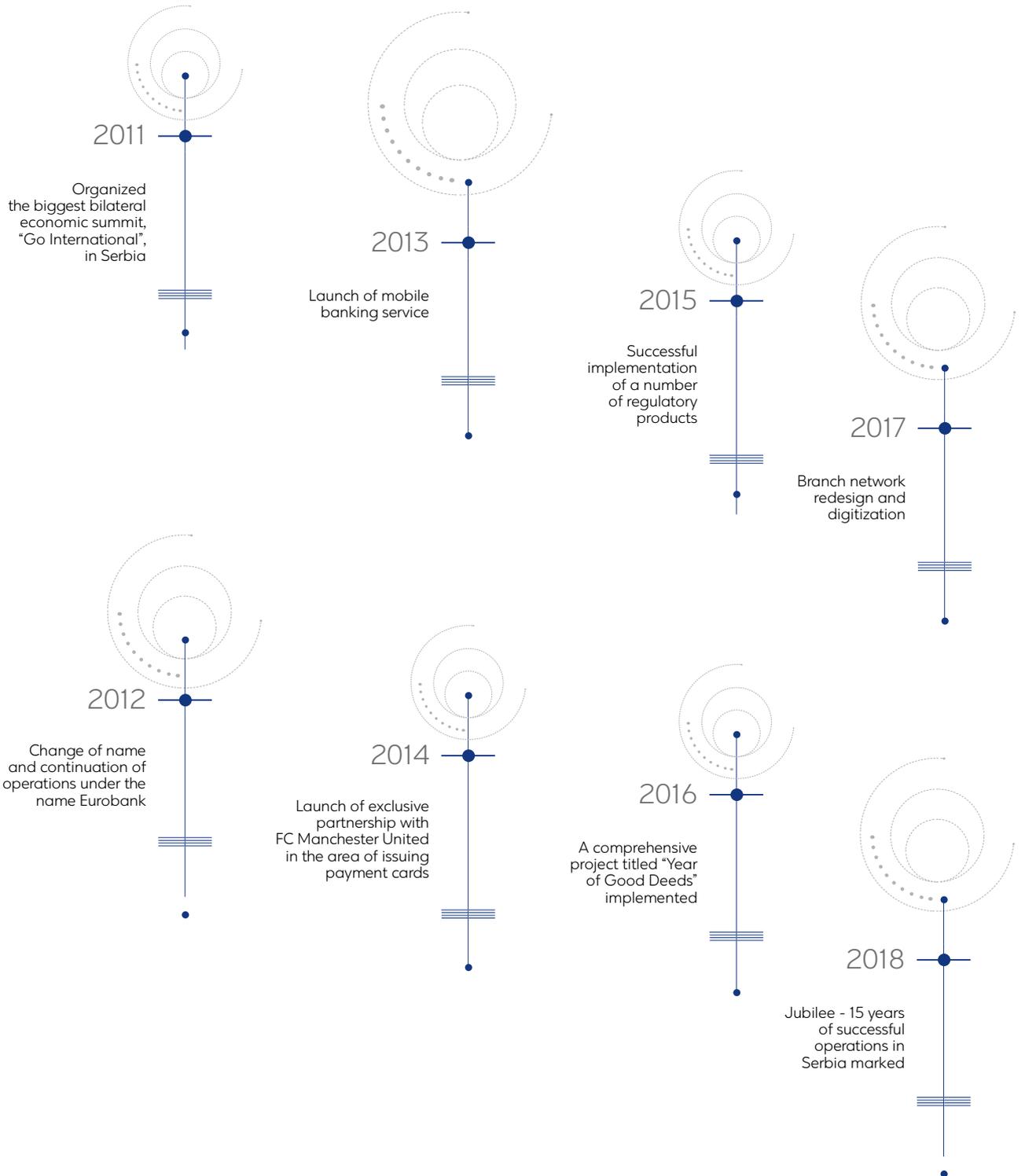


2010

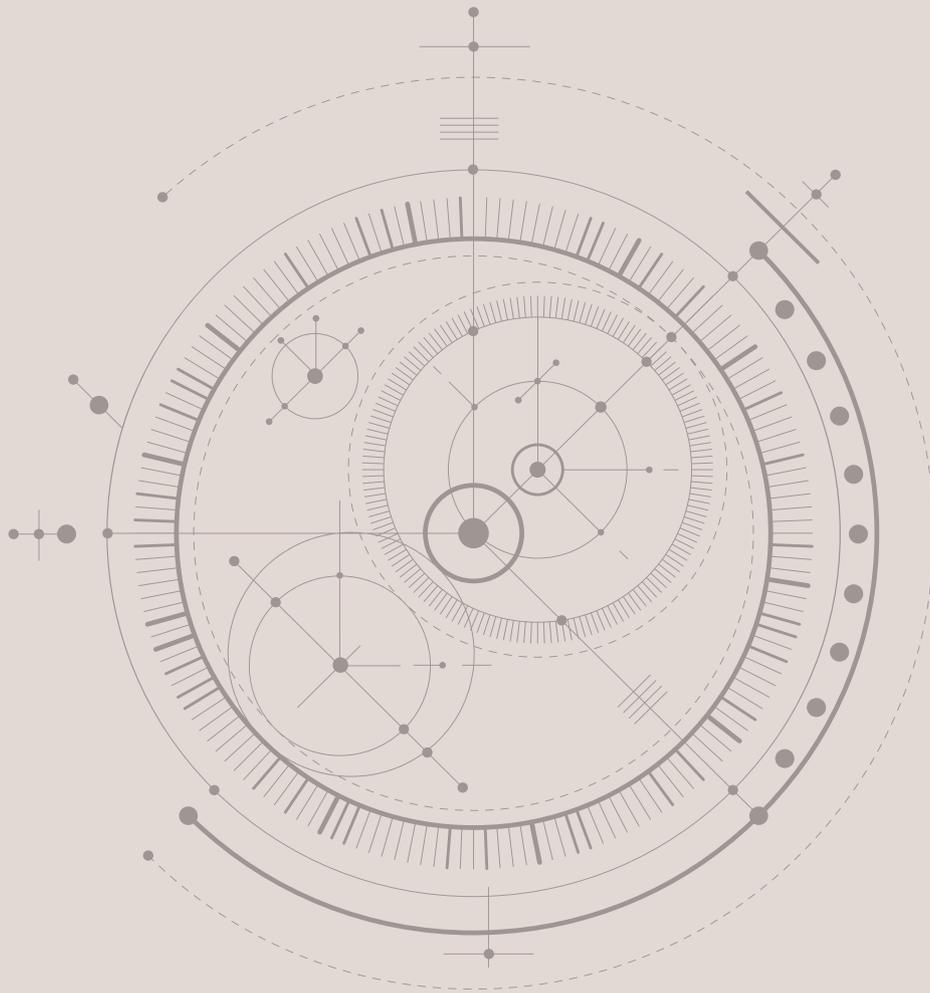
New Head Office "Eurobank Center" opened in Belgrade

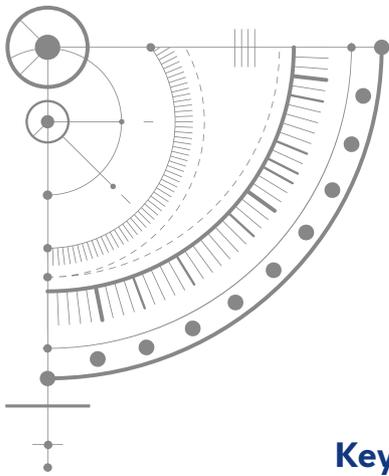


# HISTORICAL MILESTONES OF EUROBANK IN SERBIA







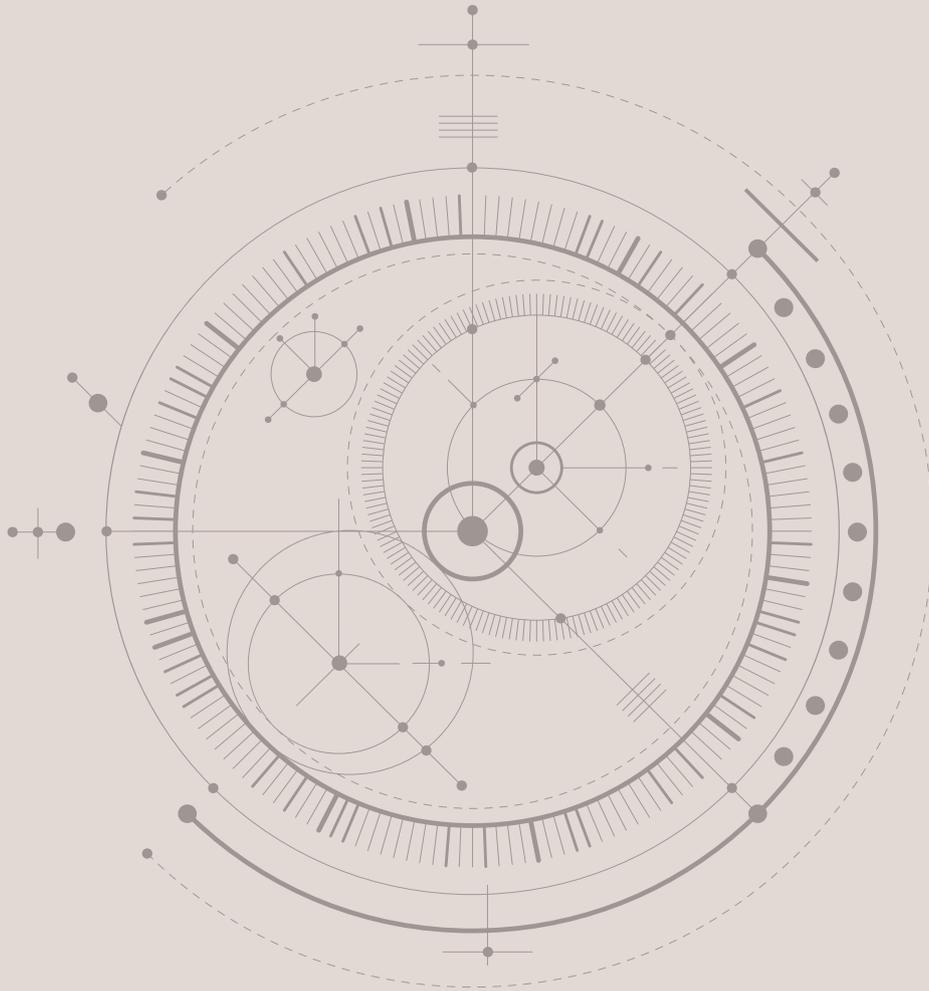


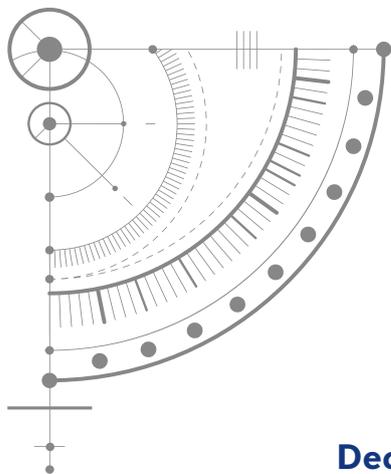
## Key Financial Results

<b>Eurobank a.d. Beograd in 000 RSD</b>		
<b>INCOME STATEMENT</b>	<b>2018</b>	<b>2017</b>
Net Interest Income	6,927,383	6,571,647
Net Fee & Commission Income	2,103,105	2,150,264
<b>Profit before tax</b>	<b>2,573,814</b>	<b>1,695,888</b>
Income tax	(318,712)	(21,044)
Net loss deferred tax asset and liabilities	(8,289)	(192,153)
<b>Profit after tax</b>	<b>2,246,813</b>	<b>1,482,691</b>
<b>BALANCE SHEET</b>	<b>2018</b>	<b>2017</b>
Cash and balance with Central bank	18,922,554	18,005,519
Pledged financial assets	1,523,992	3,110,300
Receivables from derivatives	51,465	11,048
Securities	10,809,118	10,249,726
Loans and receivables from banks, other financial organizations and customers	132,027,309	119,634,661
Investments in associates	36,075	43,681
Intangible assets, property plants and equipment	5,538,361	5,528,042
Other assets, current and deferred tax assets	623,619	1,138,202
<b>Total assets</b>	<b>169,532,493</b>	<b>157,721,179</b>
Liabilities from derivatives	56,127	13,222
Deposits and other liabilities due to banks, other financial organizations, Central bank and customers	115,889,653	105,842,594
Provisions	226,548	431,318
Other liabilities, current and deferred tax liabilities	825,346	982,220
<b>Total liabilities</b>	<b>116,997,674</b>	<b>107,269,354</b>
<b>Equity</b>	<b>52,534,819</b>	<b>50,451,825</b>
<b>Total liabilities and equity</b>	<b>169,532,493</b>	<b>157,721,179</b>

<b>INDICATORS</b>	<b>2018</b>	<b>2017</b>
Net interest margin	5.08%	5.18%
Interest income/Total assets	4.09%	4.17%
OPEX/Average assets	3.63%	3.67%
Non-Performing Exposures (NPEs)	6.92%	11.20%
90 Days Past Due Loans (90dpd)	3.77%	7.20%
NPEs Coverage	39.98%	44.82%
90dpd Coverage	73.39%	69.73%
Common Equity Tier 1 (CET1)	28.37%	29.58%







## Dear Shareholders and Partners,

For Eurobank Serbia, 2018 – the year celebrating 15 successful years in the country – was also a year of steady expansion, a year in which we demonstrated the ability to grow our balances in an increasingly competitive market driven by low interest rates and an improved economic climate. Our course over 2018 reflects the successful implementation of the Bank's strategic agenda, as well as its well-balanced business model, to produce positive results. As a result, Eurobank closed its business year with the profit before tax of EUR 21.8m.

The targets set in the business plan for 2018 were achieved to a great extent. It enabled us to devote a significant part of our operations throughout the year to broader issues that will shape the image and character of Eurobank Serbia in the years to come. Eurobank, as the sole Greek banking representative in the country, remains the flagbearer of the economic cooperation between the two friendly countries and shall approach this role responsibly in the years to come.

### Macroeconomic Developments

The macroeconomic picture in 2018 remained largely positive with GDP increase in Serbia reaching 4.2%. The growth was induced by both personal and state consumption and investments, while net exports weighted in negatively for the second year running. Industrial production decelerated in the last quarter, ending the year with only a mild rise of 1.3 % year-on-year, while manufacturing, the most important contributor of industry, inched higher by 1.9%. At the same time, both energy output and mining underperformed for the second year in a row. Foreign direct investments totalled an impressive EUR 3.3bn, signalling stronger trust by the foreign investors from both the developed West and the "emerging and growing" East. The banking sector followed the positive trends, with the lending totals adding 9.7% in euro terms (two thirds of loans are still euro-denominated), with retail still outpacing the wholesale sector (12.8% to 7.3%). In addition, Serbia has seen a continuous, albeit cautious, rise in employment, with the unemployment rate dropping to 12.9% in the fourth quarter of 2018, a reduction of 1.8% year-on-year. The strengthening of Serbia's international position is reflected in the historically low rates on sovereign issues, both dinar and euro denominated.

### Banking Sector

The consolidation of the banking sector continued with five banks changing owners in the last year. With the finalisation of the abovementioned transactions, a total of 23 banks will continue operating in the Serbian market. The sector is still highly competitive, and market conditions remain challenging with record-low interest rates in both local and foreign currencies, bringing net interest margins at a decade low of ca. 3.5%. At the same time, the regulatory environment is becoming more demanding with the capital and risk management issues in constant focus. The number of branches and employees within the sector remain unchanged (down 1%), indicating that the operational streamlining has eased, and signalling strong trust in the banking business and the country's perspective in general. Total assets of the banking sector rose 9.3%, to ca. EUR 30.6bn, outpacing the rise in GDP. The efforts to bring down NPLs made in the past three to four years yielded the sectoral average coming down to pre-crisis levels of 5.7%. This allowed for more aggressive crediting policies and remains a good signal for the future period.

**Sustainable profitability** Eurobank closed its business year with profit before tax of EUR 21.8m, some 2% higher year-on-year. Total net profit amounted to EUR 19.2m, while the Bank maintained profitability in all four quarters of 2018.

The results achieved confirm that strategic decisions over the past few years have helped the Bank successfully emerge from a challenging transformation period with increased strength. This is further demonstrated by a steadily strengthening capital base, balanced risk profile and considerably reduced NPL ratio.

Operating expenses remained in check although they marked a slight increase by 7% to EUR 51.5m, while emphasis is being placed on technology and expanding digital branches.

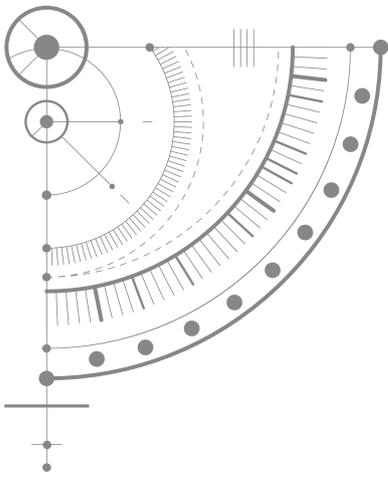
**Corporate and Retail Banking** Eurobank continued to support its household and corporate customers, as well as the economy. As the demand for loans increased, the Bank increased its loan book by ca. 9.4% year-on-year, improving performance in every business line.

In the wholesale segment, the Bank focused on attracting adequate liquidity, but also favourable financing resources for large, medium and small enterprises. The “pre-approved” campaign was utilized in the SME segment to boost volumes, while strong cooperation with international finance institutions covers more than 20% of the total funding in this segment. The Bank’s Large Corporate strongly outperformed the market growing the existing relationships and establishing new ones, including marquee deals such as the refinancing of NIS and the club deal for the Telekom acquisition ventures. EBRD trade facilitation program exceeded EUR 100m with the aim of supporting trading activities of the Bank’s corporate clients. It is worth mentioning that EBRD awarded Eurobank as the most active issuing bank in Serbia under its Trade Facilitation Programme for the fourth consecutive year.

The household segment exceeded expectations, mainly in the consumer segment, where the Bank achieved a loan book expansion of 19%. A memorable campaign called “600 thousand with any salary” strongly boosted cash credits, while the card business continued the growing trend, albeit at a slower pace.

**A Digital Future** The banking identity is being reshaped by the adoption and incorporation of digital technologies and Eurobank eagerly embraces this trend. The Bank has positioned itself as one of the leaders in digitalization with continuous and innovative improvements in e-banking and m-banking.

As of October 2018, Eurobank has provided instant payment transactions to its customers at branches, as well as via e-banking or m-banking services, in line with the National Bank of Serbia (NBS) regulations. Eurobank customers are now able to initiate instant payments on digital channels 24 hours a day, seven days a week. At the moment, instant payments are the world’s most advanced form of payment, and the most popular way of initiating them is by using mobile or electronic banking apps. As always, Eurobank is keeping up with the latest technology developments that expand cashless payments, helping address the issue of shadow economy and enabling business transparency.



Recognizing the benefits of these innovations, Eurobank will be launching an additional service that allows customers making/accepting instant payments at points of sale by scanning the Quick Response (QR) code. In addition, customers will be able to receive information via digital channels about their monthly commitments for utilities or other services and complete payments in a few clicks.

#### **Corporate Social Responsibility**

Since its establishment in the Serbian market, Eurobank has continuously combined dynamic and successful growth with the contribution to the community in which it operates. Our comprehensive CSR program established in 2006, entitled “We Invest in European values”, focuses on the continued support to five CSR pillars: Education, Environment, Culture, Equality and Health. So far, Eurobank has invested more than EUR 4,5m to various CSR initiatives in Serbia.

In 2018, Eurobank completed the “Big Heart Program” with “Ana and Vlade Divac Foundation” within which 50 kindergarten playgrounds were reconstructed over the period of 8 years. More than 22,000 of our clients contributed to the renovation of state kindergartens all over Serbia by using the humanitarian Mastercard credit card Big Heart. In 2018, playgrounds in 4 Serbian towns – Novi Sad, Sombor, Mladenovac and Vrsac were reconstructed by investing EUR 40.000 in total.

In March 2018, Eurobank Serbia announced a new socially responsible project “A School Designed for You” supported by the RS Ministry of Education, Science and Technological Development. On this occasion, the new humanitarian “Eurobank Big Heart” Mastercard credit card was launched. The Bank will allocate a part of its income from each transaction and direct it to the state secondary schools for the purpose of improving learning conditions, providing new equipment and furnishing classrooms. In addition, the project includes lectures at schools by guest speakers from Eurobank, as well as practical classes at the Bank.

Continuing the long-term partnership with Manchester United FC, in 2018 Eurobank organized several promotional events hosting a football legend, Wes Brown, and the Head of Manchester United Soccer School, Michael Neary. At the press conference held in November, the Bank presented the successful results of cooperation in the area of issuing payment cards and announced Manchester United Soccer School for children to be organized in Serbia in September 2019.

**Dear Shareholders and Partners,**

Over the course of 2018, Eurobank Serbia has once again demonstrated both its significant resilience and constant commitment to advancement. We are dedicated to nurturing the relationship of mutual respect with our clients, expanding both our capacity for cooperation and the ability to create and offer innovative products. Sustaining our forward momentum and capitalizing on opportunities, our Bank will continue to strive for a stable long-term growth and financial excellence.

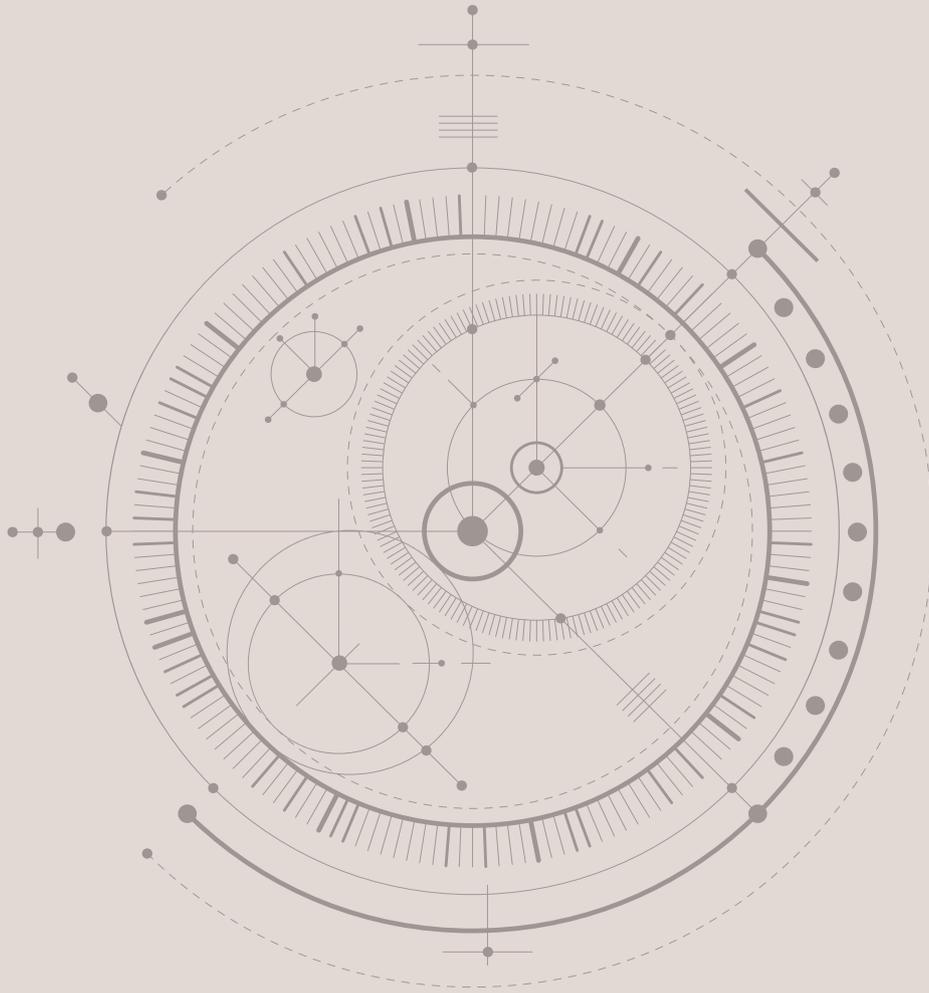
Michalis Louis  
President of the Board of Directors

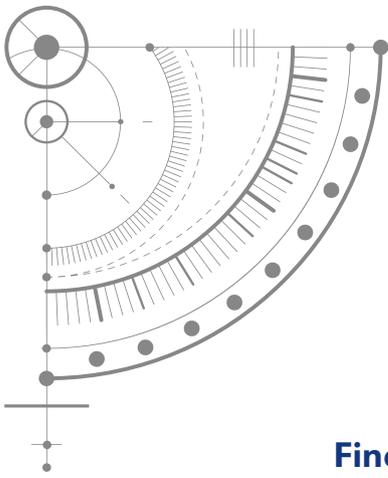


Slavica Pavlović  
President of the Executive Board









## Financial Review

### Macroeconomic Developments

The growth of GDP reached 4.2% in 2018, the highest yearly output rise in a decade. The growth was mostly driven by investments improvement, as well as with the sustained consumption increase. On the production side, the growth was well diversified with a positive contribution of each sector, primarily services and construction, but also with the recovery of the agricultural segment.

Despite somewhat of a slowdown in the fourth quarter of 2018, the industrial production rose 1.3% on an annual basis, while the manufacturing led the way with a rise of 1.9%, as it did last year. The electrical energy output ended the year with positive YoY growth, with a rise of 1.2%, while the mining fell 4.2%.

Foreign direct investments totalled EUR 3.2 bn, one third larger year-over-year; the highest portion of this total came from direct, green field investments (ca. EUR 1.2 bn), with another large part coming from reinvested profits, coming at 1.1 bn, and finally the remaining part was attributed to loans from parent companies from abroad.

Imports outweighed exports in 2018 (13.0% to 8.1%), which contributed for a sizeable rise in the trade deficit – to EUR 5.6 bn from EUR 4.3 bn the year before. As a consequence, Serbia had an annual current account deficit of ca. 5.2% of GDP.

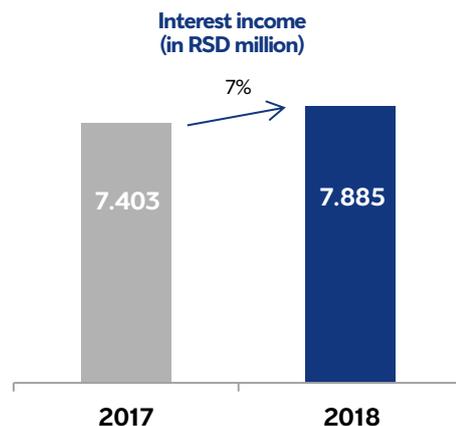
Inflation has been firmly anchored at around 2.0% during the past three to four years. At year-end 2018, it stood at 2.0%, with minor fluctuations throughout the year. NBS reduced the key policy rate twice during the course of the year, to settle at 3.0% by year end. Interest rates lingered at historically lowest levels, which further improved credit activity.

The fiscal situation is quite stable, with a yearly consolidated budget figures slightly in surplus (0.6% of GDP at year end 2018.), which further contributed to the reduction of the public debt to GDP to ca. 55%.

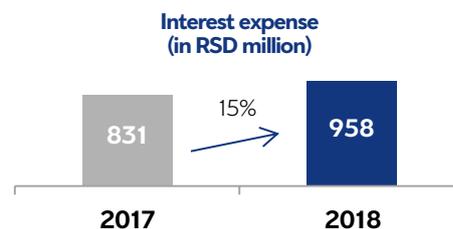
The continuation of the positive economic trends is expected for the forthcoming period, with the expected growth rate of 3.5% in 2019, and further strengthening to around 4.0% in the next few years. The rise should be driven by investment growth, higher public investments, the improvement of local demand and a recovery in net exports.

### Financial results

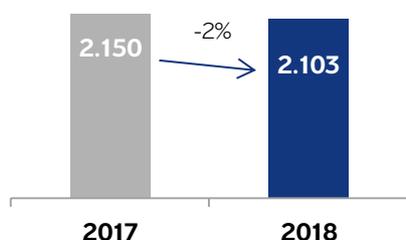
In line with the growth of Bank's lending portfolio in 2018 compared to 2017, interest income was increased by RSD 482 million. In spite of decrease of RSD reference rate and increased pricing competition among the banks, first of all regarding corporate loans, Bank recorded interest income increase by 7% (y-o-y).



During 2018, interest expense was increased due to deposit balances growth compared to 2017, and due to maintenance of liquidity ratio on prescribed level. Total increase of client deposits and inter-bank takings in 2018 compared to 2017 amounted to 9%.

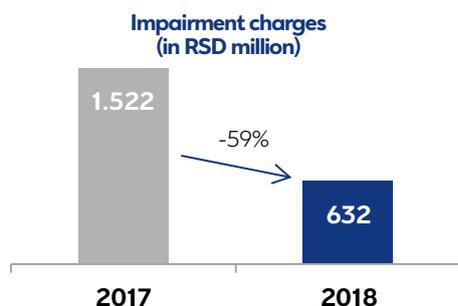
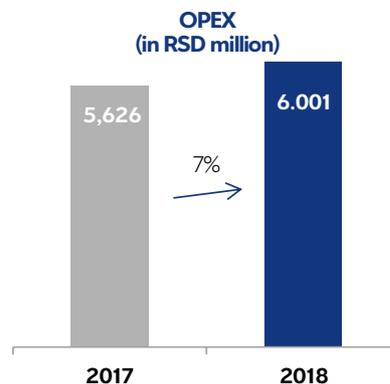


**Net Fee and Commission Income  
(in RSD million)**



In 2018, net fee and commission income decreased by 2% compared to the previous year. Net fee income decrease was due to growth of fee and commission expenses, while fee and commission income remained on previous year level.

The 2018 OPEX were 7% higher compared to the previous year. Increase of OPEX was mostly due to expenses related to impairments of HO building (RSD 314 million).



**Impairment charges**

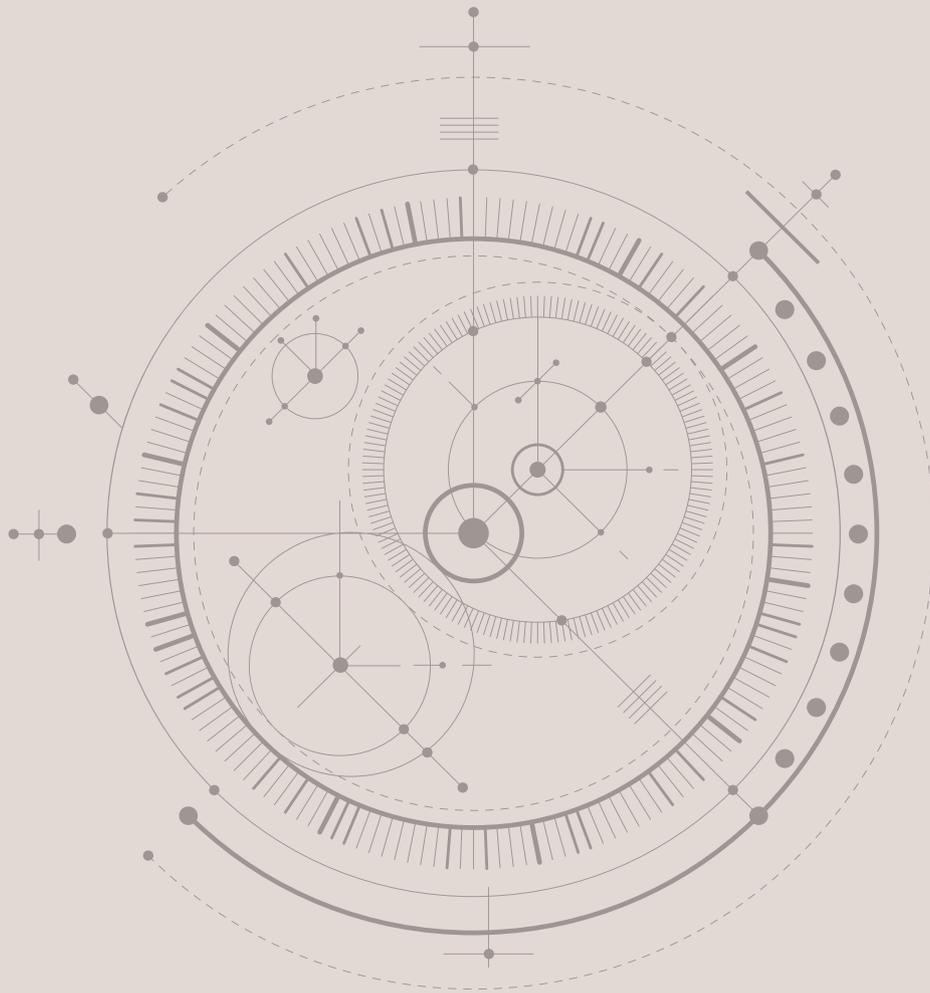
In 2018, the Bank continued with improvement regarding impairment charges. Impairment charges were reduced by RSD 67 million (10%). Significant improvement in impairment charges is coming from the fact that the Bank has managed to fully stabilize lending portfolio and there were no new significant inflows of NPL.

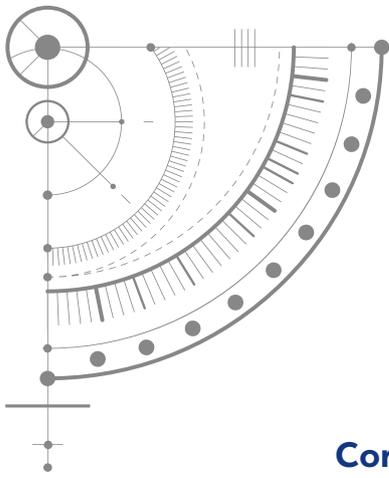
As at 31 December 2018, the Bank continued with high profitability and recorded a profit of RSD 2.2 billion.

**Capital  
adequacy**

As at 31 December 2018, the capital adequacy (CAD) ratio of the Bank was 28.37% as compared to the prescribed ratio of 8% (as at 31 December, 2017: 29.15%). It is necessary to note that retained earnings of the Bank amounting to RSD 11.5 billion were not included in the calculation of CAD, as they have not been distributed yet. Including the retained earnings into CAD would increase the stated CAD ratio by app. 8.4 percentage points.







## Corporate Governance

Eurobank upholds the highest standards of business conduct and operations across its universe based on the sound corporate governance rules set out by local regulators and the Group. The Board of Directors constantly strives to improve and build on the Bank's management processes, structures and policies not only to ensure compliance with laws and regulations but also to provide transparent decision-making process and accountability, and to develop a corporate culture founded upon sound corporate ethics.

The management bodies of the Bank are the Board of Directors and the Executive Board. The ultimate body of the Bank is the General Assembly consisting of the Bank's shareholders. General Assembly appoints the members of the Board of Directors in line with the provisions of the local regulations. The main responsibility of the Board of Directors is to ensure compliance with the regulations of the National Bank of Serbia, internal acts of the Bank and best practice of the Group in achieving long term business success of the Bank.

The Executive Board is comprised of five members including the President. One of the main responsibilities of the Executive Board is to oversee the daily operations of the Bank and ensure the overall organisation of the Bank is adequately supported and meets the business strategy and goals of the Bank. The Executive Board also appoints its functional committees which serve to assist the Executive Board in various businesses areas, wider risk related matters, compliance and AML/CFT issues, staff conduct and monitoring, IT and procurement operations, and the like.

### **Executive Board Eurobank a.d.**

Slavica Pavlović – President

Predrag Janković – Member

Vuk Zečević – Member

Dušan Mihailović – Member

Milan Vićentić – Member

### **Board of Directors Eurobank a.d.**

Michalakis Louis – President

Theodoros Karakasis – Independent Member and Deputy President

Stavros Ioannou – Member

Angelos Tsichrintzis – Independent Member

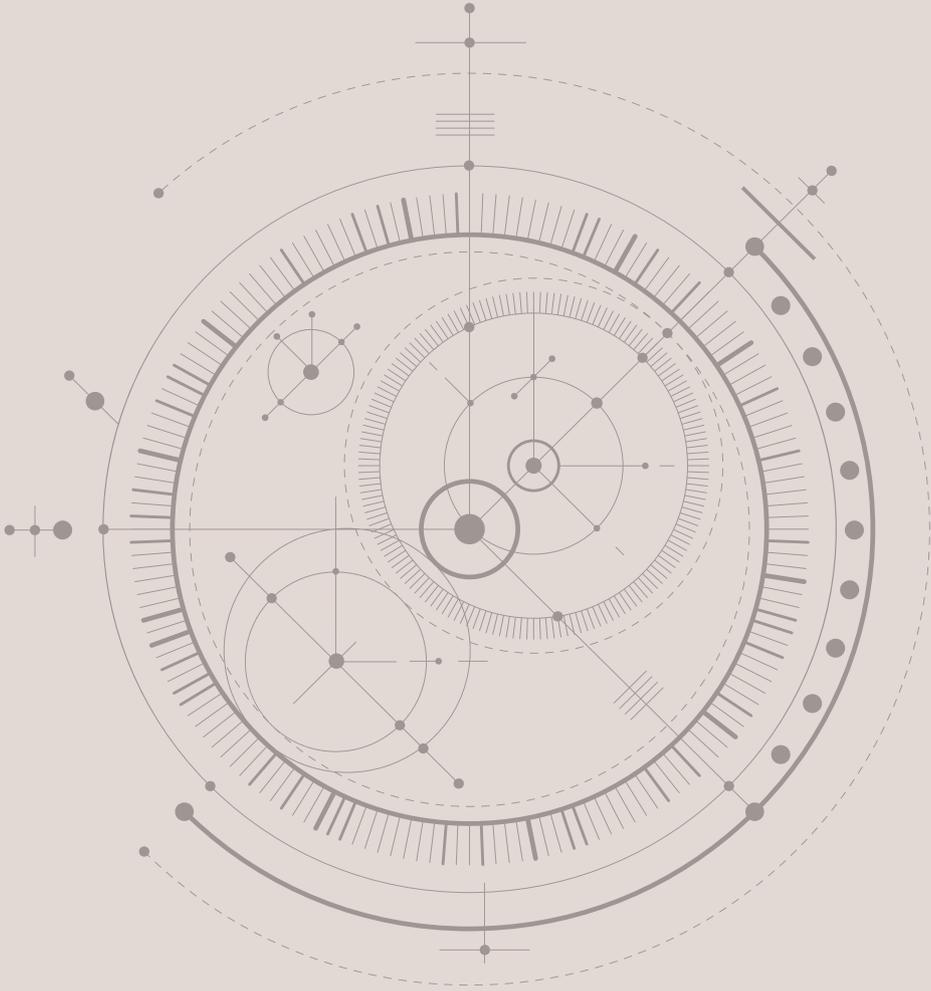
Ivan Vujačić – Independent Member

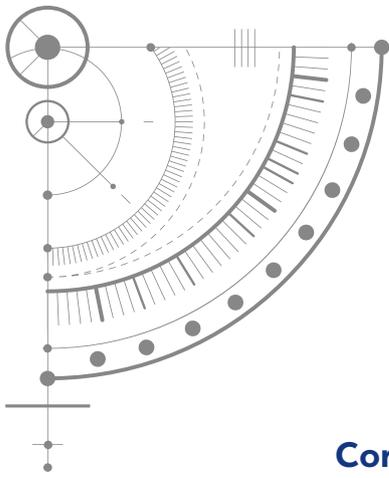
Anastasios Nikolaou – Member

Michail Vlastarakis – Member

Christina Andreou – Independent Member







## Corporate Banking

Despite a fiercely competitive market, the Corporate Banking Division had a very successful business year. Performances across all business areas have been further significantly improved.

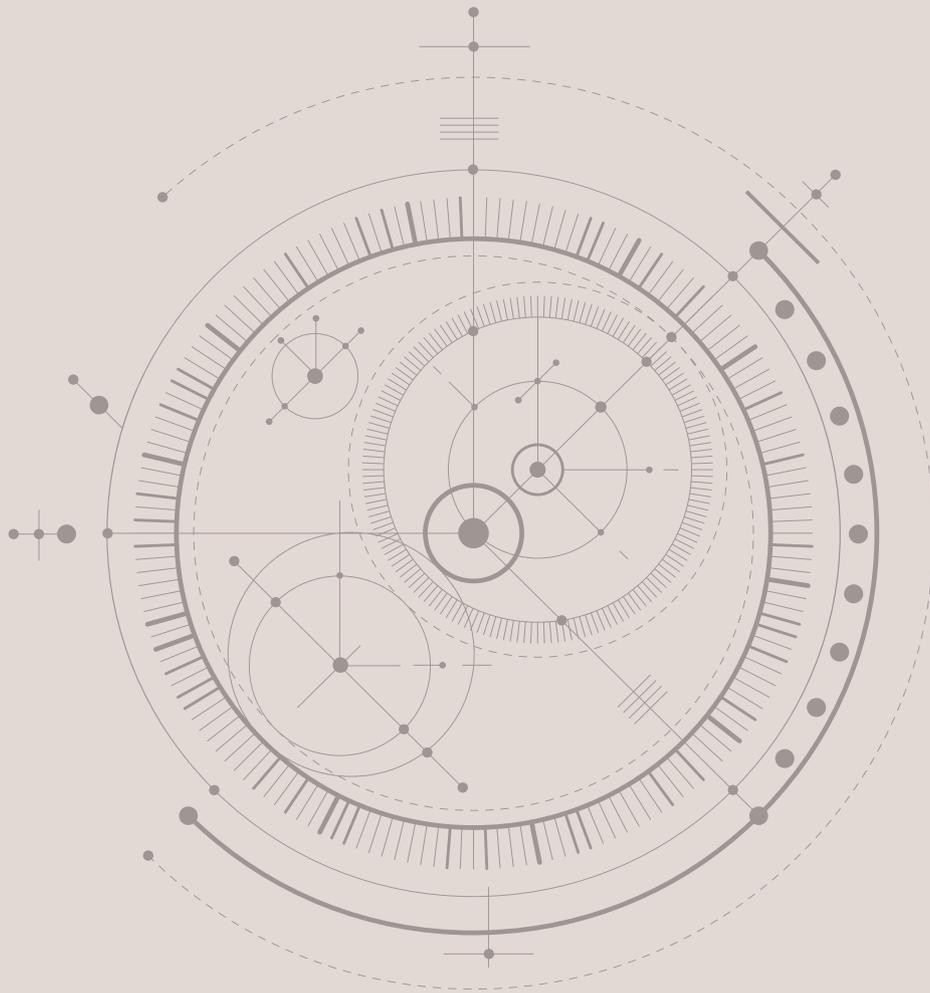
**SME segment** Regarding the SME segment, we have been continuously increasing loan volumes despite very strong market competition. For instance, volumes of ACR loans increased by 9% (EUR 14 million) reaching EUR 166 million in 2018, while volumes of issued DBD products rose by 25% (EUR 5.5 million) reaching EUR 28 million. The volume of deposits stabilized at EUR 55 while sourcing from IFIs financing covers 60% of the entire SME portfolio. The active „Pre-Approval Campaign” during 2018 enabled disbursements of funds towards 39 clients in the amount of EUR 12 million. The business was preserved through our key and most valuable clients, as refinancing by other Banks took a rather small and acceptable toll in the amount of EUR 3 million. We achieved 95% of budgeted commission income and around 90% of budgeted ROA which represents an acceptable overall result having in mind the fierce competition on the local banking market, low demand for RSD loans due to stable FX rate (with higher interest rates) and our current risk appetites.

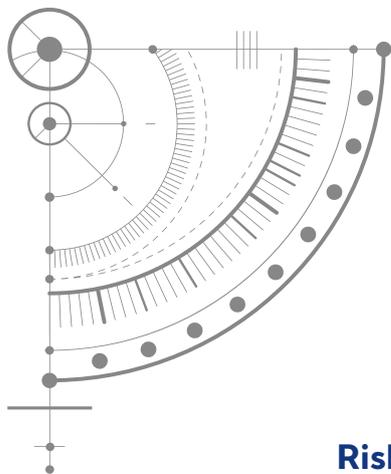
**Large Corporate** 2018 was another dynamic year for Large Corporate, as well. Large Corporate business saw a strong boost in outstanding performing loans. Year end 2018 loan volumes are up 14.5% compared to the previous year. Large Corporate once again outperformed the market with EUR 33 million added over the loan budgeted figures. The Bank participated in two marquee deals in the LC segment, on the market, refinancing of Naftna Industrija Srbije and the club deal for Telekom Srbija. Additionally, the leading cable operator SBB was added to the list of Eurobank's clients. Existing relationships with key and most valuable clients were further deepened. In the real-estate segment, two new bigger-scale projects were realized, Retail Center and Gornji Grad (residential project in Belgrade). Profit wise, a growing trend was recorded for the third year in a row. Pre-provision income for 2018 is ca. EUR 2.6 million higher than in 2017 (EUR 7 vs. 4.4 million).

That way, the CBD has made significant overachievement of budgeted figures in the amount of EUR 53 million, while an extraordinary result was made also with regards to the commission's income, thus making up for lower i.r. margins on the market in order to achieve budgeted revenues.

During 2018, EBRD further increased its limit under the Trade Facilitation Program to EUR 100 million, which was actively used to support trade (export/import) activities of the corporate clients. Following our extensive participation in EBRD's Trade Facilitation Program, our Bank was again awarded the title of the Most Active Issuing Bank in Serbia in 2017 by the EBRD.







## Risk Management

The Bank acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Bank's management sets adequate mechanisms to identify those risks at an early stage and assesses their potential impact on the achievement of these objectives.

The Bank's Management considers effective risk management to be their top priority, as well as a major competitive advantage for the organization. As such, the Bank has allocated significant resources for upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the National Bank of Serbia (NBS), the guidelines of the Basel Committee on Banking Supervision and the best international banking practices. The Bank implements a well-structured credit approval process, independent credit reviews and effective risk management policies for credit, market, liquidity and operational risk. The risk management policies implemented by the Bank are reviewed annually.

The Bank's risk and capital management strategies, which have been formally documented, outline the Bank's overall direction regarding the risk and capital management issues, the risk management mission and objectives, risk definitions, risk management principles, risk appetite framework, risk governance framework, strategic objectives and key management initiatives for the improvement of the risk management framework in place.

The maximum amount of risk which the Bank is willing to assume in the pursuit of its strategic objectives is articulated via Risk Appetite Policy, which includes specific tolerance levels. The objectives are to support the Bank's business growth, balance a strong capital position with higher returns on equity and to ensure the Bank's adherence to regulatory requirements.

The Risk Committee (RC) is a committee of the Board of Directors (BoD) and its task is to assist the BoD to ensure that the Bank has a well-defined risk and capital strategy in line with its business plan and an adequate and robust risk appetite.

RC assesses the Bank's risk profile, monitors compliance with the approved risk appetite and risk tolerance levels and ensures that the Bank has developed an appropriate risk management framework with appropriate methodologies, modelling tools, data sources and sufficient and competent staff necessary to identify, assess, monitor and mitigate risks.

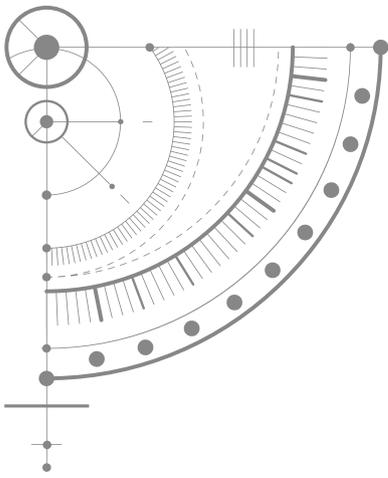
The Bank's Risk Management Division which is headed by the Chief Risk Officer (CRO), operates independently from the business units and is responsible for the monitoring, measurement and management of risks, with the focus on credit, market, operational and liquidity risks. It comprises of the Credit Risk Department, the Credit Control Department, the Market Risk Department, the Operational Risk Department, the Risk Modelling Department, the Integrated Risk Management Department and the Data Management Unit.

**Credit risk** Credit risk is the risk of negative impact on the financial result and capital of the bank if a debtor fails to meet its contractual obligations. For the risk management purposes, the Bank takes into consideration all the relevant elements of credit risk exposure (such as individual obligor default risk, concentration risk in terms of groups of related parties, sector concentration risk).

The Risk Management Division incorporates the following units handling credit risk:

- Credit Risk Department
- Credit Control Department
- Risk Modelling Department
- Integrated Risk Management Department
- Collateral Management Department.

Troubled Asset Sector is also involved in credit risk management, by handling Non-Performing Loans (NPL Department) and collection in Retail segment (Retail Collection Division).



Credit Control Department, Credit Risk Department and Risk Modelling Department are responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. This task is performed by Credit Control Department and Credit Risk Department.
- Credit Risk Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the relevant business unit, and provides independent credit opinion. Renewals and reviews of facilities are subject to the same assessment process. The Bank approves new loans or decides to extend or not to extend the existing ones based on creditworthiness of the client, as well as details and characteristics of the transaction. All Bank credit facilities are based on relevant approvals, which lay down the terms and other conditions for their implementation. The approval levels and limits are defined by the Board of Directors' Decision on approval levels.
- Limiting concentrations of exposure to counterparties, countries and industries.
- Developing and maintaining the Bank's risk grading (rating/scoring) policy. Ratings and scores are used to provide an objective and consistent assessment of client's financial standing and creditworthiness and to support credit decision. Ratings are used in the calculation of the expected credit loss (credit risk loss allowance). Model which incorporates financial and qualitative variables is implemented for corporate clients while behavioural models are implemented for retail clients. Corporate ratings are subject to regular reviews and retail ratings are updated monthly. In addition, an application scorecard is in place, as one of the key elements of loan approval process in Consumer segment. The rating system is maintained by the Risk Modelling Department.

**Market Risk** The Bank is exposed to market risks that arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

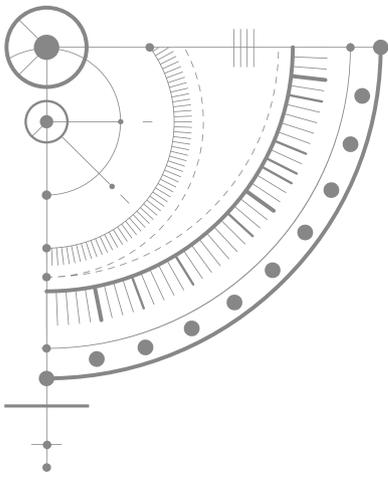
**Foreign exchange risk** The Bank is necessarily exposed to foreign exchange risk, i.e. to the risk of changes in FX rates since it operates with different foreign currencies. Daily FX transactions cause a possible loss to the Bank due to uncertainty of the FX rate at which an open FX position can be closed, as well as in terms of negative effects of the revaluation of net open FX positions in individual currencies in the event of adverse movements in foreign exchange rates.

In order to protect Bank's equity and financial result, the Bank identifies, measures, monitors and manages exposure to foreign exchange risk on a daily basis.

The Bank manages the exposure to foreign exchange risk in a manner that ensures compliance of currency structure of its assets and liabilities with the limit prescribed by the National Bank of Serbia, as well as with the limits prescribed in the internal acts enacted by the Bank's management and Risk Committee.

**Interest rate risk** Interest rate risk is defined as Bank's exposure to adverse movements in interest rates which can cause negative effects on Bank's earning and economic value of capital. Interest rate risk can come in a variety of forms, including reprising risk, yield curve risk, basis and optionality risk.

In order to protect Bank's equity and financial result the Bank identifies, measures, monitors and manages exposure to interest rate risk on a monthly basis, in total and per all major currencies.



When measuring and assessing interest rate risk, the Bank applies the following techniques:

- Gap analysis of interest rate risk
- Scenario analysis
- Stress testing
- Analysis of embedded options.

According to internal methodology for interest rate gap, the Bank projects future cash flows (including future interest) of assets/liabilities with fixed interest rate and off-balance items and allocates them into time buckets according to contractual maturity dates. For items with floating interest rate, principal and future interest (only the part maturing until the next repricing date) is allocated according to repricing date. The Bank calculates early repayment/withdrawal rates taking into account statistical analysis based on historical experience. For all items without contractual repayment schedule, the Bank allocates cash flows into time buckets according to statistical analysis, trend, seasonality and unpredictability factor. Assessment of the deposits stability is based on both statistical analysis and Basel committee guidelines. Future cash flows for loans are reduced by the expected cost of risk (CoR) for each individual segment of the portfolio.

**Liquidity risk** Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they come due, which can have a negative result on the Bank's financial results and equity. Liquidity risk is imminent in the banking business which arises from the nature of the basic activity of the Bank and maturity transformation necessary performed by the Bank.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, funding sources as they mature, are important factors in assessing and managing the liquidity of the Bank.

Liquidity management of the Bank represents a continuous process of perceiving liquidity needs and maintaining a satisfactory liquidity level in a variety of business scenarios, as well as contingency planning.

In order to perform these activities, attention is mainly directed towards the analysis of stability and level of deposits concentration and other sources of funding of the Bank that include:

- customer's deposits with different maturities
- deposits from the money market and available lines with financial institutions
- available lines from the majority shareholder
- share capital.

Sources of liquidity are regularly reviewed so as to maintain a wide diversification by currency, provider, product and term.

Liquidity risk measurement includes assessment of risk under normal market conditions and under stress scenarios. Scenarios, which are defined based on historical data and case studies, should allow the bank to evaluate the potential adverse impact these factors can have on its liquidity position. Liquidity risk is monitored through a set of short term limits. Following the NBS methodology, the Bank has defined minimum level of liquidity expressed in terms of short term liquidity ratio and liquidity coverage ratio. For internal methodology purposes, limits are defined in terms of acceptable levels of short term liquidity mismatches.

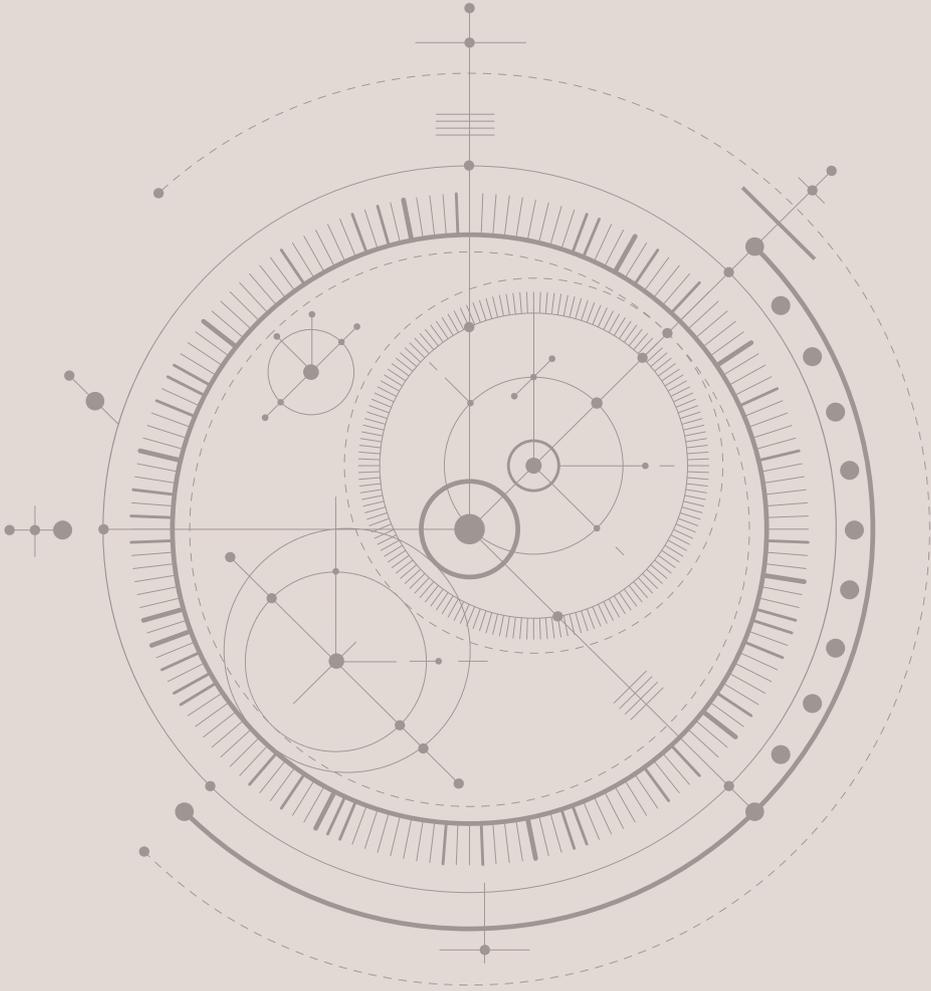
According to internal methodology for liquidity gap, the Bank projects future cash flows (including future interest) of assets/liabilities and off-balance items and allocates them into time buckets according to contractual maturity dates. The Bank calculates early repayment/withdrawal rates taking into account statistical analysis based on historical experience. For all items without contractual repayment schedule, the Bank allocates cash flows into time buckets according to statistical analysis, trend, seasonality and unpredictability factor. Assessment of the deposits stability is based on both statistical analysis and Basel committee guidelines. Future cash flows for loans are reduced by the expected cost of risk (CoR) for each individual segment of the portfolio.

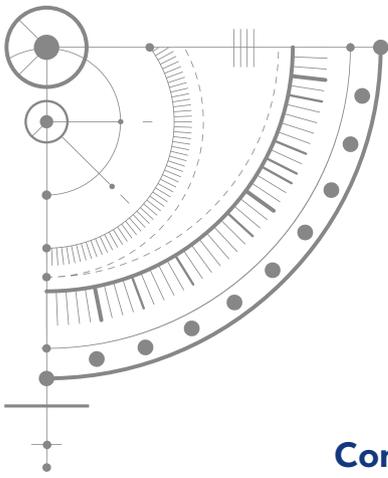
**Operational risk** Operational risk is the risk of possible negative effects on the financial result and capital of the bank caused by human error, inadequate internal procedures and processes, inadequate management of the information system and other systems in the bank, as well as by unforeseeable external events and includes legal risk. Legal risk is the risk of adverse effects on the bank's financial result and capital arising from court or out-of-court proceedings relating to the bank's operation (contracts and torts, labour relations, etc.).

Operational risk processes consist of risk identification, exposure assessment (including measurement and valuation), control management and risk mitigation, operational risk reporting and performance improvement applying following operational risk methods: Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI), Operational Risk Events Management, Operational Risk Reporting, Operational Risk Capital Charge Calculation and Allocation and Operational Risk Stress Testing.

The Bank includes in its risk management system all risks that arise from outsourcing activities and from launching of new products and services.







## Compliance and AML

**The Compliance Department is established with the approval of the Audit Committee and the Board of Directors (BoD) of the Bank as a permanent and an independent function. The Head reports directly to the Audit Committee (AC) of the Bank, to the Eurobank Group Compliance and for administrative issues to the CEO.**

The AML Department is established as a separate organizational Unit with the approval of the BoD. It is a permanent function and independent form of the Bank's business activities. The Head of the AML Department is the Money Laundering Reporting Officer (MLRO) of the Bank. He/she has direct reporting line to the CEO and to the Eurobank Group Compliance. The MLRO reports periodically to the AC of the Bank on AML activities and related risks.

The mission of Compliance and AML Departments is to promote, within the Bank and the Group subsidiary companies based in Serbia, an organizational culture that encourages ethical conduct through integrity and commitment to compliance with Laws and regulations, as well with Group standards.

The main objective of Compliance and AML Departments is to ensure that the Bank has established an adequate system of internal controls that allows it to operate in accordance with the ethical set of values as set in its Code of Professional Conduct and in compliance with applicable laws, regulations and internal policies and Group standards.

### **More specifically, Compliance and AML departments are mandated to:**

- Advise the Board of Directors and Senior Management on the bank's compliance with applicable laws, rules and standards and keeping them informed of developments in the area,
- Issue policies, procedures and other documents in order to provide guidance to staff on the appropriate implementation of applicable laws, rules and standards,
- Assist the business to develop and implement regulatory compliant policies and procedures,
- Ensure that staff is adequately trained and frequently updated about compliance issues by designing training programs and co-operating with HR for their implementation. Provide guidance on the application of regulations in practice,
- Develop a robust compliance and AML/CFT risk identification and an assessment framework. Support and challenge, if required, business line management regarding the completeness and accuracy of the compliance and AML/CFT risk management activities,
- Monitor and test whether the staff effectively applies the internal processes and procedures aimed at achieving regulatory compliance. Report on potential breaches and required improvements and follow up on implementation,
- Review the staff accounts in order to monitor the staff adherence to internal policies and the Code of Conduct and / or indications of fraudulent activity,
- Monitor timely submission of reports to Regulators and report any delays and fines for any alleged breaches of regulations to the AC,
- Fulfill any statutory responsibilities and liaise with regulators and external bodies.
- Supervise, monitor, coordinate and evaluate the activities of the Compliance and AML Departments or Units or persons of the Group companies based in Serbia.

**To facilitate implementation of the UN Global Compact's 10th principle against corruption, the Bank has adopted:**

- A Code of Professional Conduct and Anti-bribery and Corruption policies.
- Specialized staff training courses on regulatory compliance and anti-fraud issues.
- Control mechanisms, procedures and IT systems to prevent and suppress money laundering, as well as the fraud detection systems.

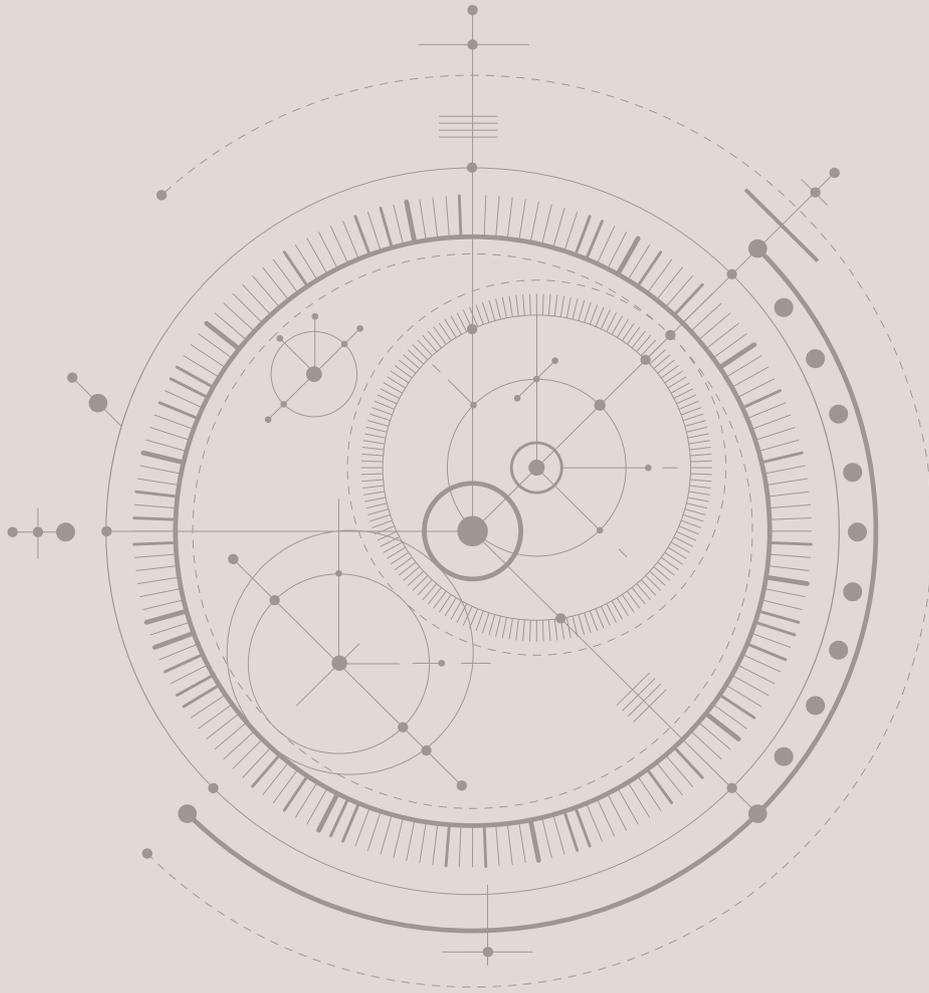
**In the context of the above stated, in 2018, Compliance and AML Departments focused on the following:**

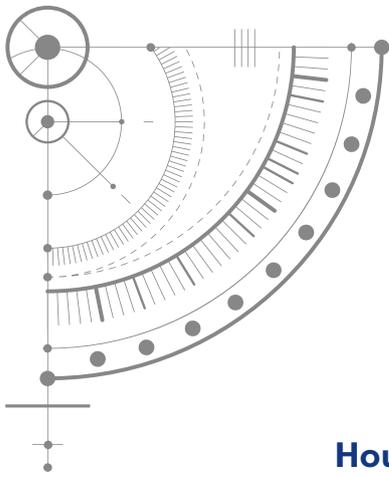
- Financial crime (including laws and regulations concerning anti-money laundering and financing of terrorism), adopting the changes of relevant legislation in necessary policies and processes, and monitoring their implementation.
- Enhancing the processes of internal controls on adherence to ML/TF activities and risks by conducting the on-site reviews of business units and implementing the new RMA methodology.
- Integrity of the markets in financial instruments, by assisting in developing policies and processes in accordance with the regulatory framework for market manipulation, unlawful disclosure of inside information and other applicable regulatory provisions.
- Personal data and banking secrecy protection, through the collaboration with other units of the Group, aiming at compliance with the applicable regulatory framework.
- Consumer protection, by ensuring compliance with the regulations to protect consumers, and by following up on the handling of complaints that have been escalated to the regulatory authorities.
- Communication with the Supervisory Authorities, monitoring a timely response to their requests, and confirming that all the units of the Bank abide by their obligations for the timely submission of reports.
- The internal rules of conduct, promoting inter alia, the updated Code of Professional Conduct incorporating the Group's Principles, Values, and Vision.
- The regulatory compliance risk management, setting the foundations for the establishment of a Comprehensive Framework for Assessing Regulatory Risk.

**For 2019, Compliance and AML Departments shall place emphasis on the following:**

- To fully align the Bank with the regulatory changes that will come into force in 2019, including, among others, the changes in legislation concerning Anti-Money Laundering (incorporating further legislation changes in relation to the 4th and 5th AML Directive and FATF recommendations), and the regulations related to payment services, consumer protection, advertising and electronic documents storage.
- To further develop the methodology to assess the risk of regulatory compliance, through the use of specialized tools and control mechanisms.
- To further update the IT systems supporting the identification of unusual and suspicious transactions.
- To develop or update internal policies regarding the professional conduct of the Bank's staff, such as, among others, the Policy on External Engagement and the Anti-Bribery and Corruption Policy.
- To expand the training curriculum in order to enhance the staff knowledge on issues of AML/KYC and regulatory compliance.







## Household Lending Division

2018 was another successful year for Household Lending Division during which Eurobank confirmed its position in the market. The consumer lending market continued with its growth trend, resulting in a very competitive market environment for doing business. Eurobank responded to the market activities with its attractive product offer and high level of customer service.

On the consumer loan market, Eurobank stood out compared to their competitors with three ATL campaigns for cash loans. Eurobank loans became a recognizable brand with the famous slogan "600.000 with any salary" during previous years. Furthermore, in 2018, Eurobank additionally improved the concept and created a new slogan "700.000 with any salary". The attractive and transparent loan terms were recognized by customers, which resulted in a new record of high sales results in loans.

Consumer loan disbursement in 2018 had record results in the bank history. During the year, Eurobank disbursed loans in the amount of EUR 182 million, which is 13% more comparing to 2017. Eurobank finished the year with the consumer loan portfolio standing at EUR 326.7 million, 19% higher year-on-year. The 2018 consumer loan success is a result of a wide product range with competitive prices, simple and fast procedures for approving products, as well as constant investment in customer relations and care.

In the area of payment cards, Eurobank upheld its growth trend. The position of one of the most active banks in the market was maintained throughout 2018. The total number of credit cards in the Bank's portfolio increased by 16 thousand compared to the previous year. Eurobank closed the year with the market share of 21% in the total number of credit cards in Serbia. Within the corporate social responsibility, we have launched a new humanitarian project "Eurobank Big Heart" which is based on the affinity credit card. Each time a credit card user makes a payment or withdraws money from an ATM using the card, the Bank earmarks a portion of its proceeds and redirects them to secondary schools across Serbia. The funds are intended for equipping and upgrading classrooms and workspaces. In addition, the Bank successfully carried out the third season Time4You program, a yearly one-off incentive concept for the sales of Mastercard products.

The cooperation with the merchant partners of the Bank has continued and deepened, and the network of merchant partners has been further widened. Eurobank continued to provide discounts for the card payments with merchant partners, along with a consistent and regular promotion of purchases in installments without interest, this way further promoting the image of Eurobank on the market.

Cooperation with the famous football club Manchester United is a unique partnership in this part of Europe, so the special attention was paid to this business segment. Eurobank conducted numerous activities during the year to promote co-branded Manchester United credit, debit and prepaid payment cards both to the existing and new clients of the bank. For all football and sport fans, a special campaign titled "Red Week" incorporating special product offer and gifts for customers was organized for four times during 2018.

Improvement of the sales and business offer was continued in the area of mortgage loans, so the year was closed with the mortgage loan portfolio of EUR 159 million and the market share

of 49%. During 2018, Eurobank went on to improve the segment of current accounts, additionally promoting them amongst marketing campaign that accented bill payments without provision/fee costs through e-services.

Eurobank stands out on the market as a bank that provides complete offer of products and services within the payroll account packages. Among regular products and services, special benefit that is highly recognized by the clients, are free health checks at the renowned BelMedic clinic. During 2018, we opened over 29 thousands accounts, reaching a record number of more than 119 thousand active current accounts.

## **Small Business (SBB)**

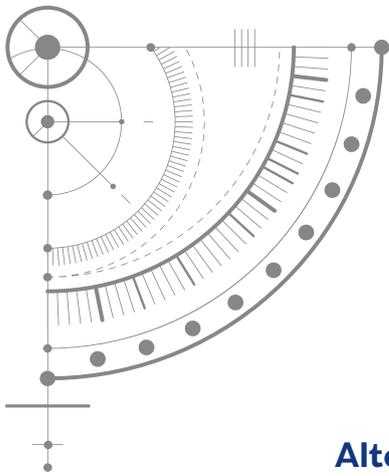
During 2018, SBB continued with intensive activities in order to improve products, conditions and criteria for crediting and support the business needs of our customers. Therefore, in the segment of small enterprises and entrepreneurs, lending activity has also been additionally increased.

The growth of lending in 2018 was 40% higher than 2017, which led to continued growth of SBB segment, which once again ranks Eurobank among the most active banks on the market.

In order to improve its offer, Eurobank for the first time participated in the “Program of support to small business for the purchase of new production equipment” in cooperation with the Ministry of Economy and the Development Agency of Serbia, which strengthened our offer and thus boosted the manufacturing segment of our economy.

Also, in order to enable clients to get a more efficient access to additional funds for their businesses, our offer for this client segment was additionally improved during 2018 by further adjustments of the “Frame Line” product which gives clients the opportunity to have easy access to bank products with significantly lower costs.

SBB plans to provide significant support to new projects during 2019, which will make the economy more competitive. The plan is to continue with the work on innovations and to further improve offer for the clients, in order to increase support to all business needs of our customers, as well to increase market share of Eurobank on the local SBB market.



## Alternative Sales and Partnership Banking Department

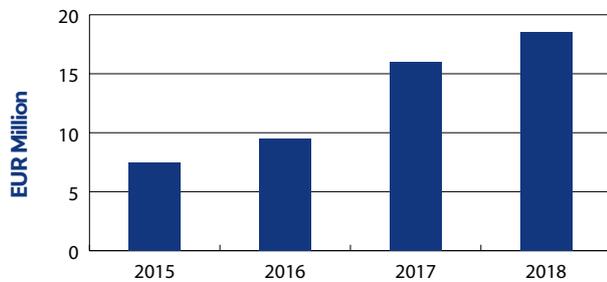
The alternative sales market in Serbia has stabilized and continues to grow at a stable pace. Eurobank is leading the trend with four sales pillars focused on delivering a high level of service, mainly to new and, to some extent, existing Eurobank clients.

In 2018, the Alternative Sales and Partnership Banking Department recorded a stable growth in all segments, disbursing EUR 33 million through independent sales channels (DSA and POS Financing) and acquiring almost 55,000 customers, achieving 8,6% YoY growth. As for dependent channels (Telemarketing and Bancassurance), Alternative Sales and Partnership Banking Department disbursed an additional amount of EUR 20,7 million, which represents a 7,8% increase compared to 2017.

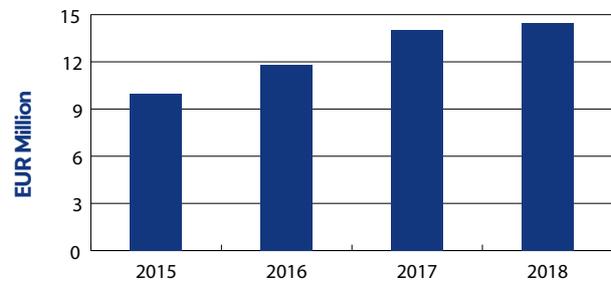
Alternative Sales is dominant with regards to clients' acquisition and has contributed with 59% of total number of new clients' private individuals opening cooperation with Eurobank in 2018, representing a 3% better result than last year.

The tables below show results and trends by segment from 2015 to 2018:

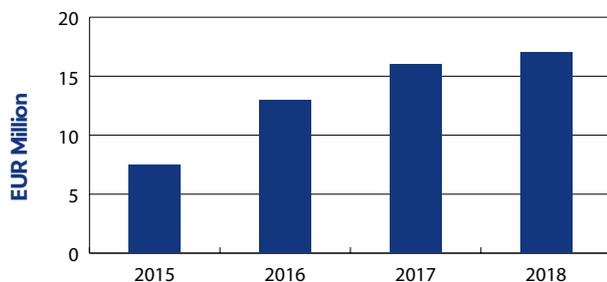
**DSA disbursement**



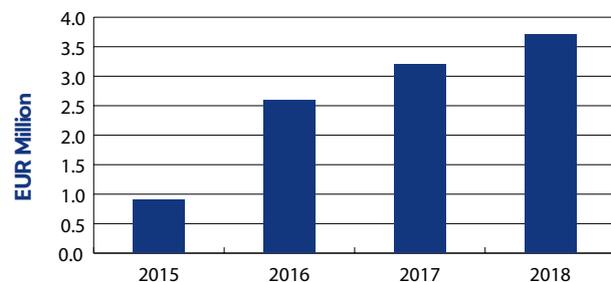
**POS Financing disbursement**



**Telemarketing disbursement**

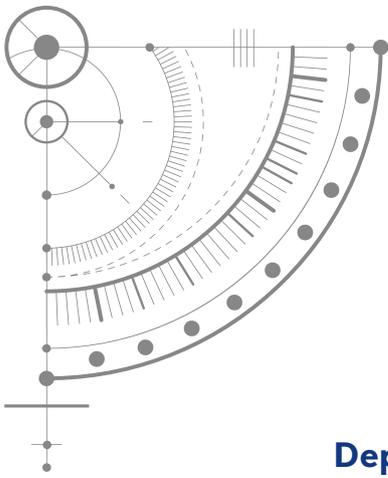


**Bank assurance premium collected**



- Point of sales financing network** Through our vast merchant network and with almost 180 sales agents, the team managed to disburse EUR 14,5 million, representing a 4% increase compared to 2017. Eurobank Serbia is one of the leaders on the durable goods financing market with a 28% market share (based on our survey).
- Direct sales channel** DSA Mobile Banking team continued its growth trend in 2018 to the targeted figure of 110 sales agents mediating in the acquisition of nearly 8,500 customers, 3,600 of which were disbursed with a total amount of EUR 18.55 million, representing growth of 13% compared to last year.
- Telemarketing** The telemarketing team consists of 8 agents, which contacted 160,000 customers in 2018 with a special custom-made offer which resulted in almost EUR 17 million in disbursements, representing a 6% growth compared to 2017.
- Bancassurance** Bancassurance achieved excellent results in 2018. Licensed employees in Eurobank branches managed, with great sales effort, to generate significant income of almost EUR 1.45 million (with a total of EUR 3.75 million in collected premiums), representing a 17% growth compared to last year. With great cooperation and support from Partner Insurance Company Wiener Stadtische through planned promotions, as well as exceptional work and commitment of over 190 authorized insurance agents of the Bank, contributed to these excellent results.

Eurobank Serbia will continue to invest in alternative sales channels in the future aiming to provide quality service to its customers, wherever necessary.



## Deposits and Personal Banking Department

Eurobank celebrated an important anniversary in 2018 - 15 years of doing business on the Serbian market. In accordance with the Bank management decisions, Deposits and Personal Banking Department successfully managed to maintain its market share. Activities were focused on defending the existing portfolio and gathering new funds. Excellent results in February were achieved in the area of doing business with legal entities.

In accordance with the Bank's strategy focused on continuous growth and improvement of Banking products and services, we have introduced a new product titled Standard Term Deposit for 15 months with an attractive interest rate during the traditional „Savings Week“ in November.

A clearly defined strategy, efficient coordination between Deposits and Personal Banking Department and branches led to noticeable results in November and December. Volumes exceeded the budget and the result was significantly higher than planned for 2018. The „Exclusive Package“ was offered throughout the year, while total income from monthly maintenance fees of this particular product reaching EUR 0.5 million.

## Digital Banking and Business Performance Department

**On-line services** In accordance with the Bank's digital strategy, Digital banking and business performance department continued with the implementation of new and improvement of existing Digital services.

Within the on-line segment, we have implemented further improvements of electronic and mobile banking applications. With the introduction of instant payments, service availability was enhanced, and our users can now perform all types of transactions a few clicks away, in just a seconds, 24/7 without any unavailability.

In our new personal electronic banking solution, with on-line requests feature, our customers can now buy travel insurance, register standing orders, change contact data without visiting the branch office.

In the mobile banking application, our customers can now split credit card transactions into installments and as of December 2018, Digital services accounted for 24% out of total installments made, 48% when including web-site.

As a result of constant improvements of our services, our first ATL campaign focused on digital services and sales resulted in the total number of digital transactions reaching 2M, a 13% growth year on year, while total turnover exceeded 2.37B EUR. As in the previous period, mobile banking drives this growth with 56% transactions more YoY and 13.5K of newly registered costumers.

**ATMs** Our self-service network now consists of 138 deployed ATMs while only last year we have acquired 38 new generation multifunctional ATMs.

With the new devices, we have implemented the new promotional message solution, allowing us to target each customer with tailor-made offers.

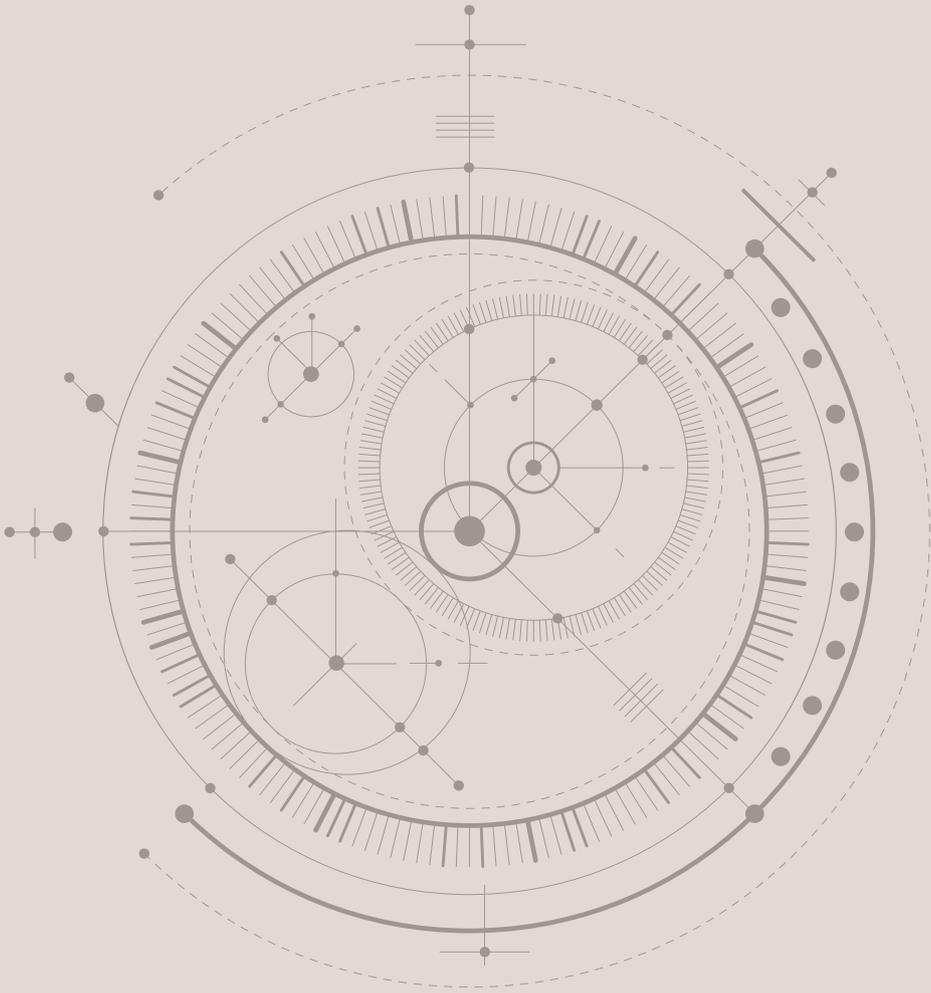
Along with growth and relocation of part of our ATM network, improved monitoring and availability we have recorded a total of 3.2 M transactions, up 10% compared to the previous year, while our DCC incomes reached 310K EUR, up 28% YoY.

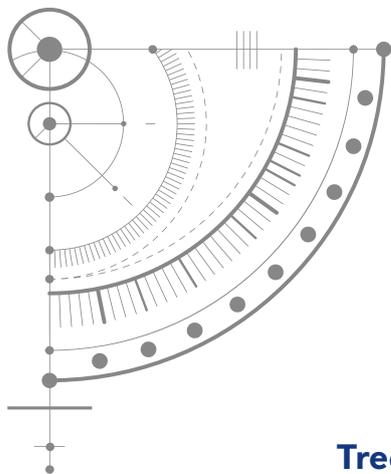
**New Communication Channel** We continue to open new communication channels with our customers, with implementation of chat and video-chat on our web-site, promo Viber messages to our clients as well as new automated IVR services.

With further implementation of the Digital Signage solution in redesigned branches, we have also setup the first ever 24/7 Zone in our branch in Nis, including video-link allowing our clients to communicate with our staff outside branch working hours.

Via all communication channels, our Contact center has replied to over 233K customer requests, maintaining quite a high customer satisfaction grade of 4.72.







## Treasury Division

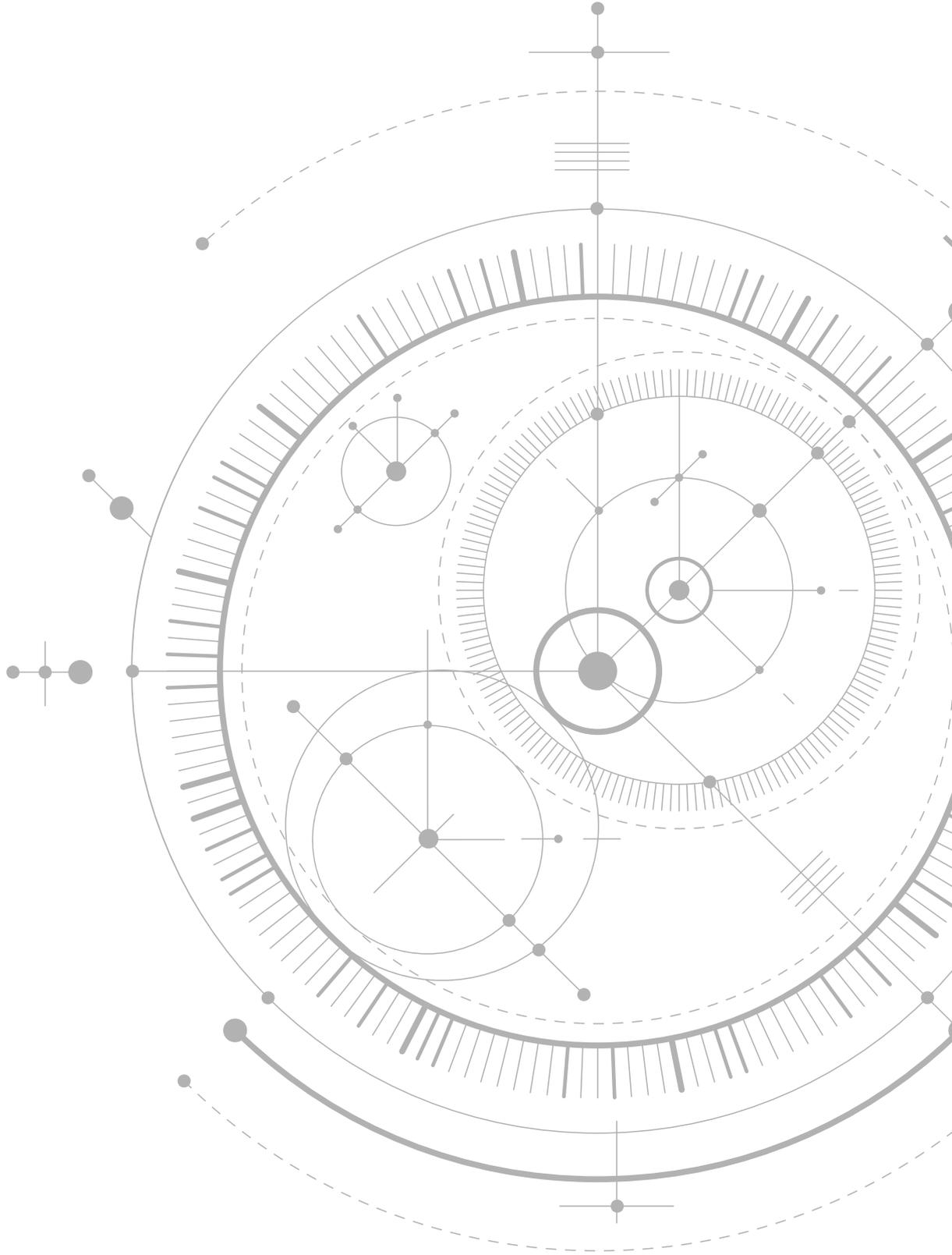
The year 2018 was very successful for the Treasury. The main priority for the Treasury Division in 2018 was to ensure liquidity, sustain profitability, minimize risk as much as possible, to further develop client-oriented operations, and to further improve cooperation with IFIs.

Eurobank continued in 2018 with a very clear and strong development strategy, above all based on strengthening its liquidity position. Liquidity coordination and capital management performed by the Treasury Division were instrumental for dealing with all the challenges that the Bank faces.

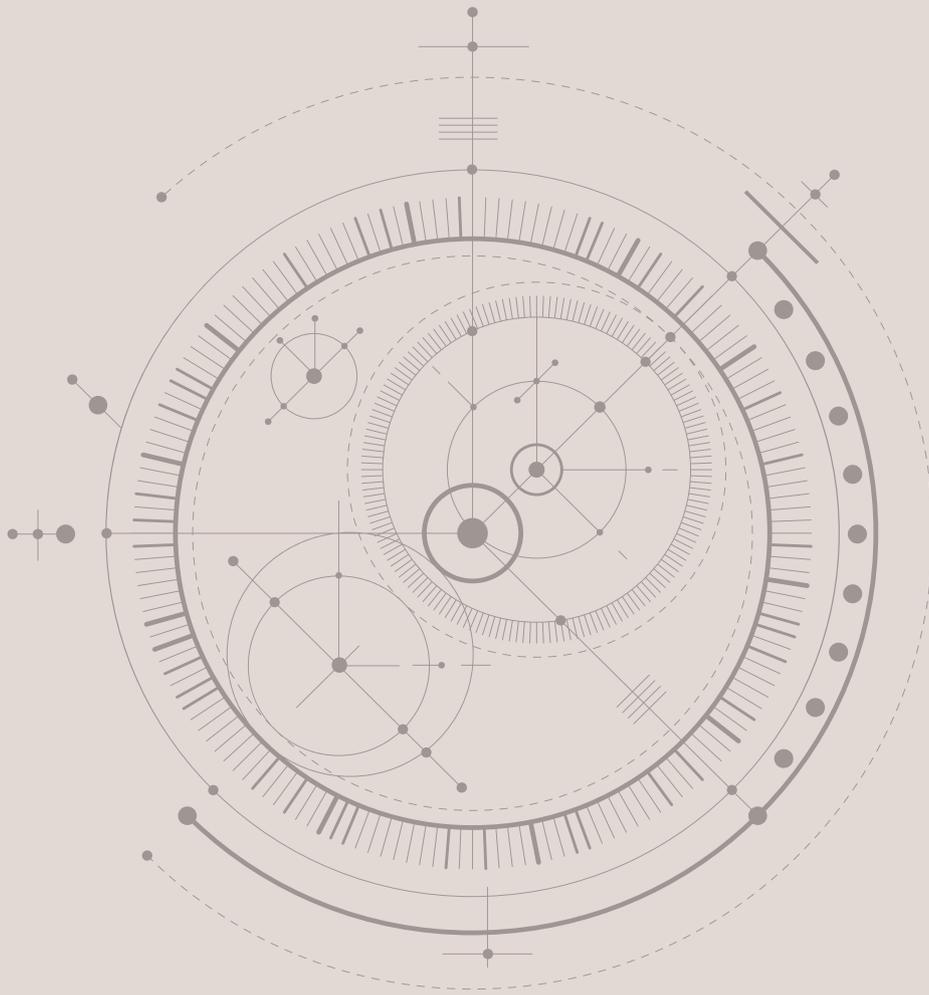
During 2018, cooperation with EBRD London was successfully continued (cross currency interest rate swap (CIRS) transactions balance was over EUR 80 million).

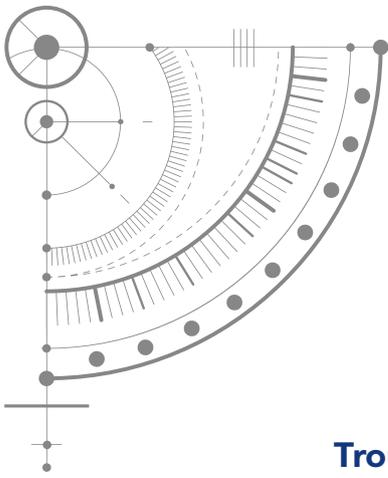
Involvement of our Trading department in FX, Money Market and bonds trading was strong and provided significant results. Seeking to disperse risk, the Trading department also managed to achieve the most important goal this year – to ensure liquidity with excellent cost management. Treasury Division ensured continued performance of T-bills portfolio facilitating maximal revenue returns, while also taking into account the funding needs of the other bank sectors.

Continuously developing and broadening different kinds of products and services we offer to international and domestic clients, small, medium and large-sized enterprises and institutional and private customers was the main goal in 2018, which gave our clients the opportunity to protect themselves from the different risks on financial markets. Using our group presence in the region, we managed to meet our clients' needs that are tied to business dealings outside of Serbia as well, and to provide financial support to operations in the region.





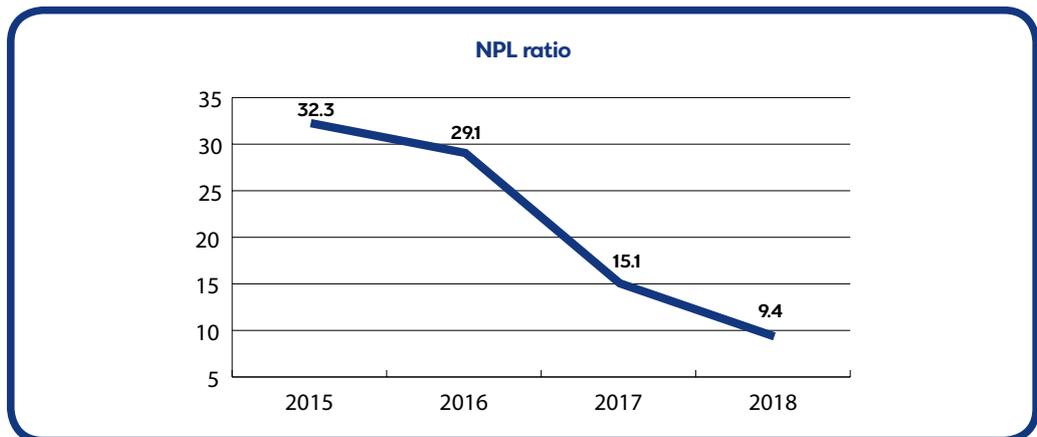




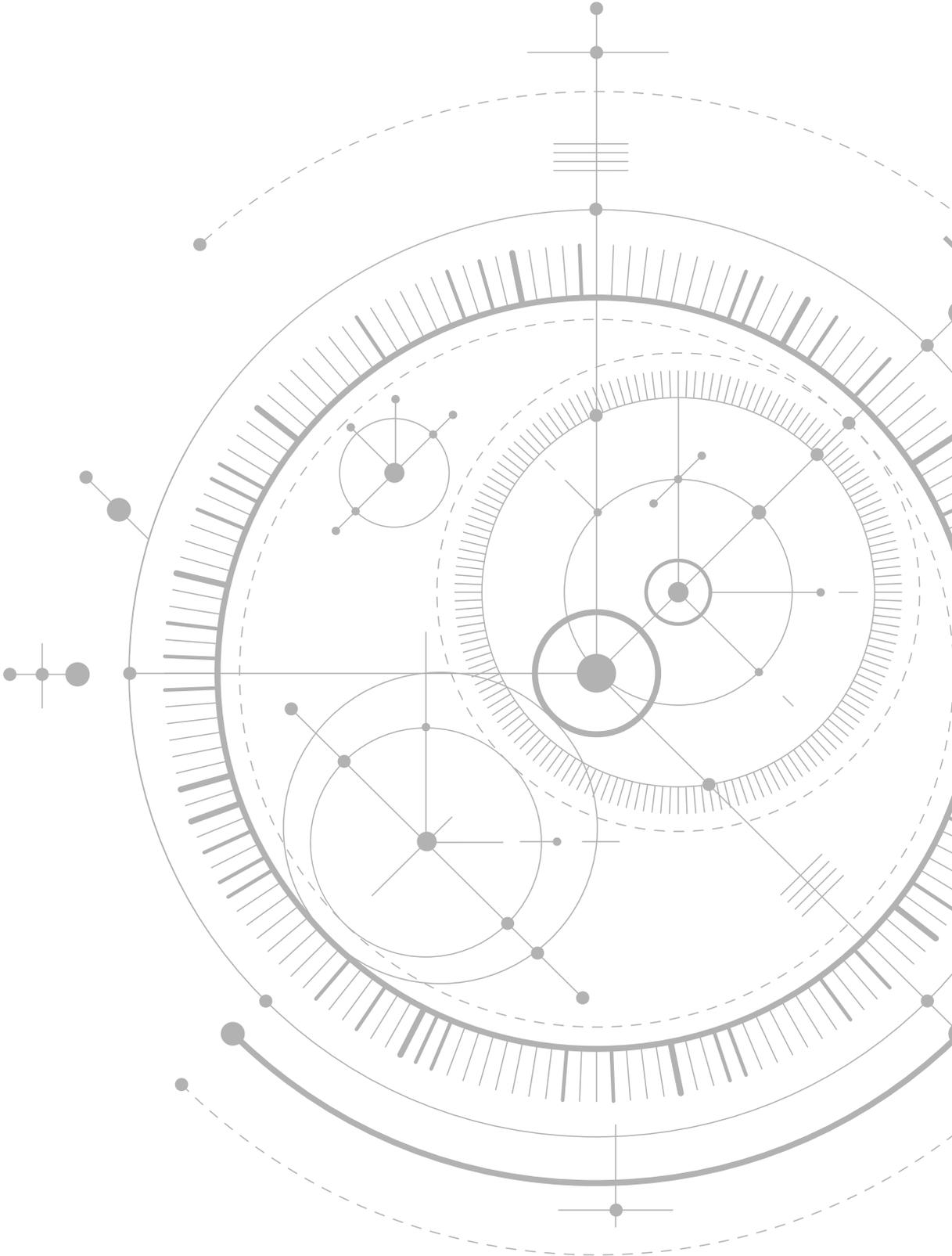
## Troubled Assets Sector

The Bank continued successful remedial management activities and fully implemented necessary NPE resolution strategies. The Bank participated in initiatives of the National Bank of Serbia and Serbian Government aimed at effectively addressing specific problematic portfolios.

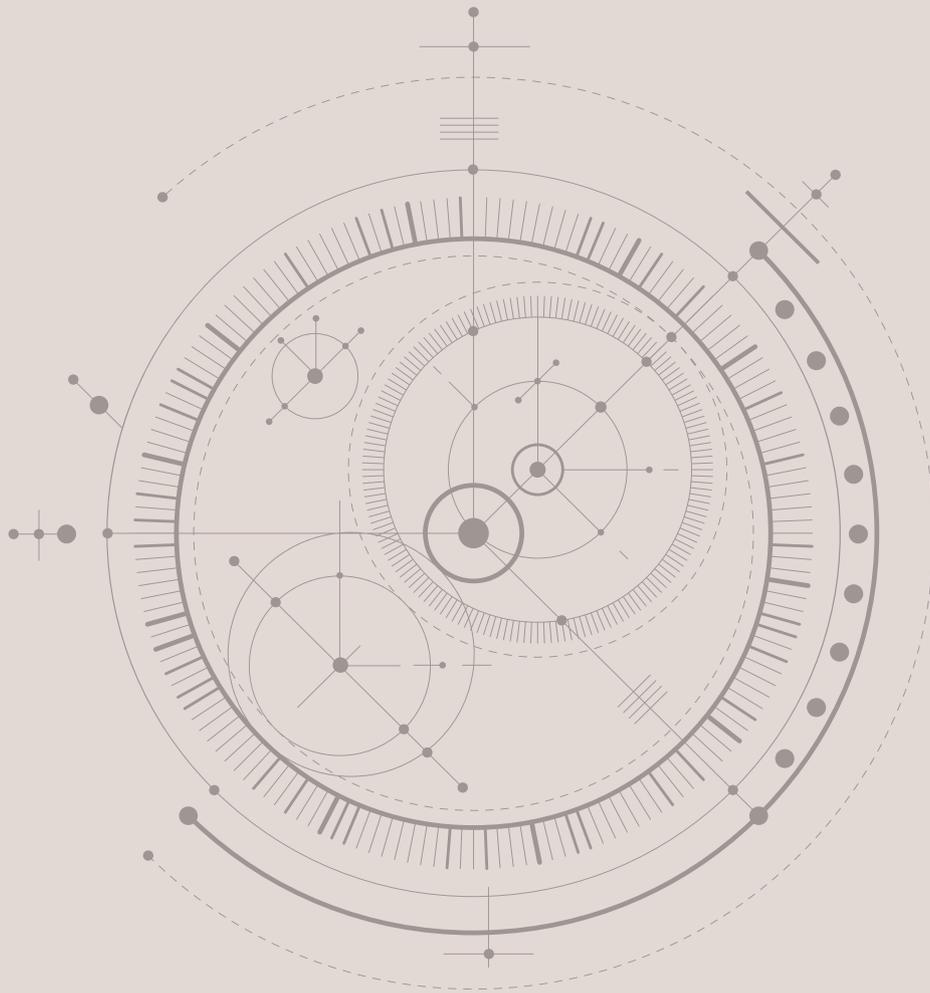
The results of the activities in this area in recent years are most evidently depicted in the evolution of NPL ratio.

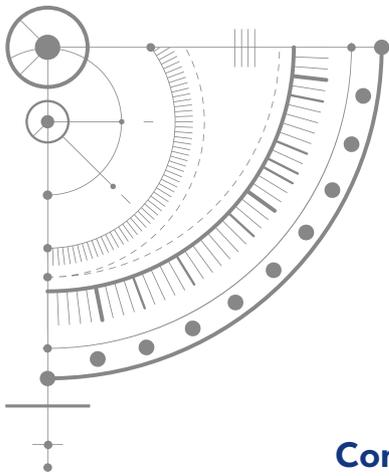


The NPL ratio improvement in 2018 compared to 2017 came primarily from write-offs and secondarily from liquidations of collaterals. It is important to add that the inflow into NPL status has been proactively controlled by the relevant Bank's sector by very effective early collection activities and when needed application of debt restructuring measures. Furthermore, the positive economic environment facilitated the achievement of NPL reduction targets. For 2019, the Bank expects a further gradual decrease of the NPL ratio assuming that the economic environment shall not change substantially.









## Communication Strategy

**Eurobank communication strategy for 2018 highlighted developing communication activities that reflect its vision & mission, strengthening its image in the light of the 15th anniversary of operations in Serbia and providing timely information to its retail and corporate clients.**

In 2018, the key projects were aimed at promoting the Bank stability and strength combined with the dynamic growth, flexibility and human-centric approach. The central pillar of communication was the celebration of the important jubilee of operations ensuring continuity all year long while encompassing all stakeholders.

Other key points of communication in 2018 focused on digitalization via introduction of instant payment service, CSR activities through the launch of new Eurobank Big Heart affinity card and corporate banking support through sponsorship of the Serbian Economic Summit.

**Jubilee** In 2018, Eurobank celebrated an important milestone - 15 years of successful presence in the Serbian market. During this time, the Bank has been growing and evolving, increasing its number of employees and branch offices, implementing new business technology, and offering innovative products and services tailored to meet its customers' needs, having gained an important position in the Serbian market.

In order to further strengthen bonds with the key opinion leaders and media representatives, Eurobank organized a press conference where the top management of Eurobank in Serbia and Eurobank Group gave a general overview of the results and business plans. In conversation with the analysts and journalists, Eurobank senior officials highlighted the Bank's position as one of the key players in the highly competitive Serbian market that would continue to support the development of the local community and the Serbian economy while reinforcing strong business ties that already existed among the countries in the region. Furthermore, importance of the international activities for the Group was stressed with the note the Group expects these activities to retain a substantial part in Eurobank Group's balance sheet, in the future.

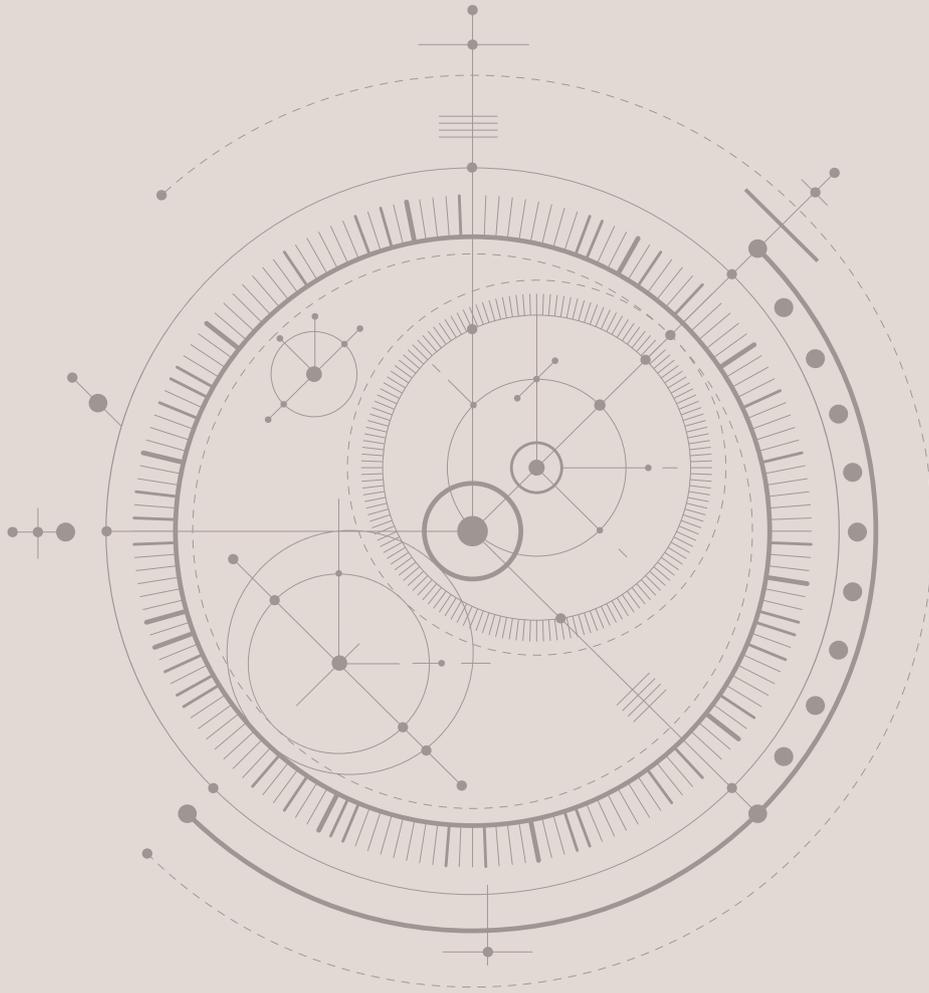
As a part of the internal communication, we organised a big get-together for Eurobank staff marking jubilee in Eurobank. We could say that legends got together with legends, because our colleagues celebrating their 15 years in the Bank talked with the ambassadors of our partner, Manchester United, one of the world's biggest brands, about achieving top results and the importance of day-to-day team work. The football legend Wes Brown, whose career at Old Trafford lasted for a full 15 years, held an interesting workshop and talked with our colleagues about the importance of long-term planning, individual development, setting goals, and believing in success.

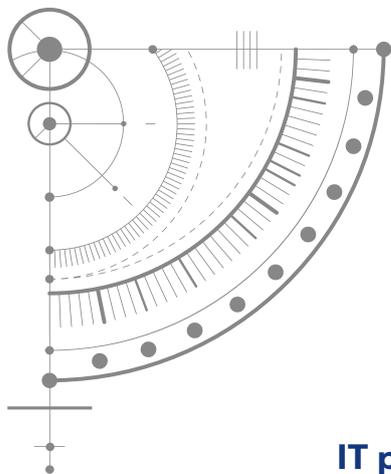
Throughout the year, a number of carefully designed actions were implemented to mark the anniversary including a special edition of internal magazine EuroNews, surprise birthday message for all employees, a unique edition of EuroFlash newsletter and specialized Instagram frames. In addition, jubilee number 15 was included in the branding across various platforms – from ATM home screen, to e-banking log-in page, to desktop and screen saver design for all staff. The comprehensive approach to marking anniversary included the mix of external and internal communication actions, as well as a number of different channels.

**Society** Eurobank, Mastercard and the Ministry of Education, Science and Technological Development in March announced a new socially responsible project 'School Designed for You' aimed at improving working and studying conditions in secondary schools in Serbia. After investing in kindergartens and primary schools for 8 years and investing 62 million dinars on their renovation, Eurobank completed a cycle of providing assistance to this segment of children's education, and decided to place focus on secondary schools in the period to come. This CSR project is based on the affinity card - Eurobank Big Heart MasterCard credit card. The communication strategy for this products included inviting all secondary school students to take part in the competition for the new affinity card design. The winning design was chosen by a judge panel consisting of representatives of Eurobank, Mastercard, the Ministry of Education, the Ministry of Science and Technological Development, and the Children's Cultural Center. The winner was a student from the town of Niš, whose prize was a two-week trip to Great Britain for learning the English language! The entire process was communicated through traditional and digital channels including social media ensuring wide audience is informed about the new humanitarian concept of Eurobank affinity card.

**Corporate** For the 14th consecutive time Eurobank was the general sponsor of the Economic Summit of the Republic of Serbia which took place in October in Belgrade. The Summit centered on topics of achieving inclusive growth, as well as the challenges facing Serbia and the region, the importance of fiscal consolidation for sustainable development, the possibility of the Fourth Industrial Revolution, and energy efficiency issues. Eurobank strongly communicates the sponsorship of the Economic Summit of the Republic of Serbia as it is one of the key events in the country that has been taking place every since 2001 bringing together hundreds of participants, including representatives of political and economic institutions in Serbia and the region, as well as decision makers, business leaders, and experts. The event is an opportunity to create an annual overview of Serbia's political, economic, and business progress.







## IT projects 2018

During 2018, our focus was placed on delivering the complex market and regulatory-driven projects. We have continued to renew and upgrade our systems making them up-to-date and more resilient.

### Digital-related projects/achievements:

- Instant payment system changes which include implementation of 24/7 functionality for payments, e-Banking, m-Banking and payment institution changes, creation of new reports;
- Decoupling implementation – for main and core business applications (e-Banking, m-Banking, Call Center, Web instalments), we achieved a significant improvement in the system stability and performance;
- Web chat implementation on Bank's web site - Call Center agents are now able to communicate with clients via chat on e-Banking and web-site.
- Branch transformation – Digital signage - Changes/set-up of the Bank's website.

### HHLD-related projects/achievements:

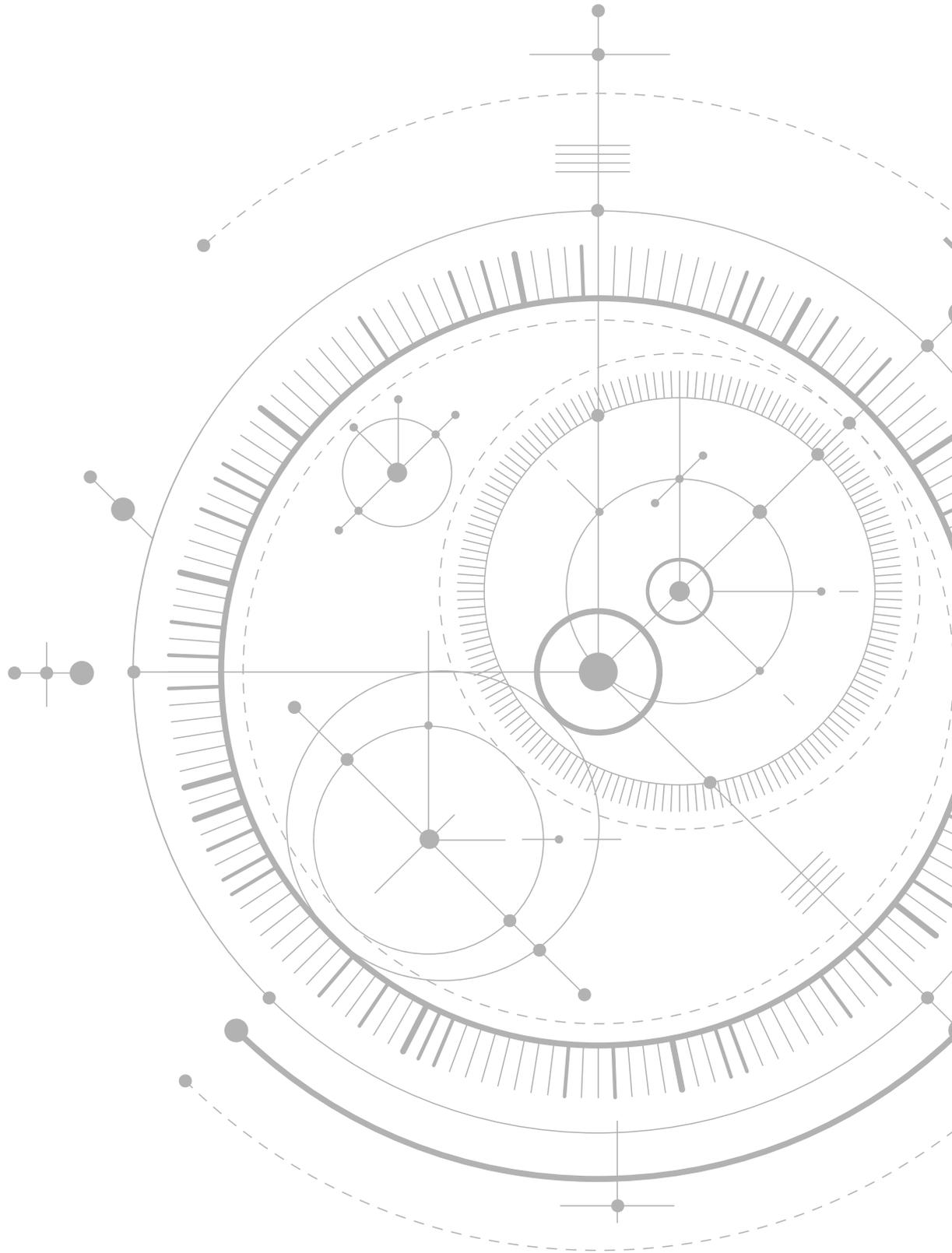
- Credit card delivery tool - Automated solution for the credit cards and PINs delivery monitoring in all phases, from the card production to the final delivery;
- New affinity Credit Card - The New MasterCard credit card where part of revenues will be redirected to support renovation of high schools in Serbia. The cards are issued in cooperation with Ministry of Education.

### Upgrades of applications and infrastructure related:

- Cortex upgrade 4.1 – Upgrade of Cortex system (card processing system) to the new version;
- Serbia Dialer & Qualco Upgrade - Upgrade of Dialer & Qualco application to the new version;
- Upgrade of Link application and integration with CMS;
- Credit Bureau – off balances – Automation of data collection per Regulatory request. With this project implementation, the Bank decreased its operational risk and increased efficiency in daily operations;
- Changes in EIR calculation – Frontend and backend changes in a local application according to NBS decision;

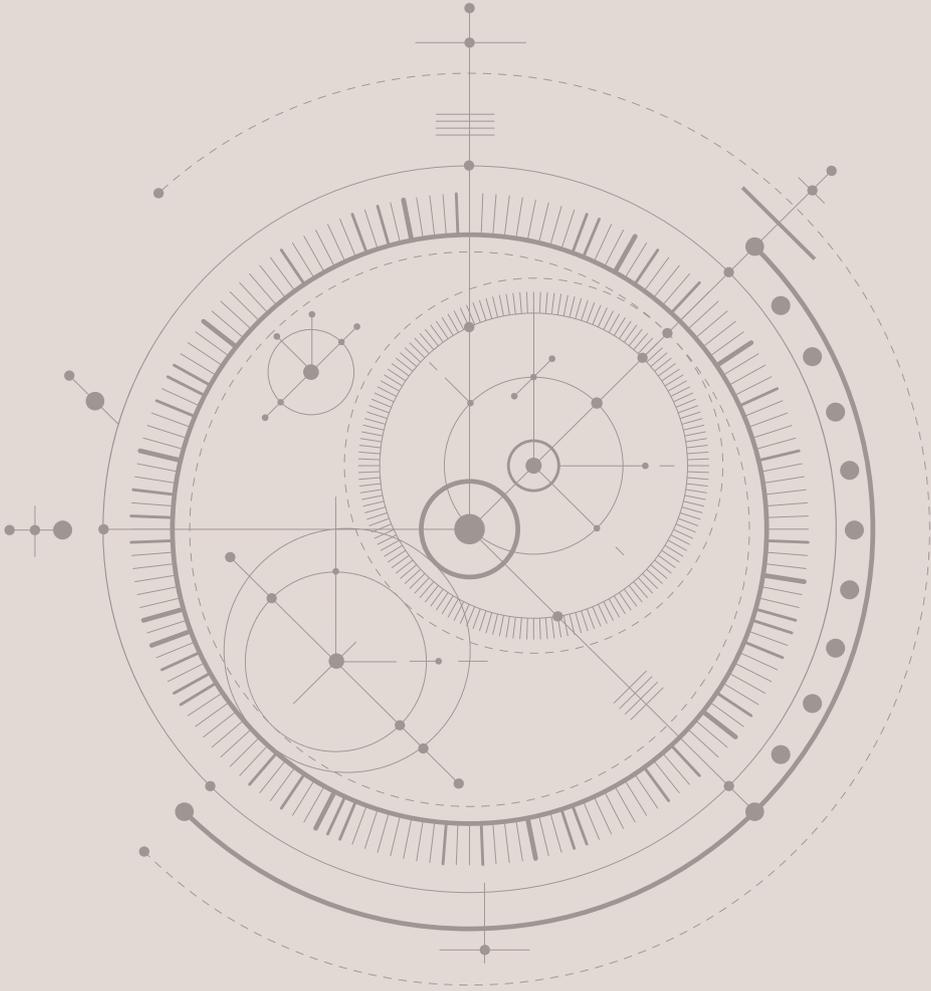
### Operations & Organization related projects/achievements:

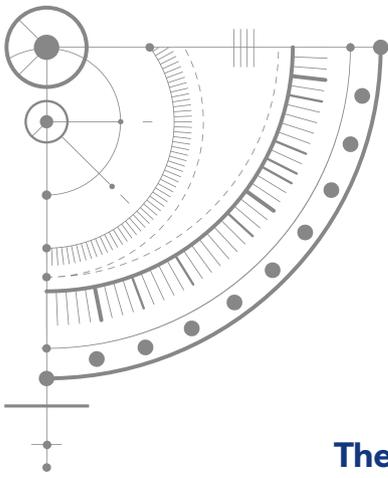
- Operational reporting – With this project implementation, the Bank decreased its financial and operational risk and increased efficiency in its daily operations.





# CORPORATE SOCIAL RESPONSIBILITY REPORT





## The Bank's profile and strategy

**Eurobank Grupa** **The Eurobank Group is a dynamic banking organisation active in six countries, with total assets of €58.8 billion and 13,104 employees. Established in 1990, the Group continues its dynamic growth with stable and decisive steps, with a focus on the diverse needs of its customers.**

With a total network of 653 branches in Greece and abroad, the Group offers a comprehensive range of financial products and services to its retail and corporate customers.

In Greece, Eurobank is one of the four systemic banks. With two distinct retail branch networks, the Eurobank Network and the New TT Branch Network, as well as dedicated business centers, a Private Banking network and award-winning electronic service channels, the Group's philosophy focuses on high quality services to its customers.

The Group also holds a strategic position in retail and business banking in Bulgaria and Serbia, as well as offering distinguished Wealth Management services in Cyprus, Luxembourg and London and is also present in Romania.

**[www.eurobank.gr](http://www.eurobank.gr)**

**Eurobank a.d.** Since it established on the Serbian market in 2003, by acquiring Postbanka and merger with Nacionalna štedionica in 2006, Eurobank has been one of the leading foreign investors and financial institutions in the country. Over 1,300 employees, in a business network of 80 branch offices and 5 business centers, service our clients across the country daily and take care of more than 500,000 accounts held by legal entities and private individuals. Social responsibility is an important segment of our business. Through the We Invest in European Values programme, since 2003 we have invested more than 4.5 million euros in education, health care, ecology, culture and social inclusion.

In 2018, Eurobank marked an important milestone – 15th anniversary of operating in the Serbian market, 15 years of dedication to our employees, our customers, business partners and the community within which we operate.

### Information about the Bank

**Eurobank a.d.**

**Vuka Karadzica 10**

**11000 Belgrade, Serbia**

**EuroPhone: 0800 1111 44**

**[www.eurobank.rs](http://www.eurobank.rs)**

**Our vision** Our vision is to become the first choice bank, by building a trusting relationship and operating with a sense of responsibility toward all our stakeholders: employees, customers, shareholders and the local community.

**Our values** MERITOKRACY – we offer equal opportunities and equal treatment to all our employees.  
TEAM WORK – we value team work and joint efforts as our corporate success.  
QUALITY – we continuously work to improve the quality of our products and services..  
TRUST – we build a relationships of mutual trust with our customers so that they feel they can rely on our employees and the services we offer.

EFFICIENCY – we strive to achieve our goals and targets and aim to have the best results possible

CREATIVITY – we work to achieve innovations and we search for new ideas to improve the quality of our products and services.

RESPECT FOR PEOPLE – we accept the needs of our customers, colleagues and fellow citizens with understanding and respect.

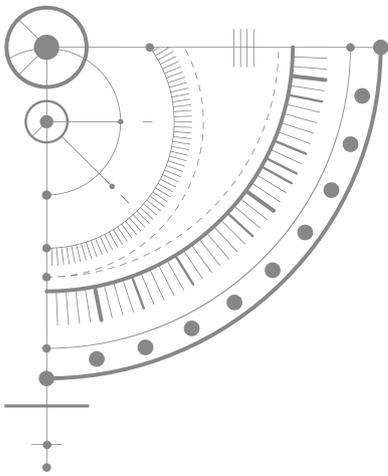
CONTRIBUTION TO THE SOCIAL COMMUNITY – our contribution to local communities where the Bank operates reflects our company's orientation and values of all the stakeholders.

**Strategy and  
priorities**

Our employees, clients and business partners have been contributing to Eurobank's business success in the Serbian market over the past 15 years. 2018 was a very successful year, and we achieved positive results in all segments of our business. Eurobank is a well-capitalised bank, with capital adequacy ratio of 28.37%, which is far above the regulatory required minimum of 8%. Eurobank's capital accounts for around 8.4% of the total banking sector capital and is a guarantor of stability toward our partners, clients and employees. We have consolidated our business over the past few years and kept moderate growth. We recorded a more than 9.4% increase in loans and, more importantly, this growth was equally balanced in both segments – both retail and corporate operations. In 2018, Eurobank's profit before taxes was 21.8 million EUR, which exceeded our 2017 result by 2%. The wide selection of loan products offered to individuals is one of the pillars of our business. We expanded our portfolio of products and services in 2018 by monitoring trends and respecting the needs of our clients. Accelerated technological development changed the way in which banks work with clients, but also the habits and expectations of users of financial services. To meet the increasingly sophisticated needs of our clients and improve business processes; the Bank has been working continuously on automatization of business activities and enhancing digital applications. Beside electronic and mobile banking, the clients are able to use new channels to communicate with the Bank (beside social networks, now also through web-chat and video-chat on the Bank's website), and the latest options include 24h/7 payments via digital channels and the option to split a transaction in instalments through mobile banking.

Eurobank has over the 15 years of our existence been striving to be a reliable partner to businesses and to adapt products and services to the needs of small enterprises and businesses. Eurobank supported Blic Entrepreneur event in order to support promotion, strengthening and support for the entrepreneurial spirit in Serbia. The criteria which the jury, which included a member of the Eurobank Executive Board, used to select the best entrepreneur of the year included: profitability, productivity, liquidity, export potential, the number of employees and new hires. The jury was also evaluating technological innovation, orientation toward environmental protection and contribution to the development of the local community. Company Suncokret (Sunflower) from Hajdukovo beat 300 companies and won the title of Blic Entrepreneur, and received the prize worth 1,000,000.00 RSD.

We continue implementing socially responsible projects and initiatives in the local communities where we operate with the same intensity, by taking into account the needs and priorities.



### Bank's memberships

Since its establishment, Eurobank has been an active member of the most renowned chambers of commerce and local associations working on improving the business environment. The Bank is also a member of networks that promote the concept of socially responsible business and contribute to expansion and development of this business model.

- American Chamber of Commerce
- Foreign Investors Council
- Hellenic Business Association
- Serbian Chamber of Commerce
- Association of Serbian Banks
- Responsible Business Forum
- United Nations Global Compact
- Serbian Association of Economists
- Serbian Public Relations Association
- UNEP Financial Initiative

<b>Social Product</b>	2018	2017
<b>Group Contribution to "Social Product"</b>	In RSD million	
Bank turnover	10,438	10,208
Interest and fees expenses	-1,553	-1,379
Provisions	-632	-699
<b>Social Product and Distribution</b>	<b>8,253</b>	<b>8,130</b>
<b>I. Employees</b>		
Gross salaries	2,337	2,309
Health and social insurance	680	665
Income tax	166	168
<b>Total</b>	<b>3,183</b>	<b>3,142</b>
<b>II. Suppliers of goods and services</b>		
	2,851	2,803
<b>III. Donations/Sponsorships</b>		
	17	15
<b>IV. State</b>		
Profit tax and other taxes	302	288
VAT	0	0
Deposit insurance	475	485
Health and social insurance	-680	-665
Income tax	-166	-168
<b>Total</b>	<b>-69</b>	<b>-60</b>
<b>V. Bank</b>		
Profit	2,271	2,230
<b>Social Product</b>	<b>8,253</b>	<b>8,130</b>

Social product shows how much of their total revenue the Bank invests in a social community, and which share it keeps to itself in the form of profit. Investments in social community will reflect in different ways, i.e. through costs of employees, costs of suppliers for different services, taxes and contributions paid to the State, etc.

## 10 Principles of the UN Global Compact

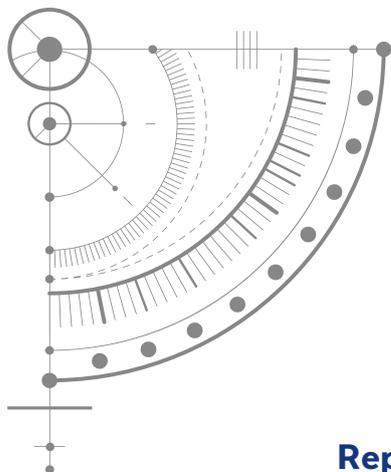
**Eurobank fully complies with the 10 principles of the United Nations Global Compact.**

<b>Human rights</b>	<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: Businesses must make sure that they are not complicit in human rights abuses.</p>
<b>Labour</b>	<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: eliminate all forms of forced and compulsory labour;</p> <p>Principle 5: effectively abolish child labour; and</p> <p>Principle 6: ban discrimination in respect of employment and occupation</p>
<b>Environment</b>	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>
<b>Anti-Corruption</b>	<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>

## Awards and recognitions

**The Most Active Issuing Bank** – for the fourth year in a row, Eurobank won the award as the most active issuing bank. The recognition came from the Trade Facilitation Program (TFP) of the European Bank for Reconstruction and Development.

**Business Innovaton Award** – Diplomacy and Commerce magazine awarded Eurobank with a recognitio in the category of business inovation for redesign of our branch offices and digitalisation of the business network.



## Reporting parameters

**Reporting parameters** in 2009, as a separate report (for the previous year, 2008), and followed the dynamic of publication of the Annual Financial Report.

The **2017 Corporate Social Responsibility Report** was published in 2017.

**2012 Corporate Social Responsibility Report** was for the first time prepared by following the internationally recognised Global Reporting Initiative (GRI) methodology, according to which we met the reporting level B. The **Corporate Social Responsibility Reports for 2013 and 2014** were expanded to include an additional number of basic GRI indicators, and it also included indicators from the Financial Services Sector Supplement. All the reports mentioned above were prepared by following version G3.1 of these guidelines, while the reports for 2015 and 2016 were prepared in accordance with version G4 of the guidelines. The reports for 2016 and 2017 are an integral part of the Bank's Annual Report and meet 33 indicators (21 completely, and 12 partially). Report for 2018 brings responses to 29 indicators (in the GRI Standards that are valid from 2016, as in the sector supplement for financial institutions, from 2015 a change has occurred in the manner of presenting data – certain information rather than as indicators are presented in the management approach, which led to a reduction in the total number of indicators, but the type, quality and detail of the data provided by the Bank are unchanged.

**Any interested party can access all the the reports at**

[www.eurobank.rs/finansijski-izvestaji.881.html](http://www.eurobank.rs/finansijski-izvestaji.881.html)

**Contact person for corporate social responsibility reporting:**

Name and last name: Milena Stupar, Corporate Communications Specialist, Marketing and Corporate Communications Division

Telephone: 011 308 2863

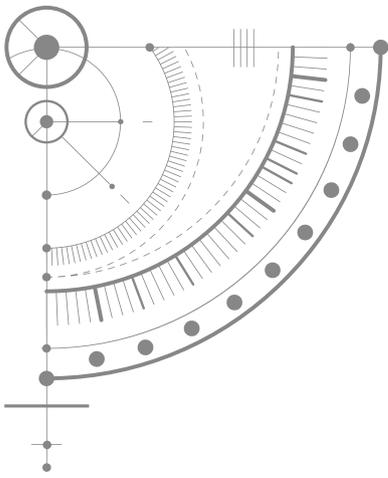
Email: [milena.stupar@eurobank.rs](mailto:milena.stupar@eurobank.rs)

**Inclusion of stakeholders and the material aspect**

Stakeholders are all interested parties (individuals, groups or organisations) that affect/ are affected by the Eurobank and its operations. The Bank is actively trying to consult its stakeholders in the process of strategic decision-making. Within our regular activities, we are using various methods of including stakeholders, which help us collect their opinions, views and expectations.

## Key stakeholders

Stakeholder group	Communication and inclusion channels	Topics relevant for the stakeholders
<b>Employees</b>		
The Bank's Executive Board and management	Internal newsletter "Euro NEWS" Internal portal "Euro PORT"	Opportunities for development and promotion
Employees in the business network	"Idea box" platform in our internal portal via which our employees can suggest ideas to improve our business	Improvement of internal communication
Other employees		Employee satisfaction
Union	Corporate Facebook, Instagram, Twitter, Google+, LinkedIn, YouTube profiles Emails from top management Regular departmental meetings	
<b>Customers</b>		
Retail customers	Customer service EuroPHONE 0800 11 4444	Timely, correct and available information about the Bank's products and services
Legal entities – small and medium-sized enterprises	email office@eurobank.rs	
Legal entities – large corporate clients	The Bank's website www.eurobank.rs Corporate Facebook, Instagram, Twitter, Google+, LinkedIn, YouTube profiles, chat and Video chat The Bank's business network Client Relations Department Annual Survey by the Customer Satisfaction Management Department	Continuing improvement of support Responsible advertising
<b>Shareholders and investors</b>		
Minority	The Bank's website www.eurobank.rs	Transparent management
Majority	Annual report The Bank's Shareholder Meetings Regular meetings	Business results



### Governmental institutions

Regulatory bodies	Annual report	Transparent management
Ministries/governmental institutions	Meetings and consultations	Business results
	Conferences	Compliance with the regulations

### Local communities

Local self-governments	Annual report	Investment in development of local communities
	Meetings and consultations	
	Participation in the work of regional chamber committees	Partnership projects
	Procedure for donations and sponsorships	

### Business community

Business associations	Meetings and consultations	Partnership projects
Suppliers	Annual report	Transparency in supplier selection
Business partners	Participation in working groups and committees of the business associations	

### The media

National	Media conferences	Timely and open communication
Local	Public statements, interviews, PR articles	Business results
	Direct contact with the Corporate Communication Department	Investment in the community and community needs

### Civil society sector

Non-governmental/ non-profit organisations	Meetings and consultations	Partnership projects
	Procedure for donations and sponsorships	Investment in the community
	Annual report	Promotion of socially responsible business conduct
		Promotion of volunteering

Eurobank's goals, activities and plans in the areas which have been in the two-way communication identified as topics of interest for stakeholders, are presented in this report through relevant material topics defined in the GRI guidelines.

Overview of material topics:

**Economic impact**

- Economic performance
- Market presence

**Responsibility toward work environment**

- Employment
- Training and education
- Diversity and equal opportunity
- Supplier assessment for labour practices

**Human rights**

- Non-discrimination
- Freedom of association and collective bargaining
- Supplier human rights assessment

**Impact on society**

- Local community
- Anti-corruption
- Supplier assessment for impact on society

**Product responsibility**

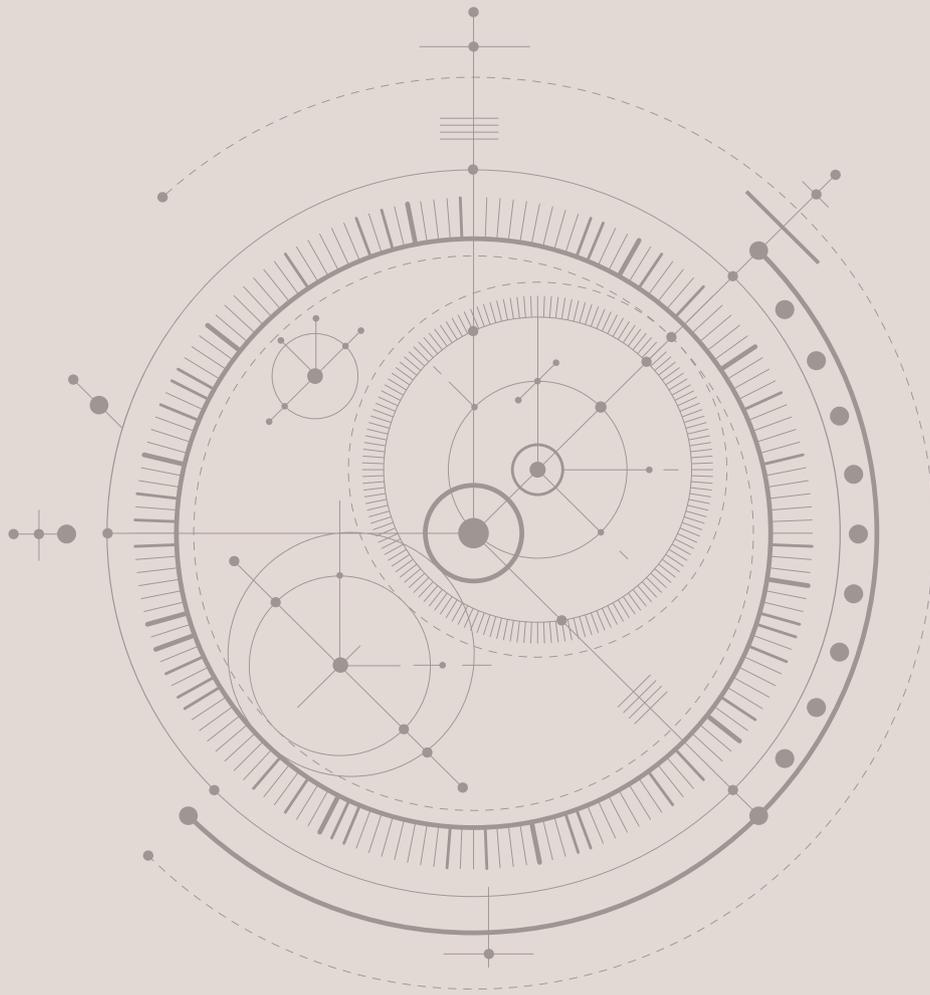
- Product and services labeling
- Marketing and communication
- Customer privacy
- Product and services portfolio

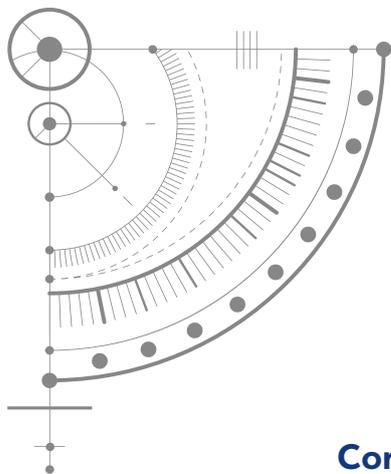
**Environmental responsibility**

- Energy
- Compliance with the regulations

The material topics listed above are relevant in the light of the Bank's direct and indirect impact, which includes impact through the supplier chain and product and service impact.







## Corporate governance

Effective and sustainable governance is an important part of corporate identity and values of the Eurobank Group and all its subsidiaries, where transparency and responsibility are the main business principles which also ultimately protect the shareholders' interests and rights.

Responsible management and control of the Bank's operation are ensured through application of principles of good corporate governance which include, without limitation, the following aspects: ethical business conduct, best business practices, timely and correct financial reporting, compliance with the local laws and the Group guidelines, protection of interest of all stakeholders due to a sustainable risk management system, adequate reward system and talent promotion.

The Bank adheres to the highest standards of business and professional conduct which are based on the principles of sustainable corporate governance and on the rules laid down by the local regulatory bodies and our banking Group. The Board of Directors continuously strives to improve the Bank's management processes and policies, in order to not only ensure compliance, but also to ensure a transparent decision-making process and accountability, and to develop a corporate structure based on sound business ethics.

The Bank's control functions, and other supporting departments, facilitate seamless application of best business practices and recommendations for continuous improvement, by focusing on:

- compliance with laws and regulations
- clear management lines and responsibilities
- transparency and accountability
- timely publication of important information and data, and
- efficient cooperation and communication with all stakeholders.

The Bank has established a comprehensive overview of the governance structure through the Group members' document – Internal Control Manual and a set of policies on risk management, internal control systems and compliance, respectively. The Bank's Code of Professional Conduct incorporates both sensitive and general rules and guidelines for ethical business conduct. The rules defined in the Code supplement regulatory requirements and aim to establish a minimum common internal rules and principles of professional conduct and ethics which the employees of the Bank and Group companies that operate in Serbia must adhere to during their work. The Conflict of Interest Policy regulates the prevention of conflict of interest and the rules for conducting personal transactions, which equally apply to all employees. With this Policy, the Bank intends to set up the rules and principles for action in situations that may lead to a conflict of interest during performance of work tasks and to set forth rules of conduct which the employees must follow in order to avoid conflict of interest situations when performing their duties. Special emphasis is placed on activities such as investment research, consultancy services, trading for personal benefit (personal trading), management of the Bank's and/or the clients' portfolios, underwriting of issuance of securities or advising on the issues of corporate mergers and acquisitions. The the Policy on reporting Non ethical Conduct further strengthens the framework of internal controls and fraud risk management systems and testifies to the management's zero tolerance for any misconduct either by employees or other external associates.

The Bank is in compliance with the locally required governance model established by the country's financial regulator, the National Bank of Serbia, in the Law on Banks. The Bank strives to ensure sustainable growth of our business activities, while at the same time fostering a relationship of mutual trust with the communities within which we operate.

**Code of Professional Conduct**

In 2018, the Compliance Department, in cooperation with colleagues from the Human Resources Division and Marketing and Corporate Communications Department, worked intensively on promotion of the new Code of Professional Conduct. Compared to the previous version, the adopted Code of Conduct reflects a completely new approach to the issue of professional ethics – both in form and substance, because it is based on affirmation of ethical behaviour. The employees were notified about the core principles of the Code of Conduct via the Bank's internal portal, where a banner was posted; a regular annual online training was also organised for all employees, along with a series of trainings in this area for the colleagues in the Business Network Department, by region (a total of 80 attendees). The goal of this training was to use questions based on real-life situations and examples from practice to highlight the main provisions of the new Code of Conduct, which include improvement of the business culture through core values: trust, understanding, dynamic approach, innovation and cooperation.

A trusting relationship with the clients, financial security, professional ethics, respect for colleagues, protection of the Group and the Bank and social responsibility are the key elements of the Code of Professional Conduct.

Active email addresses were created: [ethicshotline@eurobank.rs](mailto:ethicshotline@eurobank.rs) and [ethicshotline@eurobank.gr](mailto:ethicshotline@eurobank.gr), which employees can use if there is a need to point out a nonstandard behaviour, while the Compliance Department can be reached for questions concerning the code of conduct via [CodeofConductEthics@eurobank.rs](mailto:CodeofConductEthics@eurobank.rs).

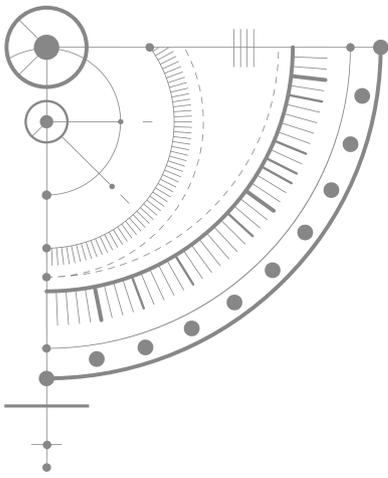
**Governance structure, mandate and composition of governance bodies**

The Bank's management bodies include the Board of Directors and the Executive Board, and the Bank's ultimate body is the General Assembly consisting of the Bank's shareholders.

The General Assembly appoints the members of the Board of Directors in accordance with the local regulations. The mandate of the members of the Board of Directors is four years and may be renewed after that. The members of the Board of Directors have a good business reputation, rich experience in finance and relevant qualifications, in accordance with the regulations of the National Bank of Serbia.

The Bank's Board of Directors meet at least quarterly, and more frequently if needed. One of the important duties of the Board of Directors is to ensure the Bank's compliance with the laws, regulations and acts issued by the National Bank of Serbia, as well as with the Bank's internal acts and Group guidelines, while meeting the Bank's long-term business objectives.

The Board of Directors comprises 8 members, including the President, and four of those members are independent. In 2018, the Bank's Board of Directors had 18 meetings. Some of the most important topics of those meetings, in the context of strategic and business decisions, include: regular monitoring of the Bank's financial performance, strategic and business initiatives, discussion of risk management, internal control, compliance and audit issues, and discussion of the key activities of the Board's committees.



Specialised boards and committees of the Bank's Board of Directors have been established to support the Board in managing the activities regarding risk management and internal control, in compliance with the local legal framework, the Bank's internal acts and the Group's policies and guidelines.

The Bank's Executive Board, as a governance body appointed by the Board of Directors, comprised 5 members, including the president, at the end of 2018.

The Bank's Executive Board had 59 meetings last year. One of the Executive Board's core responsibilities is to monitor the Bank's day-to-day operation and to ensure that the Bank's overall organisation adequately supports implementation of the business strategy and achievement of the Bank's planned targets.

The Bank's Executive Board also forms its functional committees, who support the Board in executing their duties, and are dedicated to discussing subjects from the wider domain of risk management, compliance regarding prevention of money laundering and terrorist financing, monitoring of issues concerning the employees, information technologies, operational activities etc.

#### System of internal controls

The Bank's system of internal controls, beside the governance bodies, includes the risk management function, compliance function, and internal audit function, who are all independent in their work and accountable to the Bank's governance bodies, as well as to the Audit Committee and Risk Committee and the relevant managerial levels of the Eurobank Group.

The Bank applies a comprehensive approach to risk management through strategies, policies, procedures, instructions and other internal documents that define the risk management principles, methods and mechanics for identification, monitoring, measurement, reporting and mitigation of potential risks. Risk management and internal control are regularly monitored by the Board of Directors, Audit Committee, Executive Board, and the Bank's Risk Committee.

#### Relationship between remunerations and performance

The Bank's Remuneration on fees and other emoluments is an integral part of good corporate governance, defined in line with the Bank's operating model and business strategy, and with the Bank's risk management strategy, whose main principle is that the employees' individual goals should be aligned with the Bank's long-term goals and strategy, and long-term value creation for shareholders and all the stakeholders.

Remuneration play a significant role in attracting and retaining talent, whose performance and contribution to the Bank's financial performance are exceptionally important. The remuneration mechanisms include principles that take into consideration employee skills and performance, and also support the long-term business objectives. The employee's salaries is made of a fixed and a variable component.

The Bank's Remuneration Policy promotes reasonable and prudent risk taking, and the employee compensation and benefits system is based on achievement of business targets and is symmetrical (the total fund of the variable component of the compensation is defined based on achievement of the business targets and involves a bonus-malus arrangement).

The Bank's Policy applies to all Bank's employees. Compensation of some employee categories

is approved by the Board of Directors, and are proposed by the Remuneration Committee, and ratified by the Remuneration Committee of the Eurobank Group and the Remuneration Monitoring Committee of the Eurobank Group.

Board of Directors prepares and submits to the Shareholders' Meeting the proposed remunerations plan for engagement of the Board's independent members, upon proposal of the Supervisory Committee for Remunerations of the Eurobank Group. This proposal is prepared in line with the Bank's Policy and best banking practices, in a manner that takes into consideration the invested time and performance of the members of the Board of Directors.

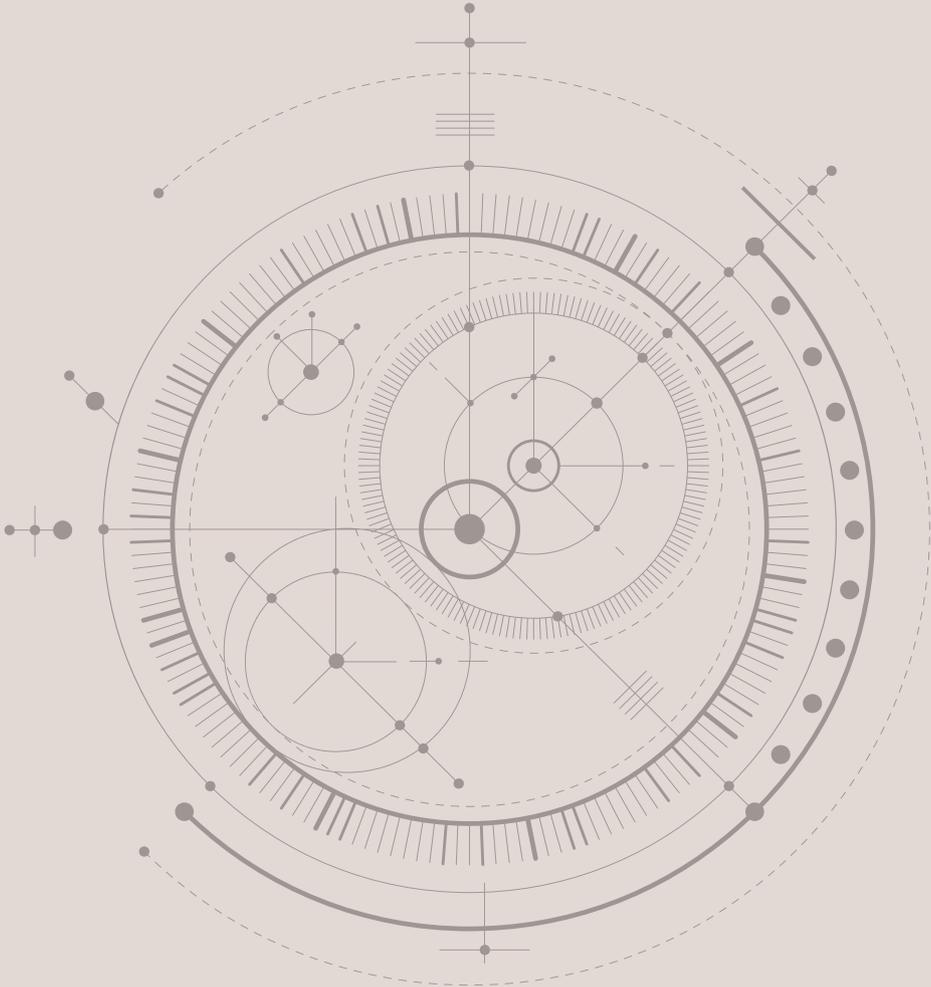
#### Sustainability management

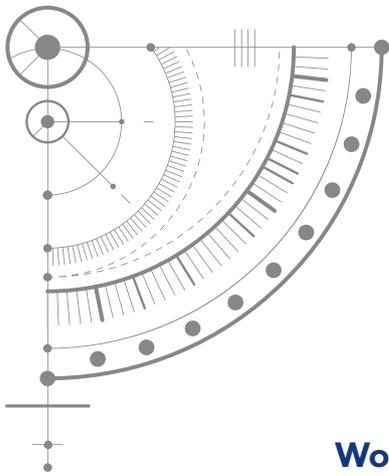
The Bank's mission and vision incorporate the principles of social responsibility. The Bank defines the principles of corporate social responsibility (CSR) and the main CSR action items in the CSR strategy, which is an integral part of the corporate communication strategy. The Marketing and Corporate Communication Division is responsible for implementation of CSR activities. This Division reports directly to the president of the Bank's Executive Board, and reports to the Bank's Board of Directors about the planned strategic approach to corporate social responsibility, as needed.

In the coming period, the Bank will strive to further strengthen the management structure and framework in order to ensure strategic governance, continue development and monitoring of best practices and set up targets that are as measurable as possible, with a special care and focus on the best interest of our employees, shareholders and stakeholders.

		Board of Directors	Executive board	Audit Committee	Risk	Credit Committee	ALCO	Remuneration Committee
Non-executive	M. Louis	President			x			
	S. Ioannou	x						x
	M. Vlastarakis	x						
	S. Papantomopoulos					President		
	V. Gkioulmpaxiotis						x	
Independent & non executive	A. Nikolaou	x			Chairman			
	T. Karakasis	x		x				Chairman
	A. Tschrintzisz	x		x				
	I. Vujačić	x						
	C. Andreou	x						
Executive	L. Scaramanga			President				
	S. Pavlović		President		x	x	x	
	P. Janković		x		x	x	x	
	V. Zečević		x				President	
	M. Vičentić		x			x	x	
	D. Mihailović		x				x	
	V. Tofoski						x	
	A. Bursać						x	
	B. Petrović						x	

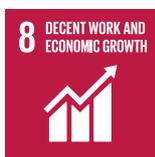






## Work environment

### Responsible employment practices



Since its foundation, Eurobank Group set promotion of human resources development as one of its main priorities, bearing in mind that contribution of all employees is essential for operational success. Employees are supported by the Human Resources Division, which is responsible for the following areas: employee selection, employee development, assessment and award, training, employee compensation and benefits, administration and regulation concerning labour relations, as well as internal communication.

### 1. Equal employment opportunities

Eurobank has clear procedures that apply to employee selection and promotion. Equal employment opportunities for any person who meets the specified requirements for any position within the Bank are guaranteed by the Employment Policy and Procedure, with which all managers are familiar, and by other documents governing this area.

In line with the conditions on the local market, in 2018 we maintained almost the same number of employees compared to the previous year (1,309 employees in 2018, compared to 1,314 employees in 2017). The average age of Eurobank employees in 2018 was 42, with 87 employees aged under 30, 969 under 50, and 253 employees older than 50. Compared to the previous year, there are only slight differences: 89 employees were in the under 30 age group in 2017, 982 employees were under 50, and there were 243 employees over 50. The age structure of the members of the Bank's Executive Board is in line with with the average age of employees in the Bank. In line with the current trends in the area of financial services, female employees in the Bank outnumber the men – 71% of employees were women and 29% were men. The gender representation in the Bank's management is balanced, and women represented 46% of the Bank's top management, compared to the 54% represented by men, while the distribution among other employees was 73% women and 27% men.

The Bank's Head Office is in Belgrade, where 65% of employees work. Beside Belgrade, retail operations is split into three more regions (Novi Sad, Niš, Kragujevac), with branch offices in many towns across Serbia. Corporate operations are conducted in business centers in Beolgrade, Novi Sad, Čačak and Niš. The Eurobank practice is to hire local workforce, and exclusively local workers are employed in the regional centers, and locals also hold the key managerial positions within their organisational units.

#### Total number of employees

- **By location (region)**

Belgrade:	2018 – 924;	2017 – 897
Kragujevac:	2018 – 118;	2017 – 125
Niš:	2018 – 122;	2017 – 136
Novi Sad:	2018 – 145;	2017 – 156

- **By contract and employment type**

Fixed-term contracts: 2018 – 60; 2017 – 54

### Employee structure by region

	Belgrade 2018	Belgrade 2017	Kragujevac 2018	Kragujevac 2017	Novi Sad 2018	Novi Sad 2017	Niš 2018	Niš 2017
men	34%	32%	28%	27%	31%	31%	30%	29%
women	66%	68%	72%	73%	69%	69%	70%	71%
fixed-term employees	7%	7%	12%	12%	10%	10%	17%	17%

### Total number of employees and turnover rate

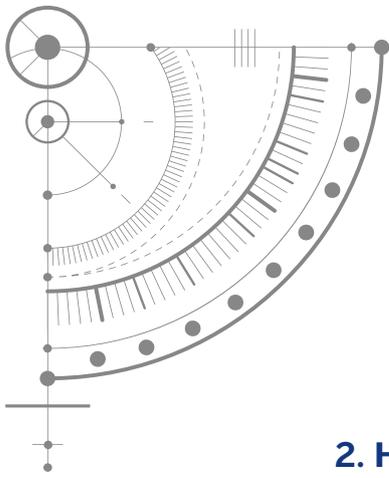
- Retired: 2018 – 9; 2017 – 7
- Employed: 2018 – 104; 2017 – 97
- Employment terminated: 2018 – 99; 2017 – 89
- Turnover rate in 2018 was 6.34%, and in 2017 it was 5.84%.
- 71% of employees whose employment was terminated in 2018 were women, and 29% were men.

#### Employee selection

In accordance with the business requirements in 2018, the Bank offered a number of new workplaces in order to attract new future colleagues in the hope of establishing a mutually beneficial relationship. The characteristics which the Banks required that the candidates had were expertise, team spirit, a dynamic attitude and willingness to grow constantly, and the key criteria for employment were expertise and a professional approach to business obligations. The highest need for new employees was recorded in the IT Division, Risk Management Division and Network Division.

Educational profile of the candidates was high, and 79.81% had a college degree or higher, and 20.19% of candidates had a high-school degree.

Employee selection process is based on the values of the Eurobank Group and requirements for the specific position, and the process includes interviews, psychometric methods, language tests and possession of other specialised skills and/or knowledge. In the candidate recruitment and selection process, the Bank continued active cooperation with relevant institutions such as the Belgrade University's Career Development Center, Faculty of Organisational Sciences, Faculty of Economics, Belgrade Banking Academy and Hellenic Business Association. The now common digital channels, like social networks, were also used. By providing an opportunity for professional internship for high-school students from economic and legal vocational schools, the Bank has helped the future experts to gain practical knowledge insights and helped them in their future educational choices. In 2018, a total of 25 high-school students and 13 college students did an internship with the Bank.



## 2. Human Resources Development

### Achievement assessment system

The results that the Bank achieved were built on individual contributions, skills and efforts of our employees and the team spirit that has been developed over years. For that reason, a great emphasis is placed on objective assessment of contribution made by each individual employee. Performance assessment is designed to allow for a transparent evaluation and is based on clearly defined procedures. The assessment system measures the attainment of goals, and the competences and values the employee is showing, where the combination of quantitative and qualitative criteria gives a whole picture of the individual attainment. Performance assessment is done for all employees (for 100% of employees) who worked for a minimum of three months in the year for which the assessment is performed. All employees who have the role of the evaluator in the annual assessment process have passed the training on objective evaluation of employee performance, in accordance with the Annual Assessment Policy. An integral part of this process is also definition of areas for development where the employee needs further training and improvement. Every employee has the chance to give their feedback on the rating level they were awarded and to present their preferences regarding future development. The process of professional goal setting for all employees was completely automated in 2018, while the performance assessment and development process will be fully automated in 2019, which will make the process faster and easier for everyone involved, and offer them a more comprehensive picture of the further development steps.

### Trainings

Training in Eurobank is intended for all employees and is adjusted to the specific tasks performed in the Bank. The programmes are designed to contribute continued improvement of knowledge and skills in accordance with the annual training plan which is created in cooperation with all the Bank's departments and in line with their business needs and market circumstances. The trainings are based on a combination of theory and practical knowledge, and colleagues from different departments are involved in internal trainings where they transfer their knowledge to the trainees.

For the purpose of achieving a quick and efficient fit of new employees in the work environment, the Bank has an adjustable Induction Programme, which covers a range of topics, depending on the nature of work the new employee will perform. The programmes that are unique include: General banking knowledge, basic principles of Customer service, selling skills, IT training and specialised trainings required by regulations, such as the training on prevention of money laundering and terrorism financing. The said training (prevention of money laundering and terrorism financing) was conducted electronically and covered 898 employees. Furthermore, as part of a continued communication process and anti-corruption policies and Bank procedures, all new employees had to attend IT Security Awareness programme within the Induction trainings. Bearing in mind the adoption of the new Code of Professional Conduct in December 2017, a regular annual e-training was organised in 2018 for all employees. Additionally, a series of trainings in this area was organised for the colleagues in the Network Division, by region. Eighty employees attended this training.

Given that this is an established practice, a part of the e-learning trainings in 2018 grew slightly compared to traditional method of classroom trainings relative to the previous year. By using these methods, the training was accessible to all employees much more quickly, with a significant reduction of costs. Some of the regular trainings that were available in electronic form included: prevention of money laundering and terrorism financing, Code of Professional Conduct, Counter Fraud training, IT Security and personal data protection (GDPR). By adhering to practices of the responsible employer who takes care of our workers, and in compliance with the Serbian legal regulations, with support of external experts and instructions, health and safety at work and fire safety trainings were organised in the Bank.

The percentage of employees who attend at least one training in 2018 was 94.50%, which indicates a higher attendance compared to the 88.05% in the previous year. The total number of training hours was 21,400. The same number of training hours was recorded on average for managers and employees, with the average training time of 10.15 hours for managers and 11.55 for employees. By gender, the average number of training hours was balanced so that the average number of training hours for women was 12.30, and the average number of training hours for men was 11.78.

#### **Specialised seminars**

In 2018, the practice of Eurobank employee participation in specialised seminars and conferences organised by professional organisations such as the Association of Serbian Banks and the Serbian Chamber of Commerce continued. These seminars and conferences covered different business areas, such as: risk management, compliance control, internal audit, corporate banking and finance. In cooperation with the Serbian Chamber of Commerce, a training to obtain or renew insurance brokerage licences, which are issued by the National Bank of Serbia to those who successfully pass the tests, was also organised. In compliance with the rules set forth by the National Bank of Serbia regarding the processing and monitoring of cash flows, the employees from the Business Network were sent to NBS training across the territory of Serbia. During the year, employees from all department participated in specialised seminars and conferences such as Technobank 2018, legal forums organised in Kopaonik and Zlatibor, Sinergija 2018 etc.

#### **Certification programmes**

In accordance with the Group practices, Eurobank supports its employees in obtaining the certificates required for performing specific types of work. In 2018, the Bank covered the training and certification costs for ACCA (Association of Chartered Certified Accountants), CIA (Certified Internal Auditor) and the certificates required for the colleagues in the IT department and the Finance and Control Department.

### **3. Employee satisfaction**

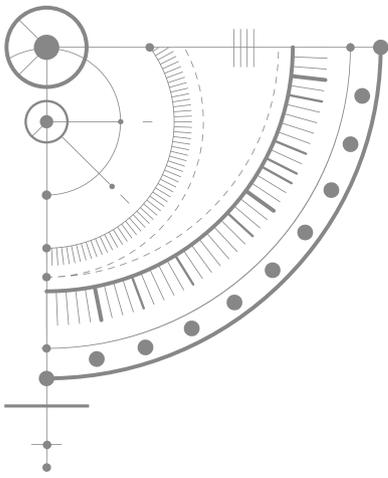
#### **Employee rights**

Eurobank employees are guaranteed the right to association, without discrimination based on membership in associations or the union.

Eurobank's employee union was established in March 2011 and counts 2017 employees. Eurobank as the employer supports the union's activities and success and maintains regular communication with union representatives. The guiding idea of the Eurobank a.d. Beograd's union is to provide a locus of support and assistance to all our colleagues. Furthermore, union representatives organise other activities, such as field trips, events, membership training etc.

Collective agreement does not exist for now, and all employee rights are regulated by the Work Manual, which is fully in compliance with the Labour Law. If the collective agreement is signed at some point, it will apply to all employees equally, just like the currently effective Work Manual.

Eurobank complies with the legal requirements regarding health and safety at work and is implementing adequate protective measures, such as, for example, adequate employee training about safe work, fire safety training, first-aid training and regular control of risks in the work environment. Eurobank adopted the Health and Safety at Work Manual and Risk Assessment Act, and appointed a safety officer, about which all employees were duly notified. Risk Assessment Act was formulated on the basis of the Law on Health and Safety at Work, which is aligned with international standards, which



means that the Bank operates in line with these standards, even though it does not hold the OHSAS 18001 certificate. The Risk Assessment Act did not identify any positions with heightened risk in terms of health and safety at work.

In 2018, there were no instances of work-related deaths, nor professional diseases that would result in longer absences. In 2018, a total of 8 work-related injuries were recorded, 5 of which were in the Belgrade region, and 1 each in Novi Sad, Niš and Kragujevac. Out of 8 work-related injuries, 2 were more grave (broken bones), while 5 were lighter (sprains, falls). Because of the said 8 work-related injuries in 2018, the employees spent a total of 1,936 work hours on sick leave. All the employees who were forced to take sick leave because of work-related injuries were paid the full salary for the duration of the sick leave, without deductions that are applied for other types of sick leave.

In 2018, there were 48 maternity leaves at the Bank level, compared to 36 in 2017. In 2018, one male colleague used paternity leave. As in 2017, all 48 persons (100%) returned to work after the maternity leave, to the positions they occupied before they left on maternity leave.

## Employee care

### Compensation and other benefits

The compensation and benefit policy is based on the principles of competitiveness and performance-based award.

Compensation of Eurobank employees is composed of a fixed and a variable part, where applicable. The fixed part is determined by applying a so-called grading system, which provides the structure of the position within the organisation based on the data from the local labour market and the educational degree (educational level) of the employee, previous work experience and qualifications. The variable part includes bonuses and awards for exceptional achievement. Within the employee benefits program, in 2018 we continued cooperation with the renowned Bel Medic General Hospital, where the Bank has provided free general physical examination for all employees and, if needed, further checks for employees and members of their family at special discounted prices. Additionally, the Medifree programme for employees and Medifree Kids programme for our employee's children under 18 was also continued. These programmes entail unlimited number of free examinations by a number of medical specialists. Beside the free services, additional discounts for certain medical services for kids were approved within the Medifree Kids programme.

Also, all Eurobank employees have insurance coverage for operation and/or serious disease, injury and/or temporary or permanent disability to work, and for accidents in accordance with the insurance policy paid by the Bank. Furthermore, the Bank is paying a stipend to children of our deceased employees for the duration of the children's regular education; and flexible working hours and location are granted in special cases (for example employees working in the Bank's Head Office in Belgrade, whose place of residence is outside of Belgrade, are able to spend a part of the workweek in the place where they leave).

### Complaint mechanisms

If Eurobank employees believe they have reasons to file a complaint, they can do so by using the regular procedures defined by the law or internal policies and procedures – i.e. the Law on the Prevention of Mobbing, Law on the Protection of Whistle-blowers, Internal Whistleblowing Procedure

Manual, Policy on Reporting non ethical conduct, and Procedure for handling customer complaint. The employees are also free to communicate directly with their manager or a representative of the Human Resources Division and present any type of request or complaint, which will be handled in the appropriate manner. During 2018, no complaints about human rights violations were filed by using the aforementioned procedures, just like in 2017, when we also didn't receive this type of complaints. In 2017 and 2018 we also didn't receive any complaints from our employees nor detected any instance of discrimination based on race, gender, religion etc.

**Internal communication and involvement of employees in CSR activities**

The quality of internal communication can significantly contribute to improved employee motivation and productivity, is the bases of good relations within an organisation and helps maintain an understanding relationship between the management and the employees. If the internal communication works properly, the employees are more dedicated to the organisation, they follow the company's values more strictly and have a developed sense of belonging because they see the company as their own.

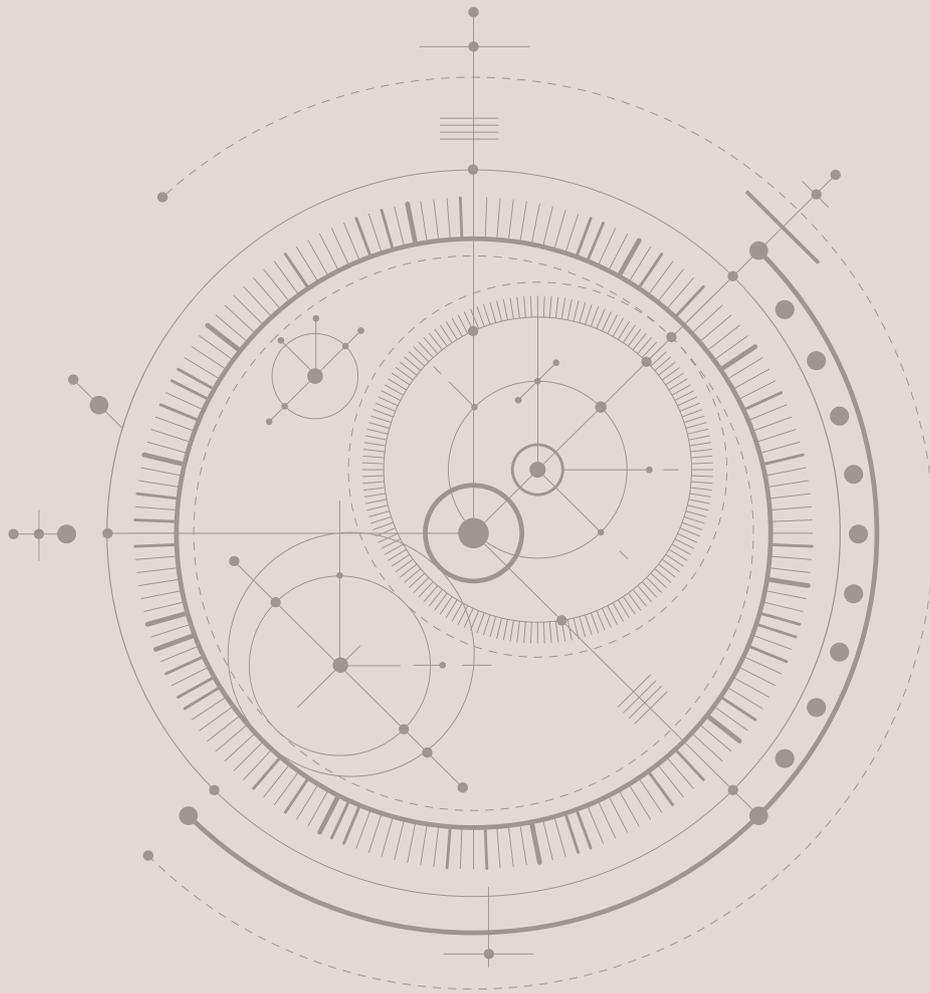
One of the main goals of internal communication in Eurobank is to strengthen the Bank's image as a socially responsible company that takes care of its employees, clients, shareholders and the environment where it operates. Through different communication channels (Intranet, internal newsletter EuroNews, e-mail, regular departmental meetings), the employees are able to stay informed and follow all the news, business decisions and changes within the Bank. The employees can also use the Idea Box platform to propose ideas for work and process improvement, communication improvement etc. The employees sent 143 ideas via Idea Box in 2018.

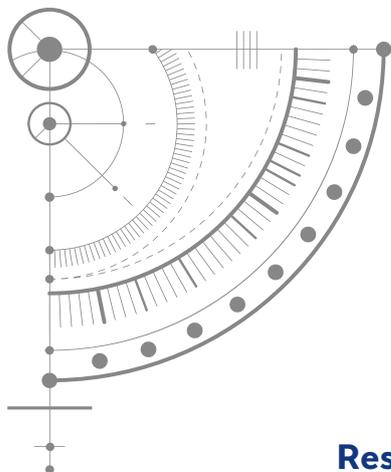
Employee volunteerism is another way to include the employees in the socially responsible projects which the Bank is implementing. The employees have demonstrated their compassion for the most vulnerable social groups or groups at risk and beside participating in activities organised by the Bank, they also self-organised and collected various supplies for the vulnerable population.

The internal newsletter EuroNews, through educational articles, dedicated special attention to individual and corporate volunteering. To highlight the importance of volunteering, the newsletter presented the most frequent forms of volunteering, and provided useful links with detailed information.

<p><b>Accomplishments in 2018:</b></p>	<ul style="list-style-type: none"> <li>● <b>Successfully marked our 15th anniversary in Serbia through a series of activities</b></li> <li>● <b>Intensified the efforts on promoting and implementing the employees' creative ideas and initiatives</b></li> <li>● <b>Continued training about standardising the approach to customer service in all Eurobank branches for the employees within the Network Division</b></li> <li>● <b>A series of specialised trainings in different areas relevant for the Bank's operation</b></li> <li>● <b>Further promotion of the defined values</b></li> </ul>
<p><b>Goals for 2019:</b></p>	<ul style="list-style-type: none"> <li>● <b>New specialised training programmes in all areas relevant for the Bank's operation</b></li> <li>● <b>Further improvement of employee benefits</b></li> <li>● <b>Introduction of an electronic platform for performance assessment</b></li> </ul>







## Responsibility toward clients



Eurobank as a stable and systematic bank successfully operating in Serbia since 2003, with strategic orientation toward providing efficient services and special dedication to our wide client base, which includes 520,000 private individuals, companies of all sizes, entrepreneurs and state institutions. Eurobank is continuously working on providing tailor-made and personalized solutions for its customers, and on retaining their trust. We are also dedicated to creating and preserving healthy and long-term mutual relations.

### Products and services

Eurobank is striving to respond to the clients' different needs in the most efficient and the best manner possible. For that reason, Eurobank is making sure that our offer, beside the standard banking products, always includes specially design products and benefits intended for sensitive client groups. Our common objective is to build partner relationships with our clients and offer specialised solutions that match their needs.

### Customer Support

- **Medifree Kids** – Medifree programme within the EuroPLATA Premija, EuroPLATA Sport and Exclusive packaged accounts, which allows children (under 18) of the packaged account owners to undergo free-of-charge skin tests for food and environmental allergens, and specialised examinations by pediatricists, physiatrist or ENT in the renowned health care institution Bel Medic.
- **MasterCard credit card „Eurobank Veliko srce“** (Eurobank Big Heart) – Eurobank affinity card which is part of “School Designed for You” project. By using this card, the Bank's clients support better learning conditions for children in high schools across Serbia.
- **Branch office redesign and renovation** – 5 Eurobank branch offices were completely renovated and turned into a much more functional, modern and enjoyable environment for servicing clients, with an emphasis on digital services. Additional four branch offices were partly renovated.
- **Cash loans with complimentary life insurance for pensioners**
- **Line of credit for corporate and small business clients** – to facilitate access to additional finance for their business, the offer for this client segment was expanded in 2018 by introducing line of credit, which provides a simple and easy access to the Bank's products.
- **Small Business Support Programme for procurement of new production equipment** – in cooperation with the Ministry of Economy and the Development Agency of Serbia, Eurobank has for the first time participated in this programme, which has strengthened our offer and provided additional support to the manufacturing segment of the Serbian economy.
- **Account overdraft** – Eurobank is the only bank in the market that allows current account users access to an authorised overdraft equal to two salaries for a period of two years.
- **Special offer for clients during the Savings Week and to mark the Bank's 15th anniversary** – as a traditionally reliable and recognised partner for savings, Eurobank wanted to pique our clients' interest with our special offer for term deposits, which entailed a 1.5% nominal interest rate (1.29% effective interest rate) for a fixed term of 15 months.
- **A record current account base** – more than 119,000 active current accounts.
- **Instant payments** – in line with the initiative started by the National Bank of Serbia, the Bank has enabled instant payments on all the channels, allowing the clients to make their payments 24x7, any day of the year.
- **Eurobank does not charge any fees** or surcharges for accounts used for collecting

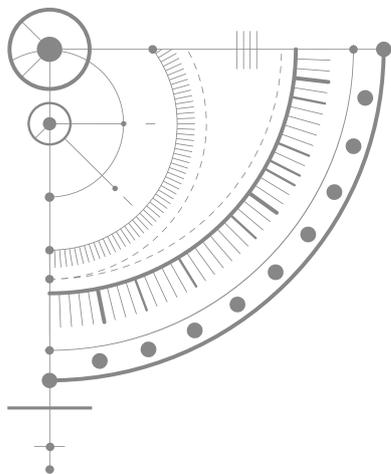
charity, both for humanitarian organisations and individuals.

- **Credit card transactions** can now be split into instalments with a few clicks in our mobile banking app.

#### Customer care

Providing a high-quality service is the key to organisational success, and satisfied customers provide a direct impact on revenues and increases profitability. Eurobank's strategic orientation is provision of high-quality services to our clients and we are fully committed to building our competitive advantage on the basis of that.

- **A well-developed branch network** – with 80 branch offices and 5 business centres in 45 towns across Serbia.
- **Branch office redesign** – the redesign project started in 2017 and has helped create a modern interior with an improved external visibility of our branch offices. The new concept is designed to attract younger urban population with introduction of digital innovation, but also to retain the traditional business approach that matches the structure of the existing Eurobank clients. Main novelties include increased transparency and recognisability of branch office entrance, a more modern furniture, a new look and reconfiguration of workstations within the branch office, a **“Brand wall”**, a **“Focus wall”** and a **“Digital Corner”**. Special attention was dedicated to adding a “digital touch” by mounting information and advertising screens, Video Wall, and other modern and aesthetically attractive methods of advertising and customer communication within a branch office. “Digital Corner” will make it easier for the clients to familiarise themselves with the Bank's electronic services, general terms and conditions, fees, latest news, and to also charge their mobile devices in the meantime.
- **A special department dedicated to customer care, customer satisfaction and surveys of quality of services** – this department is responsible for continuous development, leadership and management of the Bank's projects, processes and activities that influence the quality of customer service and the loyalty and satisfaction of users of our products and services. One of the department's main goals is to measure the service quality and understand the critical points for improvement of the Bank's services. Another key activity is standardisation of the basic client communication and a focus on meeting the clients' needs. That is why the key indicators of the Bank's position in the market, brand dynamics and periodical measurements of key indices are continuously monitored in order to help set the appropriate service quality standards. On the other hand, we are also monitoring how the Bank's standards and practices compare to those of our main competitors in order to obtain qualitative insights from the market.
- **Accessibility of products and services for disabled persons** – Eurobank has been continuously supporting inclusion of disabled persons and making our buildings accessible for all by adapting the branch office and the Bank's Head Office and by removing the physical obstacles. The Bank's Head Office is completely adapted in line with the Design for All principles, and the principles of the UN Comprehensive and Integral International Convention on Protection and Promotion of the Rights and Dignity of Persons with Disabilities. Eurobank Centar holds the inclusion certificate awarded by the European Institute for Design and Disability. Three Eurobank branch offices in Belgrade and one in Novi Sad, Niš and Zrenjanin, respectively, were reorganised and adapted so that they can be accessed by persons with disabilities.



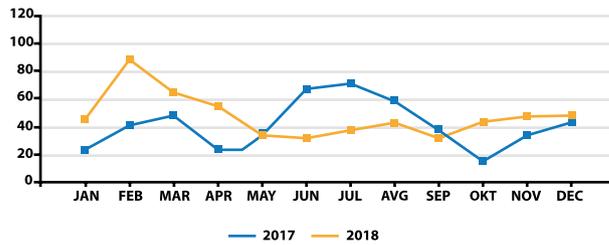
- **The platform “Your opinion is important to us”**– a comprehensive platform that connects all networks and communication channels between the Bank and the customer. All channels that can help provide timely information to the customers and give an opportunity for the customers to voice their demands/needs/questions/feedback are used actively. The clients can choose from:
  - EuroPHONE contact center
  - The Bank’s official website and email – [www.eurobank.rs](http://www.eurobank.rs); [office@eurobank.rs](mailto:office@eurobank.rs)
  - The Bank’s official profiles and presence on social networks (Facebook, Instagram, Twitter, LinkedIn, Google+)
  - A network of 80 branch offices and 5 business centers
- **Personal banking** is a unique service created for VIP clients and designed to provide continued and personalised support via all available channels of the Eurobank. Eurobank was the first bank in the Serbian market which, back in 2010, adopted a new way of working with clients with a VIP status. Currently, the Bank’s clients have 65 personal bankers at their disposal in the 80 branch offices. The business and financial relationship between a personal banker and these clients includes: asset management (current and savings accounts, debit cards), credit cards, deposited assets, loans and any other banking services (SMS, standing orders, e/m banking). The personal banking privileges for the clients include:
  - Exclusive services of a personal banker
  - A separate space in the branch office designed to ensure discretion and privacy
  - Proactive identification of financial needs, and creation and provision of suitable recommendations
  - Special telephone line within the Contact Center
- **Internal surveys conducted by the Customer Experience Management Unit and the “Increasing productivity and profits through quality services”** γ – the results of the research are used to define action plans for the surveyed departments, and a high success rate of these action plans would ensure attainment of the highest possible standards in customer care.
- **Qualitative surveys** that are being conducted serve other organisational units within the Bank by providing a more detailed image about the clients and highlighting significant aspects of a product, in order to identify specific steps to improve communication, enhance product characteristics, sales methods and to appropriately align the Bank’s offer with the customer needs. U 2018. godini, Eurobank beleži značajan jubilej – 15 godina rada na tržištu Srbije. Jedan od razloga za ovakav uspeh je i dobra komunikacija sa korisnicima. Služba za odnose sa klijentima nastavlja projekat „Vaše mišljenje nam je važno“, kao i komunikaciju sa korisnicima kroz sve komunikacione kanale – preko vebe, pošte, i-mejla kako bismo imali brzu reakciju Banke u pogledu otklanjanja potencijalnih uzroka nezadovoljstva i unapređenja zadovoljstva svakog pojedinačnog korisnika. U skladu sa orijentacijom Banke ka digitalnoj transformaciji, u 2018. smo izvršili automatsko kreiranje izveštaja iz Complaints management aplikacije. Poštovanje procedure o postupanju u razrešenju prigovora uz skraćivanje roka za dostavljanje odgovora daju dobar osnov da korisnici veruju Banci. U ukupnom broju prigovora u 2018, Eurobank nije zabeležila nijedan prigovor od strane korisnika koji se odnosi na kršenje ljudskih prava i diskriminaciju.

**Customer satisfaction management through managing handling**

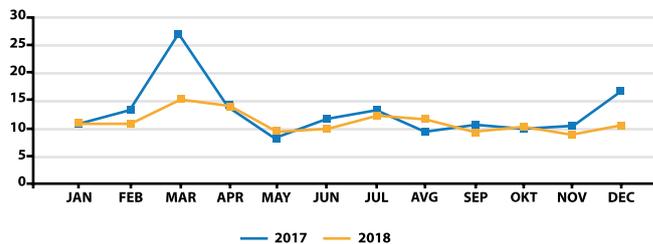
In 2018, Eurobank celebrated an important milestone – a 15 year anniversary since it started operating in Serbia. One of the reasons for this success is the good communication we have with our customers. The Client Relations Department has continued with the Your Opinion is Important to Us project, and has maintained client communication via all communication channels – web, mail and email, which helps us to respond swiftly and remove any potential causes for dissatisfaction, and to improve satisfaction of each and every customer. In line with the Bank’s orientation toward digital transformation, in 2018 we completed the automatic report creation from the Complaints Management application. Our observance of the complaint resolution process and shorter response times are a good indicator that the customers trust the Bank.

Of the total number of complaints Eurobank recorded in 2018, none were related with violation of human rights or discrimination.

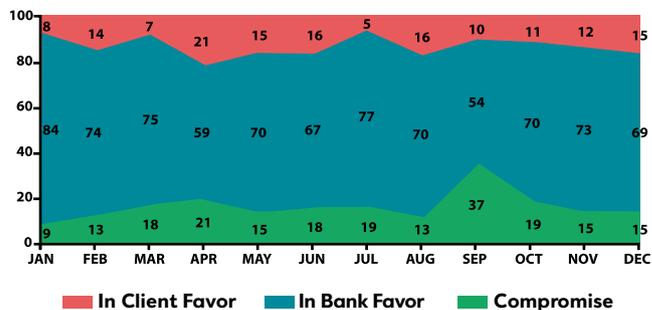
**Complaints overview for 2017/2018**

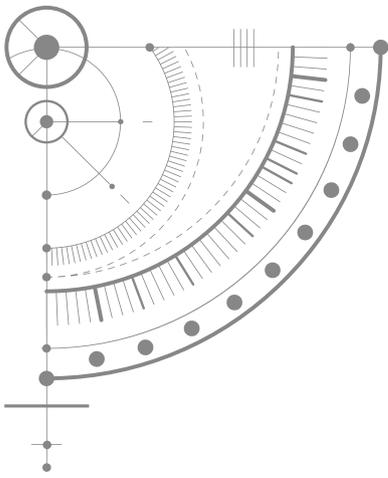


**Average time for complaint resolution in 2017/2018**



**Overview of complaints grounds in 2017/2018**





### Alternative channels of communication

- **m-B@nking** – an advanced mobile application which enables simple execution of financial transactions via a mobile device, without visiting a branch office. This service is also available for legal entities. Mobile banking is a digital service that posted the highest growth, as the number of transactions grew by 64% and with more than 8,000 new users.
- **e-B@nking** – clients can simply conduct any transactions without visiting the bank. A new and improved electronic banking solution has been available since December 2017.
- **t-B@nking** – a phone banking service which allows the clients to conduct transactions or access information about different products they are using with the Bank via a phone call with a Contact Center operator.
- **Electronic communication** – the clients are able to get their monthly account/credit card balance and other important notifications via e-mail or SMS services. This decreases the need for using printing paper and toners, which contributes to reducing our environmental impact by reducing waste. The quality of customer service and communication has been improved, and the number of undelivered and returned post dropped significantly.
- **APS** – automatic payment device that helps the clients pay their monthly loan or credit card instalments without waiting in lines, and to make cash deposits to their current account.
- **ATM** – these machines allow our clients to take out cash 24/7 at 128 locations across the country.
- The official **Facebook, Instagram, Twitter, LinkedIn and Google+ pages**, together with the **YouTube channel**, chat and **Video chat** are an important element in our client communication, and our main goal is to establish a closer relationship with our clients, and to develop a unique platform that will help the Bank in further promoting our image as a modern and transparent customer-centric organisation.

### Responsible advertising

Marketing communication within Eurobank is fully in compliance with the Law on Advertising, as well as the Law on Consumer Protection in Financial Services. Information about the Bank's products and services is available on the Bank's website.

Eurobank has created an internal document (Work Instruction) regarding responsible advertising, which represents the ethical standard and a confirmation that the Bank operates as a responsible corporate entity. The standards set forth in this document are applicable in any kind of marketing communication with the public, especially in advertising. When an advert for deposits or loans includes interest rate or any numerical data related to the price or revenue, a representative example states the following information: deposit or loan type, the total amount, the level and changeability of the annual nominal interest rate, the real interest rate, duration of the contract, costs carried by the borrower. In 2018, Eurobank adopted the National Bank of Serbia's recommendations regarding failure to comply with regulations concerning provision of information about products or services, and made all the required adjustments (8 of them in total) within the stipulated timeframe.

**Customer Relationship Department** – this Department works closely with the National Bank of Serbia (Consumer Protection Center) to ensure transparency and objectivity in managing relations with the Bank's customers. Also, in 2018 there were no instances of non-compliance with regulations or voluntary codes of conduct regarding marketing communication.

**Personal Data Protection (GDPR)**

The EU General Data Protection Regulation (GDPR) has been effective since 2018. In 2018, personal data protection and personal privacy was the topic of many major global conferences and was also discussed by world leaders. To reflect the GDPR, the Serbian Government prepared a new Law on Personal Data Protection which was adopted in November 2018. Until August 2019, when the Law comes into effect, new bylaws will be prepared to set forth more specific and detailed procedures for processing of data on individuals and protection of personal data of the Serbian citizens.

Our Bank has recognised the need to align early on our business processes with the new European and Serbian legal requirements regulating the protection of data on individuals. As a member of an EU banking group, the Bank started the process of harmonisation with GDPR at the beginning of 2018, in line with the Group’s strategy. Our task was to set up and implement the framework regulating the protection of data on individuals within our Bank, in compliance with the EU and Serbian legal requirements.

In addition to complying with the Group and European standards, as well as with the domestic Law, this process has helped improve the quality of data the Bank is processing, and improved business processes, has increased the employees’ attention concerning the protection of their own and their clients’ data and to compliance with regulatory requirements in other areas – AML, PSD2 – Law on Payment Services, Law on Information Security and others.

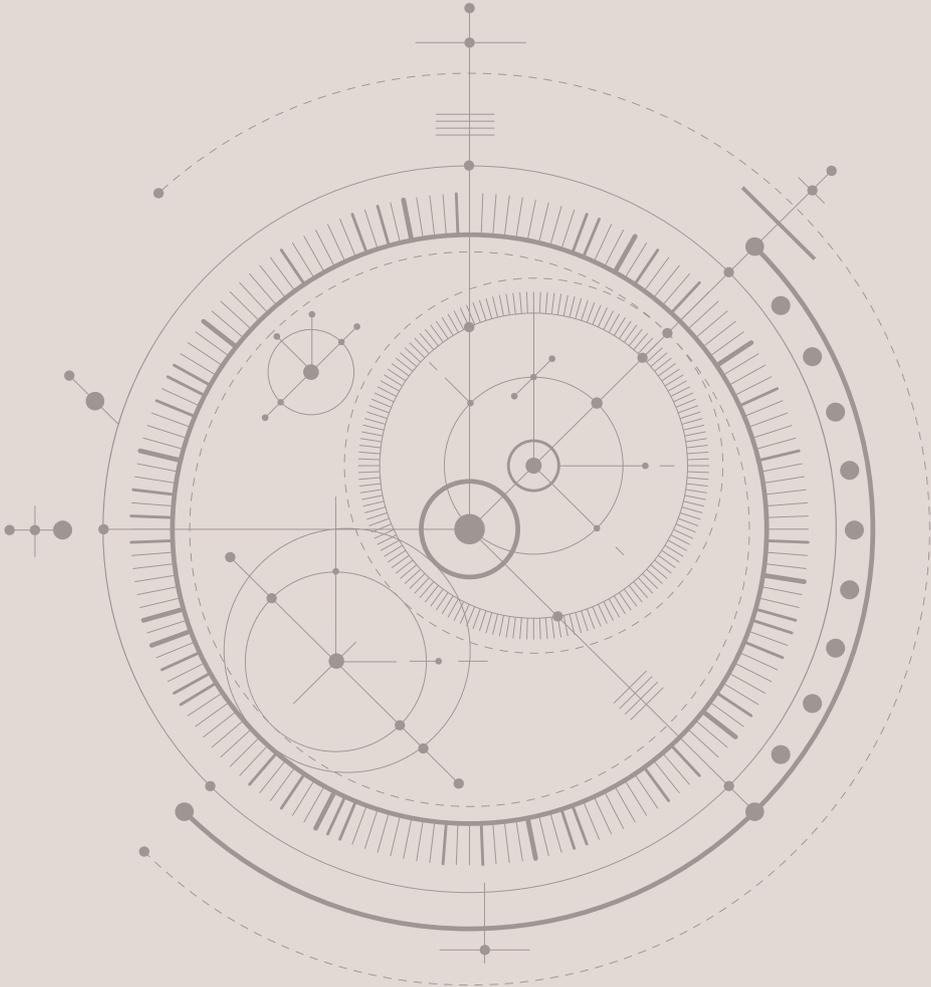
We implemented the new regulatory requirements by introducing principles for collecting personal data in a legal, fair and transparent manner. We are allowed to process our clients’ personal data only in the manner that serves the purpose for which the data was collected. We have limited the processing of personal data only to the data that are really necessary for a particular purpose, and this data must be correct. Processing of incorrect data is not allowed and the incorrect data must be updated or deleted, within the legally defined timelines. The period for which the data can be kept is also linked with the purpose, and the data must not be kept for a period that is longer than is necessary to fulfill the purpose for which the data was collected or longer than defined by the laws. Data security has been established as a rule that allows processing of personal data only in a manner that guarantees their confidentiality and integrity, and this entails protection from unauthorised or illegal processing, and protection from accidental data loss, destruction or modification of the data.

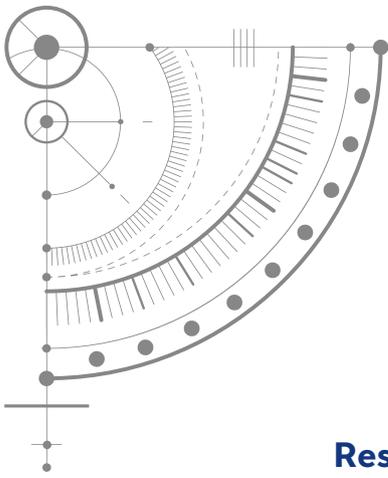
GDPR represents the biggest regulatory change in the area of data protection in the past 20 years, which has enabled the regulators to lay down significant fees and has required considerable changes in every organisation that processes personal data. Our Bank places great importance on customer trust, and by protecting customer data we are protecting our reputation in the market. By guaranteeing to our clients security regarding processing of data on individuals, Eurobank has not received any complaints from customers, or regulatory bodies and other authorities concerning breach of customer privacy or loss of customers’ personal data.

<p><b>Acomplishments in 2018:</b></p>	<ul style="list-style-type: none"> <li>● <b>Redesigned and rennovated several of our branch offices</b></li> <li>● <b>Launched a new affinity Eurobank Veliko srce Mastercard credit card</b></li> <li>● <b>Enabled instant payments in branch offices and via digital channels</b></li> </ul>
<p><b>Goals for 2019:</b></p>	<ul style="list-style-type: none"> <li>● <b>Continue the project of branch office redesign</b></li> <li>● <b>Start a new cycle of customer satisfaction surveys and service assessment through mystery shopping</b></li> <li>● <b>Promote standards of our employees’ professional conduct and communication with the customers</b></li> </ul>



# RESPONSIBILITY TOWARDS SUPPLIERS





## Responsibility toward suppliers



Eurobank builds and fosters transparent relations with our business partners and suppliers, by establishing win-win relationships, setting forth transparent terms in our calls for tenders and ensuring an equal treatment of all participants, in compliance with our Procurement Policy. The Procurement Policy defines main guidelines for procurement of goods and services for the Bank and the Group member companies in Serbia. At the end of 2018, a new Procurement Policy was issued, which placed an additional emphasis on “green procurement” and the importance of taking environmental protection into consideration when selecting a supplier. Our environmental protection officer verifies, as needed, the suppliers’ certificates of quality management (ISO 9001, ISO 14001) and product certificates (eco label) to establish the validity of the offered services and products that carry those certificates.

The Administration and Procurement Department coordinates the procurement of goods and services and facilitates the process of organising procurement, which it is responsible for. Procurement Committee is a management committee set up by the Bank’s Executive Board. The Procurement Committee is authorised to evaluate the necessity of investment/expense and the business justification of a procurement request.

### Transparent supplier selection and communication

To ensure adherence to best business practices, the Bank regularly performs market research in order to expand the register of potential suppliers who may be eligible for calls for tenders for procurements of goods and/or services. Based on tender requirements and calls for offers, which must be in line with the aforementioned Policy, suppliers’ obligations are identified and these are, while specific to the goods/services being procured, identical for all, which helps eliminate discrimination or preferential treatment of any supplier. The Bank uses electronic platform for procurement – Ariba, so that the entire tendering process is automated and transparent. After a supplier is selected, any necessary details are regulated in a contract.

Suppliers with whom the Bank has a contract are evaluated annually, with involvement of the department which is the end user of the relevant service/product. A two-way evaluation is not mandatory, but is done on a voluntary basis and depends on the Bank’s supplier. Complaints and feedback from suppliers are defined in the Supplier Evaluation Procedure, and the relevant procurement contract. Local suppliers predominate, and Eurobank hires international suppliers mostly for IT procurements, whose procurement is centralised at the Group level.

### Introducing social responsibility criteria in supplier selection

As a socially responsible company, Eurobank strives to promote socially responsible practices also among its suppliers. Since 2012, the invitation to bids, beside the economic and technical criteria on which supplier selection is based, include other criteria, such as contribution to environmental protection, respect of human rights etc.

In line with tender requirements, potential suppliers are requested to submit, along with their bids, the following proofs of responsible business conduct:

- A certificate that they have been paying their employees regularly – a certificate issued by the Tax Administration which includes all public revenue obligations managed by the Tax Administration, given that this covers regular payment of taxes and contributions related to payment of employee salaries.
- A statement printed on the company’s official letterhead confirming that the company was not sanctioned for violating the Labour Law in the past 5 years.
- A statement printed on the company’s official letterhead confirming that the company did not suffer any serious negative events regarding social and labor law issues that affected the company’s reputation in the past 12 months.

All suppliers, subcontractors and business partners, a total of 134 of them in 2018, passed the human rights compliance verification, which is an integral part of the Call for proposals in tenders. By incorporating the social responsibility standards, the Bank is supporting and positively influencing suppliers and helping raise their awareness about improving the quality of the attitude toward the product/service they are offering, the employees that work for them, participation in charitable activities, cutting costs and promoting environmental protection, eco labeling and getting the ISO certification.

Eurobank applies “green procurement” principles, with the goal to purchase products that contribute to reducing our environmental impact. The Bank uses FSC paper only, purchases the most energy efficient equipment and devices, and buys cars that have low CO2 emissions. The advantage is always given to procurement of products whose environmental impact is negative compared to an equivalent product.

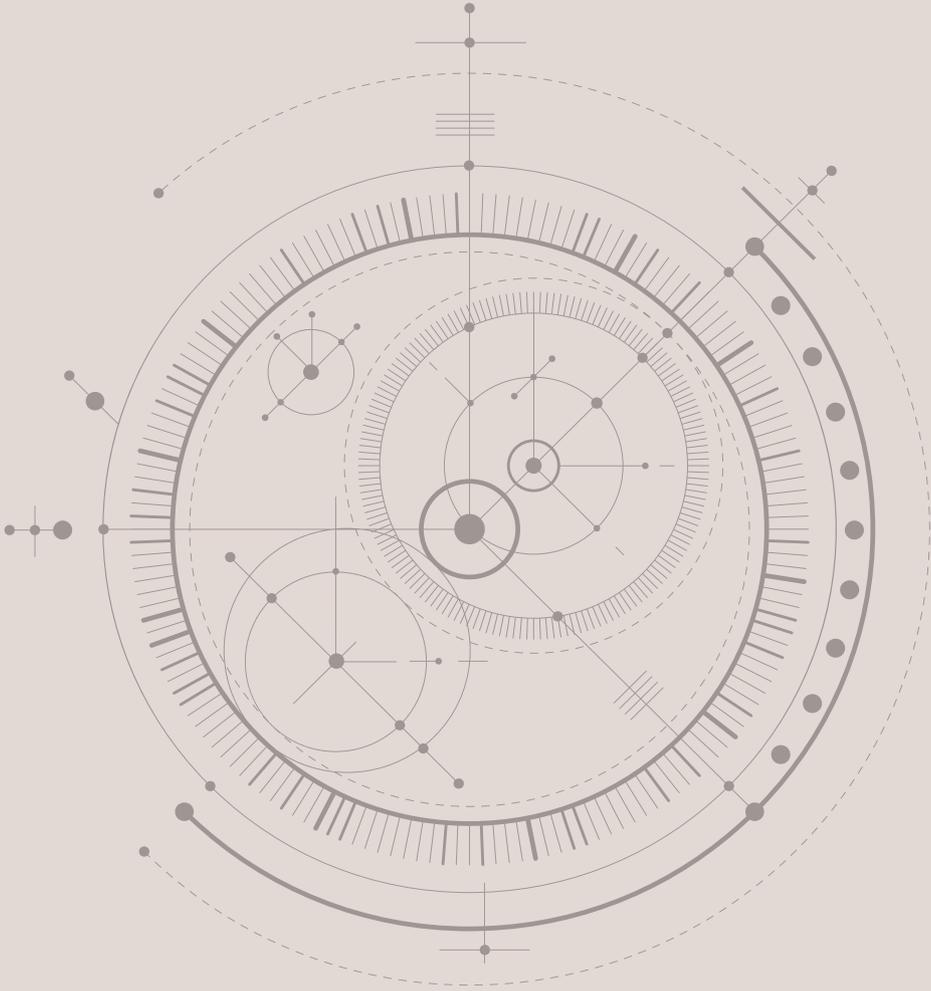
Eurobank purchases some products from social enterprises, and includes those enterprises in our supply chain.

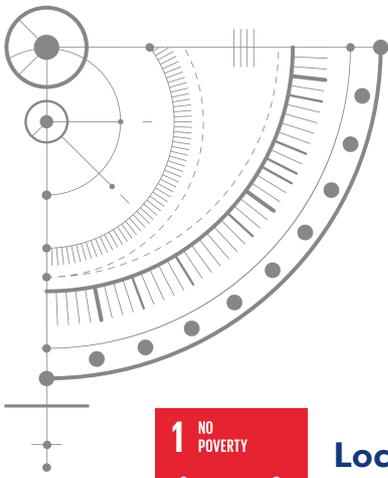
**Social enterprises in the supply chain**

<p><b>Accomplishments in 2018:</b></p>	<ul style="list-style-type: none"> <li>• <b>Completed supplier compliance with GDPR</b></li> <li>• <b>Performed regular quality controls of our suppliers</b></li> <li>• <b>Ensures our new suppliers passed the CSR evaluation</b></li> <li>• <b>Introduced new standards for branch office look and equipment (through the redesign project)</b></li> </ul>
<p><b>Goals for 2019:</b></p>	<ul style="list-style-type: none"> <li>• <b>Promote social responsibility practices among our suppliers</b></li> <li>• <b>Strengthen our support to social enterprises</b></li> <li>• <b>Further improve our green procurement system</b></li> <li>• <b>Exchange the new challenges and their application in the supply chain</b></li> </ul>

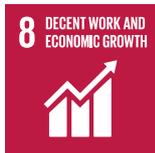


RESPONSIBILITY TO THE COMMUNITY





## Local community



Eurobank, as a socially responsible actor, identified corporate social responsibility as an integral part of our strategy from the moment we were established in 2003. The financial results and the position we occupy in the Serbian banking sector were developed in parallel with the care for our employees and continued improvement of our relationship with all the stakeholders: customers, shareholders, local and business communities. Eurobank combines a strategy of business growth with contribution to the environment within which it operates, through numerous initiatives and events in the 45 towns where the Bank has branch offices, two of which - Bor and Priboj - are classified as underdeveloped areas.

The Bank selects projects that are aligned with its strategically defined areas of community support: education, environmental protection, culture, sports, equality. Through the We Invest in European Values programme, the Bank has invested more than 4.5 million euros so far. The Marketing and Corporate Communication Division proposes and implements social corporate responsibility strategy, which is an integral part of our communication strategy, and is adopted by the Bank's Executive Board. Execution of the strategy is also supported by:

- Employees, who donate their knowledge and skills, and participate in charity tournaments;
- Clients, who, by using the affinity card, contribute to allocation of funds for equipment and modernisation of schools and cabinets in high-schools throughout Serbia;
- Partners in projects implemented by the Bank, i.e. the state government and local self-governments, non-governmental organisations;
- PR agency, by informing the public via press conferences, organising events, making public announcements, setting up interviews;

If there are any changes in the environment, or in case of emergencies (such as the flooding), the strategy is revised and modified in order to invest in the areas that require urgent reaction.

### “Big Heart”

We started the Big Heart project back in 2008 and set high expectations for ourselves. Together with the Ana and Vlade Divac Foundation, we launched the affinity Mastercard Big Heart (“Veliko srce”) credit card, under the auspices of the Serbian Ministry of Education, Science and Technological Development, with the goal of collecting the funds for reconstruction of children playgrounds in the state-owned kindergartens across Serbia. The Bank allocates 1% of every transaction made with the Big Heart credit card, and 50% of the monthly maintenance fees, and redirected them to the Foundation's account intended for reconstruction of children playgrounds.

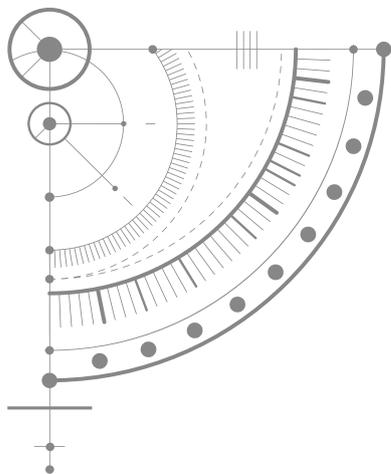
Thanks to the 22,000 users of the Big Heart credit card Mastercard, 50 playgrounds in kindergartens and a large number of premises in schools and healthcare facilities were reconstructed. The goal of this investment worth 66 million dinars has been to create better conditions for growth and development of the youngest population.

In 2018, 4 playgrounds in kindergartens in Sombor, Mladenovac, Vrsac and Novi Sad were renovated, with an investment of more than 4.5 million dinars. The kids in these institutions now have much better conditions to play, have interactive and educational playground equipment that incite children's imagination and creativity. Palčica kindergarten in Novi Sad was the 50th kindergarten which marked a milestone and an end of our cooperation with our long-term partner, the Ana and Vlade Divac Foundation, which we are very proud of.

As in the previous years, the Big Heart project communicated with all the stakeholders: our customers as users of the Big Heart credit card; our employees via email and the internal newsletter; with members of the media who attended the ceremonial openings of the playgrounds, and we also distributed press releases and photographs after the opening events. The wider public was also informed about the project via social networks.

**School Designed for You** After having been investing in kindergartens and elementary schools for years and completing the cycle of supporting this educational segment, in March 2018, Eurobank launched an independent project, with the same dedication, called School Designed for You, whose objective is to improve the teaching and learning conditions in high schools in Serbia. A portion of the funds from each transaction which the Eurobank customers make with the Eurobank Big Heart Mastercard affinity card is allocated for equipment and modernisation of classrooms and cabinets in high schools, and for purchase of the needed equipment. From the very beginning, the project included high school students, and the Bank launched a competition for new visual design for the credit card and received more than 50 creative solutions from students. The winning design was selected in April 2018, and the Bank awarded the winner of the competition, a student of the Niš Art School, with a language course at London South Bank University. In October 2018, we started issuing the new, redesigned Eurobank Big Heart credit cards.

In order to understand the needs of each individual high school, we sent an offer for donations via the Community of High Schools of Economics, Legal and Administrative Affairs, Commerce, and Hospitality and Tourism. The schools which will receive the funding in 2019 will be selected by a commission comprising a representative of the Ministry of Education, Belgrade Secretariat for Education and a Bank representative. The Bank will also organise lectures for the students of selected schools, and internship for students of vocational high schools specialising in economics.



### Cooperation with Manchester United FC

The successful cooperation between Eurobank and Manchester United FC has been lasting for 5 years and has grown into a financial partnership. Within the framework of this exclusive partnership, 27,000 co-branded debit cards that grant special benefits to the card holders have been issued to date.

Every anniversary of our successful cooperation has been marked by events we organised for our customers, employees, journalists, representatives of different associations, and also by joint charitable activities. In 2018, we also organised a social gathering where employees who marked their 15 year anniversary with the Bank met with the ManUtd FC brand ambassador, the former football player Wes Brown. We also announced the launch of ManUtd Soccer School for children, which will be organised in 2019 in Belgrade, and one of whose attendees was Brown. On this occasion, the Soccer School director Mike Neary organised a workshop and spoke about the importance of long-term planning, individual development, teamwork, setting goals and believing in successful outcomes.

The Soccer School for children was also presented to the media at the press conference. On this occasion, a friendly football match was played by the Bank's football team and the team of kids from the Sremska Kamenica Children's Village, with professional support of the ManUtd footballer. The Bank also donated sporting equipment to kids from the Children's Village from Sremska kamenica.

Promotion of this cooperation is organised four times per year through a Red Week project. In 2018, ManUtd mini travelling museum was set up in Novi Sad, Kragujevac and Belgrade. During the 4 weeks, more than 2,000 new co-branded debit cards were issued, and more than 15,000 visitors participated in the different activities we organised.

In 2018 we continued our cooperation with the Serbian Sport Association of Disabled persons. The Bank also supported the founding of the first football team in 2017, which it continued supporting in 2018. ManUtd FC and Eurobank are partners on the same assignment – to continuously support and promote inclusion and engagement of persons with disabilities in the regular daily activities.

### Support to innovative young entrepreneurs

As a socially responsible company, Eurobank supports development of entrepreneurship and thus demonstrates that we recognise the importance of innovation in the financial sector, which will, through application of digital technologies, transform banking products and services.

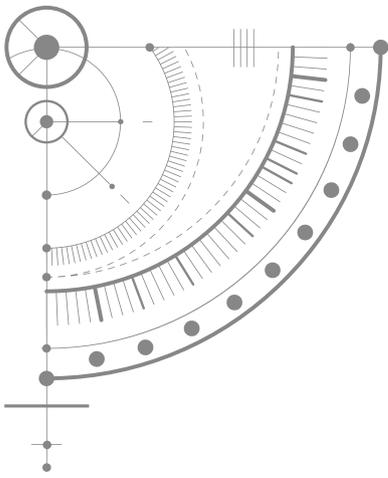
The Beyond Hackathon fintech competition was organised for the second year in a row and took place in March 2018 in Athens. The IT team from Serbia under the name of Tenderly, who were supported by the Bank, developed a software linking small and medium-sized enterprises with large companies through blockchain technology and won the second place.

### New Year Charity Fair

The first charity fair of social enterprises was organised in the Bank's Head Office in Belgrade at the end of the December 2018. Authentic items of clothing, delicious food, hand-made soaps, greeting cards and accessories were only some of the products sold by social enterprises: Bioidea, Naša kuća (Our Home), Plava školjka (Blue Shell), NGO Atina, HERC Association, Lice ulice (Face of the Street), Studio Kvat.

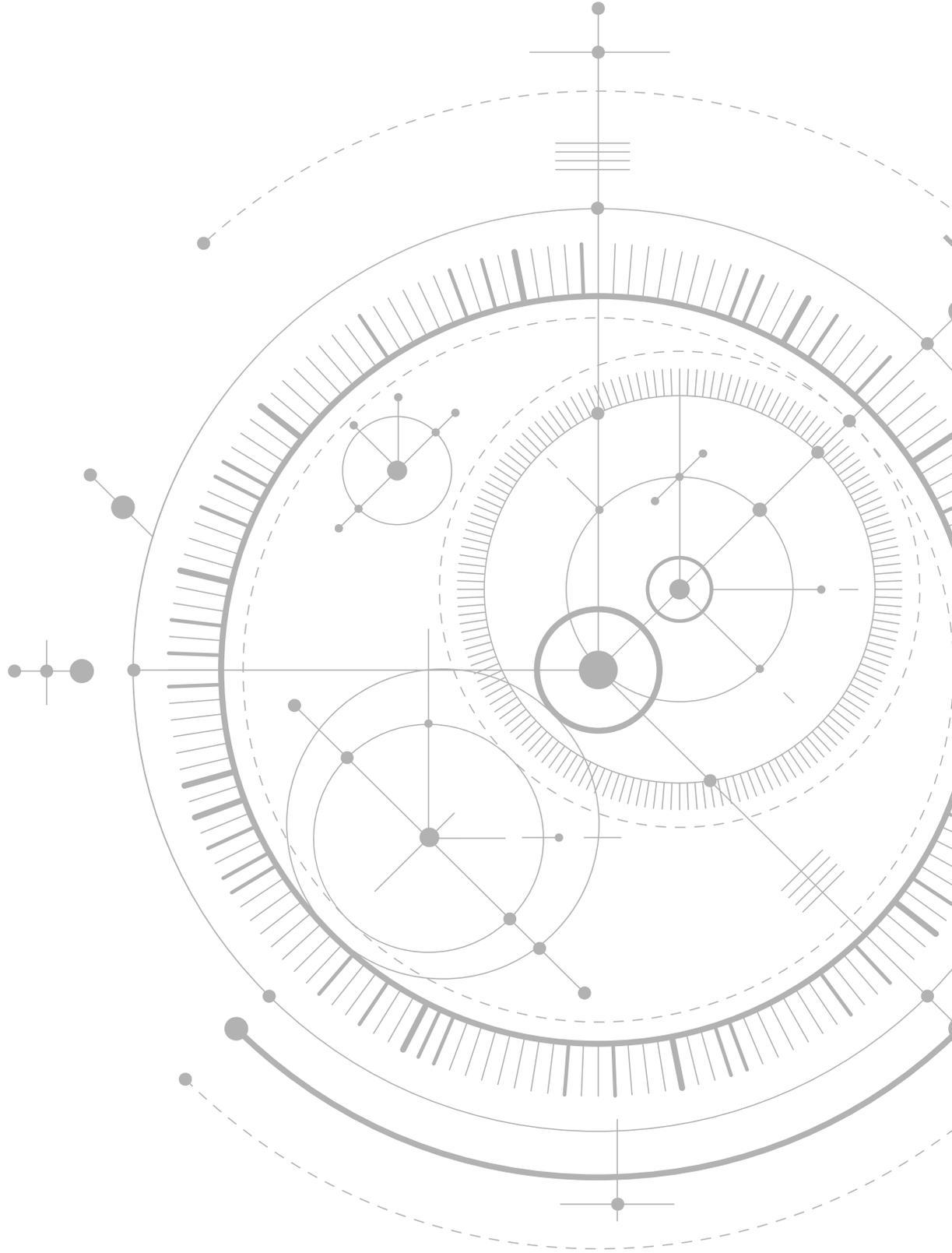
### Overview of Eurobank's investment in the local communities in 2018

Donation/sponsorship recipient	Project	RSD
Serbian Sport Association of Disabled persons	Support for founding a football club and organising a bowling championship for persons with disabilities	350.000,00
Ana and Vlade Divac Foundation	Renovation of 4 kindergartens	50.000.000,00
Mungosi Futsal Club	Support for the Club's work with disabled children	350.000,00
MOTO organisation	The Gift of Diversity project	180.000,00
Tijana Jurić Foundation	Supporting violence prevention education in high schools	80.000,00
Belgrade Center for Inclusion, Innovation and Integration	Donation of computers	0
Humanitarian organisation "Mali veliki ljudi"	Participation of children with disabilities in Games without Frontiers and participation in the Santa's Sleigh project	200.000,00
Ministry of Interior, Belgrade City Police Department	Donaton of office furniture	0
Marketing Network Agency	Sponsorship of the 2018 Challenge forum	180.000,00
Foundation for Arts and Sciences Studies, SANU	Donation for education and further professional training of the students	100.000,00
Vuk Karadžić Culture Center Loznica	Support to Vuk's Convocation event	100.000,00
Serbian Association of Economists	Sponsorship of the Kopaonik Business Forum	9.000.000,00
Đorđe Jovanović General Hospital Zrenjanin	Donation of chairs	0
Children's Village Dr Milorad Pavlović, Sremska Kamenica	Donation of sporting equipment to kids from the Children's Village	242.000,00
Institute for Child and Youth Health Care, Vojvodina	Donation of computers	0
Laguna publishing house	Sponsorship of the Book Night event	750.000,00
Etno Network association	Support for exhibition of miniatures under the title "100 women – 100 miniatures"	50.000,00
Hellenic School of Belgrade	Donation of computers	0
Foundation of the Faculty of Economics	Support to organisation of international programme Economics and Finance	250.000,00
Serbian National Theater, Novi Sad	Support	120.000,00
Knjaževsko-srpski teatar theatre	Support	100.000,00
National Theater, Niš	Support	120.000,00
Unicef	Donation for a charity basketball tournament	55.000,00
Blic	Blic Entrepreneur of the Year	1.000.000,00
AFA Association	Women's Leadership Summit	180.000,00
TGI international	Sponsorship of the economic summit in Belgrade	1.800.000,00
Dr Miroslav Zotović clinic	Donation of goods	55.000,00

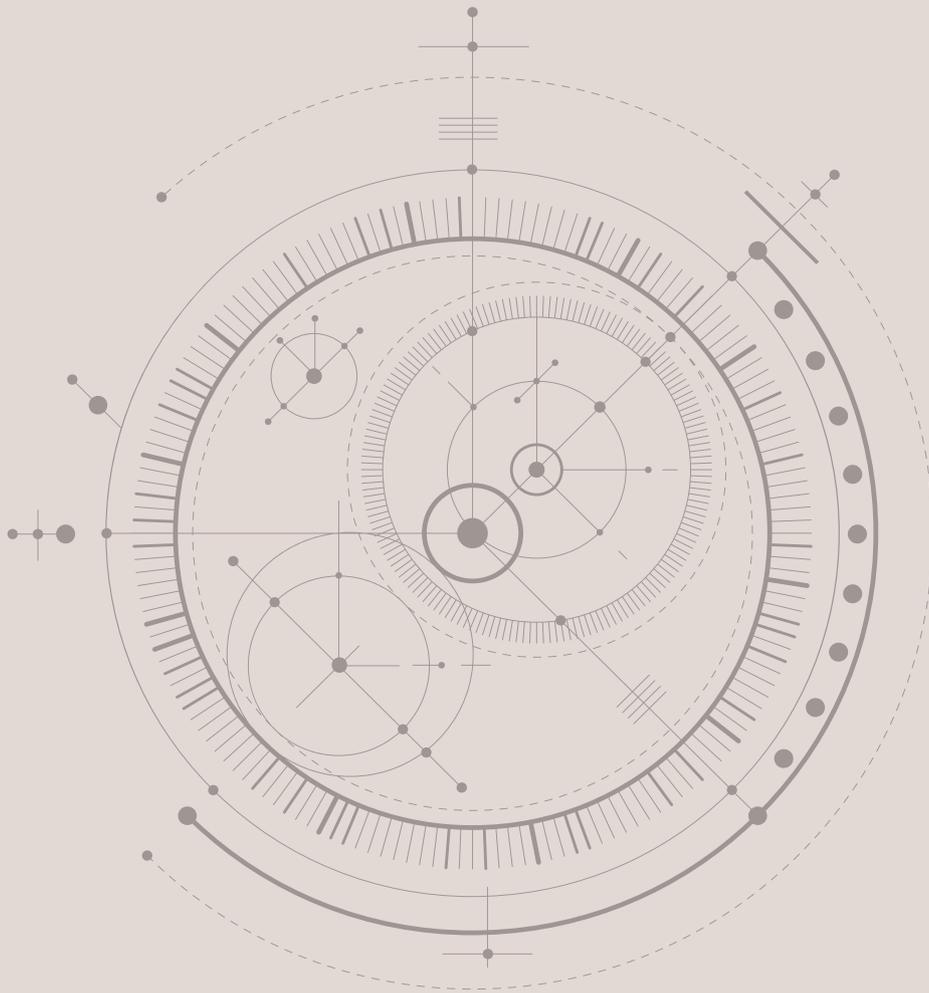


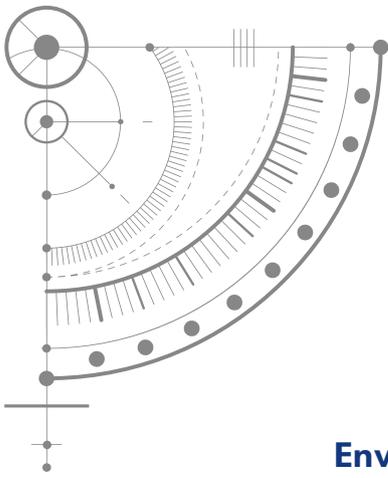
Any interested parties can send applications and queries for sponsorship and donations to [corporate-communication@eurobank.rs](mailto:corporate-communication@eurobank.rs). The responsible office will review every application. If there is an interest to support a specific project, the office will respond to the application within 30 days. The manner of approving and processing the donations is regulated by the Internal Procedure for Managing Requests for Sponsorship and Donations.

<p><b>Accomplishments in 2018:</b></p>	<ul style="list-style-type: none"> <li>• Organised the competition for new design of Eurobank Big Heart affinity card</li> <li>• Launched the independent project School Designed for You</li> <li>• Organised socially responsible events in cooperation with Manchester United FC</li> </ul>
<p><b>Goals for 2019:</b></p>	<ul style="list-style-type: none"> <li>• Implement the School Designed for You project in high schools of Economics</li> <li>• Realization of soccer school for kids in cooperation with Manchester United FC</li> <li>• Continue supporting innovative young entrepreneurs</li> </ul>









## Environmental protection

Environmental protection is one of the key pillars of corporate social responsibility and sustainable development in Eurobank. The everyday use of energy, paper, water and other natural resources in banking activities has an impact on the environment. Still, by implementing best practices and measures of environmental protection, the Bank is striving to reduce the consumption of resources and waste generation and to reduce the negative impact. In 2018, Eurobank continued practicing responsible financing, as one of the ways in which the Bank is attempting to contribute to reduction of indirect impacts.

### Environmental management system

By adhering to the principles of environmental protection and socially responsible business, the Bank continues to follow the key initiatives whose objective is to reduce the negative environmental impact:

1. Rational consumption of energy and reduction of greenhouse gas emissions
2. Rational use of natural resources (water and energy)
3. Principles of “green procurements”
4. Responsible waste management – lower waste generation, recycling and safe disposal of hazardous waste
5. Responsible financing – a system of managing environmental and social risks
6. Development of green products and services

### Environmental and social risk management system

Managing environmental and social risks is an important part of Eurobank’s operational and development strategy. The Bank has continued applying the Environmental and Social Risk Management System in the process of granting loans, in accordance with the international standards and best practices. Furthermore, when approving requests for sponsorships and donation, environmental impact is considered as one of the criteria in decision-making and project financing.

## Preservation of natural resources

### Energy and water

Direct energy consumption is related to natural gas and oil combustion for heating, while indirect consumption covers electricity used in the process of conducting the Bank’s business activities.

The Bank monitors and keeps a record of energy consumption in all the business premises where the bank operates. In 2018, our electricity consumption totaled 4,337,689 kWh.



**TOTAL ELECTRICITY CONSUMPTION (kWh)**

Year	2014	2015	2016	2017	2018
Consumption	6.371.081	5.553.926	4.485.266	4.329.778	4.337.689

**QUANTITY OF PRIMARY ENERGY**

	2017	2018
Natural gas used for heating	239.912 kWh (24.840 m <sup>3</sup> )	260.474 kWh (26.969 m <sup>3</sup> )
Oil used for heating*	284.886 kWh (27.132 m <sup>3</sup> )	0 kWh (0 m <sup>3</sup> )

\*\*Oil was previously used for heating the building in Kraljice Marije 3, in Belgrade, but we switched to low sulphur gasoil in 2018.

**WATER CONSUMPTION**

	2017	2018
Water consumption (m <sup>3</sup> )	14.944	14.604

\*The Bank uses water from the public water system

**Energy Management** Implementation of an efficient energy management and use reduction programme contributes significantly to reduction of greenhouse gas emissions. Bearing that goal in mind, the Bank has taken the following actions:

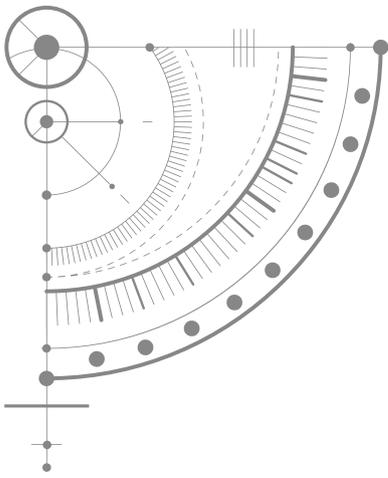
- Installed energy efficient LED lamps and lights in all new and renovated business premises
- Installed energy efficient air conditioners in all new and renovated business premises
- Installed exchangers in the ventilation system, which provides additional energy savings by preparing fresh air by using the energy of the extracted air.

At 2018 the bank did not have any penalty due to non-compliance with the laws and regulations related to the environment.

To comply with the new greenhouse gas emission limits, the Bank stopped using mazut fuel oil and transitioned to using low sulphur gasoil for heating the building in Kraljice Marije 3 street in Belgrade.

The activities listed above are the first phase in our efforts to continuously improve our energy efficiently, and to make a positive impact on climate change.

Despite the fact that the Bank is mostly indirectly contributing to the greenhouse gas emissions (through consumption of electricity), the importance of monitoring our impact on climate change is one of our priorities in the efforts to preserve the environment.



**Total, direct and indirect gass emissions by weight**

The total CO<sub>2</sub> emissions were measured based on the consumption of both direct and indirect forms of energy.

**CO<sub>2</sub> EMISSION (T)**

Energy resource	2016	2017	2018
Natural gas	49,48	48,45	52,60
Oil	51,53	76,06	0
Electricity	3.408,56	3.290,40	3.296,41

**Solid waste management**

Since 2015, the Bank has been running a collection and recycling program for paper and plastic waste and used toners in all branch offices and office buildings. The discarded electrical and electronic equipment is regularly handed over to a licenced operator for further treatment.

**Paper recycling and consumption**

To preserve natural resources and reduce the generation of paper waste, Eurobank has been applying a program for saving paper. In 2018, Eurobank continued with the following activities:

- Sending e-statements
- Wide usage of document digitalisation
- Improving the printing management system and double-sided printing.

The process of document digitalisation has helped transformed our operations from being paper-based to paper-free, which has helped us provide improved and faster services to our clients, while at the same time cutting costs, and preserving the environment by optimising the use of papers and toners.

Special baskets for collection of waste paper, cardboard and plastic have been placed in all the Bank's business buildings and branch offices.

In 2016, the Bank recycled 13.96 tons of paper, which accounted for 19.12% of the total quantity of paper we procured.

In 2017, the Bank recycled 5.42 tons of paper, which accounted for 5.48% of the total quantity of paper we procured.

In 2018, the Bank recycled 5.45 tons of paper, which accounted for 8.38% of the total quantity of paper we procured.

**Toner recycling**

The Bank has been applying a system for managing used toners. Since 2011, all toners and cartridges are used in our branch offices and administrative buildings are sent for recycling. In 2018, a total of 0.2 t of used toners was recycled.

**Electronic and electrical equipment management**

In compliance with the legal regulations on disposal of hazardous waste, Eurobank has signed a contract with an authorised operator for transport, disposal and treatment of hazardous waste. In 2018, the Bank sent 6.96 tons of electrical and electronic waste for recycling.

**TOTAL QUANTITY OF RECYCLED ELECTRICAL AND ELECTRONIC WASTE, BY YEAR (IN T)**

Year	
2014	10,38
2015	0,80
2016	0
2017	17,72
2018	6,96

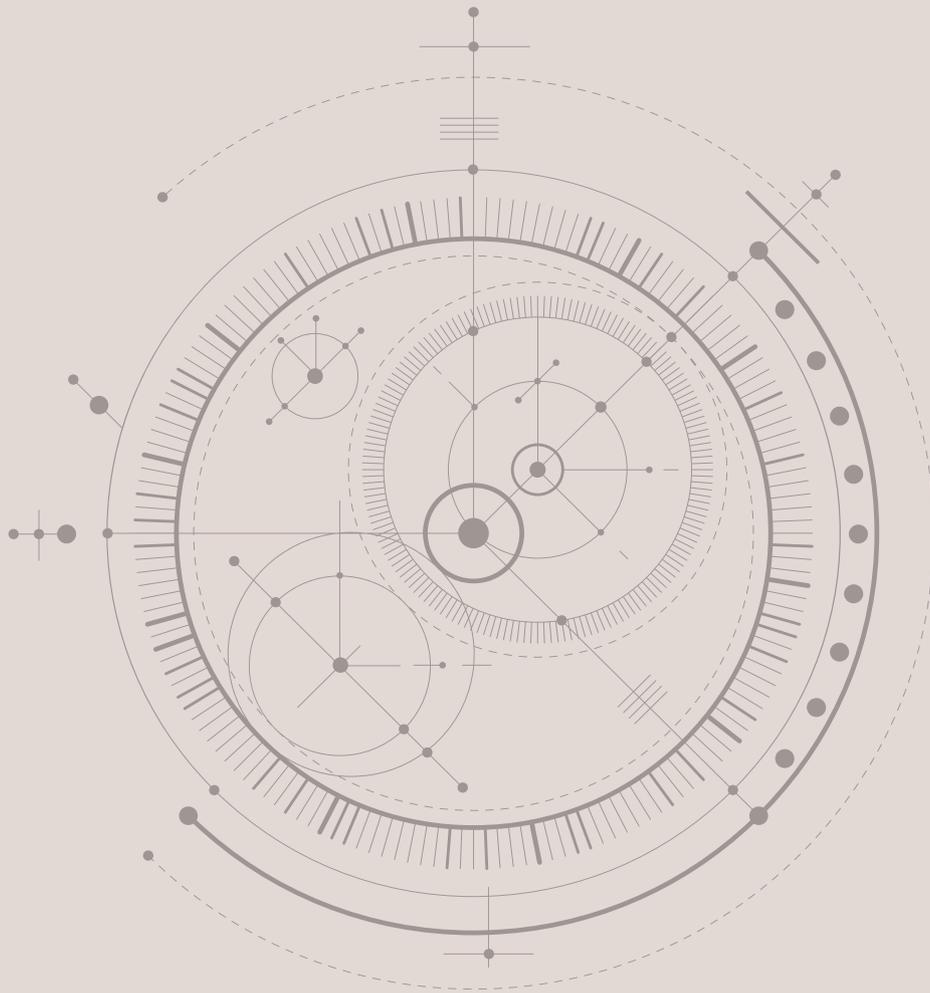
**Recycling of other types of waste**

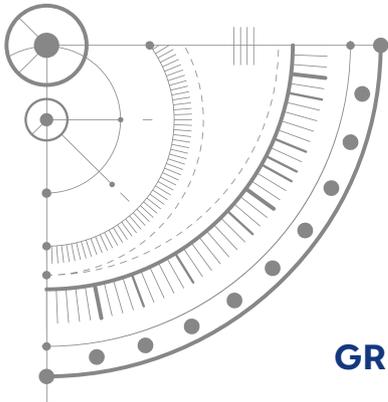
In 2018, the Bank also handed over 10.91 tons of other types of waste (metal, wood, plastic, textile) for recycling.

As part of the Eurobank Good Deeds project, Bank joined environmental charity action of collecting plastic bottle caps “Caps for Smiles”, with the objective of helping disabled children and supporting their inclusion in the educational system. The action has a tripple role – waste recycling, development of environmental awareness and development of charitable spirit and solidarity. The Bank’s employees have an opportunity to participate in this action by leaving the caps in marked boxes, in five of the Bank’s buildings: four in Belgrade and one in Niš.

<b>Accomplishments in 2018:</b>	<ul style="list-style-type: none"> <li>• Preparatory activities for implementing the Group policy for managing environmental and social risk and complying with the domestic regulations and market requirements</li> <li>• Continued monitoring the legal regulations and ensuring compliance of the Bank’s activities in an efficient manner</li> <li>• Continued supporting the “Caps for Smiles” charity.</li> </ul>
<b>Goals for 2019:</b>	<ul style="list-style-type: none"> <li>• Support the application of principles for managing environmental and social risks in the loan approval process</li> <li>• Ensure compliance of the Bank’s activities with legal regulations and best practices in environmental protection</li> <li>• Continue supporting the “Caps for Smiles” charity</li> <li>• Continue supporting employees in concrete waste management efforts.</li> </ul>



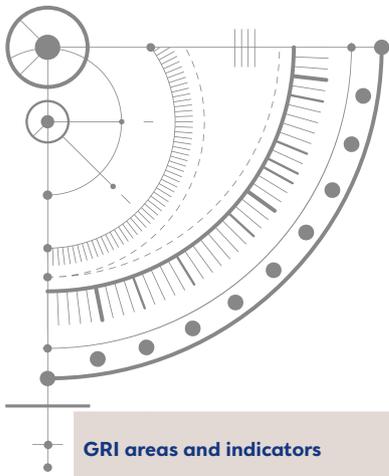




## GRI index and indicators

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<b>5.</b>	<b>Stakeholder engagement</b>		
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GRI areas and indicators		2018	strana	GDUN principles and sustainable development goals
<b>GRI sustainability reporting guidelines (standardi)*</b>				
<b>Category: economics – GRI 200</b>				
Aspect: economic performance – approach to governance GRI 201			69	
1.	201-1 Direct economic value generated and distributed	✓	70	GOALS 2, 5, 7, 8, 9
Aspect: Market presence – approach to governance GRI 202			92-93	
2.	202-2 Proportion of senior management hired from the local community at significant	→	84	
Aspect: Anticorruption – approach to governance GRI 205			78	
3.	205-2 Communication and training on anti-corruption policies and procedures	→	86	PRINCIPLE 10 GOAL 16
Category: Environment - GRI 300				
Aspect: Energy – approach to governance GRI 302			112	
4.	302-1 Energy consumption within the organization	✓	113	PRINCIPLES 7,8 GOALS 7, 8, 12,13
5.	302-4 Reduction of energy consumption	→	113	PRINCIPLES 8,9 GOAL 7,8,12,13
Aspect: Water-approach to governance GRI 303			113	
6.	303-1 Total water consumption by the source	✓	113	PRINCIPLES 7,8 GOAL 6
Aspect: Emissions – approach to governance GRI 305			112, 113	
7.	305-1 Direct greenhouse gas emissions (ghg – scope 1)	→	113	PRINCIPLES 7,8 GOALS 3,12,13,15
8.	305-2 Energy indirect greenhouse gas emissions (ghg – scope 2)	→	113	PRINCIPLES 7,8 GOALS 3,12,13,15
Aspect: Effluents and waste – approach to governance GRI 306			114	
9.	306-2 Total weight of waste by type and disposal method in t	✓	114-115	PRINCIPLE 8 GOALS 3, 6, 12
Aspect: Compliance-approach to governance GRI 307				
10.	307-1 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	✓	112	PRINCIPLE 8 GOALS 8, 16
Category: Society – GRI 400				
Aspect: Employment– approach to governance GRI 401			84	
11.	401-1 Total number and rates of new employee hires and employee turnover by age group, gender and generation	→	85	PRINCIPLE 6 GOALS 5, 8
12.	401-2 Benefits provided to full time employees that are not provided to temporary of part time	→	88	GOAL 8
13.	401-3 The return to work and retention rates of employees who took parental leave	→	88	PRINCIPLE 6 GOALS 5,8
Aspect: Occupational safety and health – approach to governance GRI 403			87-88	
14.	403-2 Rates of injury, occupational diseases,lost days, and absenteeism, total number of work-related fatalities, by region	→	88	GOALS 3, 8

	Aspect: Trainings and education – approach to governance GRI 404		86	
15.	404-1 Total hours of training by employee per category	✓	87	PRINCIPLE 6 GOAL 8
16.	404-2 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	→	87	GOAL 8
17.	404-3 Percentage of employees receiving regular performance and career development reviews	✓	86	PRINCIPLE 6 GOALS 5,8
	Aspect: Diversity and equal opportunity – approach to governance GRI 405		84	
18.	405-1 Composition of governance bodies and breakdown of employees	✓	84	PRINCIPLE 6 GOALS 5,8
	Aspect: Non-discrimination – approach to governance GRI 406		84,88-89	
19.	406-1 Number of incidents of discrimination and corrective measures taken	✓	89	
	Aspect: Freedom of association and collective bargaining – approach to governance GRI 407		87	
20.	407-1 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	→	87	PRINCIPLE 3 GOAL 8
	Aspect: Local communities - approach to governance GRI 413		104, 108	
21.	413-1 Percentage of localities and operations/activities with implemented local community engagement, impact assessments and development programs	✓	104	PRINCIPLE 1
22.	FS 13 Access points in law-populated or economically disadvantaged areas by type	→	104	
23.	FS 14 Initiatives to improve access to financial products for members of vulnerable groups	✓	105, 106	
	Aspect: Supplier assessment – approach to governance GRI 414		100-101	
24.	414-1 Percentage of new suppliers that were screened using criteria for impacts on society	✓	101	PRINCIPLES 2,4,5 GOALS 5,8,16
	Aspect: Marketing and product and service labelling – approach to governance GRI 417 (additionally includes FS16- initiatives for enhancing financial literacy, by user type)		96	GOALS 1, 8,10
25.	417-1 Type of product and service information required by the organization's rules and procedures	✓	96	GOAL 12
26.	417-2 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	✓	96	GOAL 16
27.	417-3 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, codes concerning marketing communications, including advertising, promotion and sponsorship	✓	96	
	Aspect: Customer privacy – approach to governance GRI 418		97	
28.	418-1 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	✓	97	GOAL 16
	Aspects of relevance for the sector according to gri 4 data for financial sector		92	
29.	FS 7 C Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	✓	92, 104-105	

### Indicator compliance levels according to GRI:

- ✓ Completely fulfilled
- Partially fulfilled
- ✗ Not fulfilled

\*indicators from the sectoral supplement for the financial services are marked with red colour

\*\*the report was prepared in accordance with the basic (core) GRI 4 standards. some of the requirements for the comprehensive option were additionally met 102-17, 102-19, 102-22 do 102-26, 102-35, 102-36,

### Additional note:

By introducing gri standards the previous indicators EN34, LA16 i HR12 are linked in u 103-2-C (general approach to governance). Indicator PR5 removed in 102-43 i 102-44.

By introducing gri standards the previous indicators G4-LA14, G4-HR10 i G4-SO9 are linked in 414-1.





