

Corporate Responsibility Report 2016



VUB Bank has been supporting contemporary Slovak art for many years. In cooperation with the VÚB Foundation, it organises the annual Painting Competition - VÚB Foundation Award for a painting for young artists. The competition is intended for professional artists up to 35 years of age and its aim is to help them start their artistic career. The works entered in the competition are evaluated by an international jury. In addition to the recognition of the experts, the winners receive a financial prize. Each year, the competition is accompanied by an exhibition of works by the 20 finalists, helping to introduce contemporary young art to the public.

Cover



Alexandra Barth

(*1989, Malacky)

Mistress of the House (2015)

acrylic on canvas, 165× 165
cm collection of the VUB
Foundation

Alexandra Barth received an unofficial honorable mention from the international jury in 2015 and in 2016 she made it to the finals. While her formal language is close to the practices of American pop art (Alex Katz, Roy Lichtenstein) or advertising illustration - a combination of painting, graphic stencils and spray paint - it paradoxically serves to convey the artist's personal and focused observation of the world around her. Barth studied at the Academy of Fine Arts in Bratislava in the fourth studio of Professor Ivan Csudai. She lives and works in Bratislava.

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To our partners

Dear Partners,

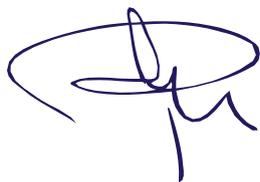
2016 was a successful year for the Bank. I am pleased to report that we achieved excellent business results, outperformed our competitors and significantly increased our share in key markets. I am pleased that we have achieved these milestones by taking a responsible approach to our business activities. As a responsible bank, we are taking on a greater responsibility that is not limited to the economic impacts of our business, but also to the social and environmental ones.

Doing business responsibly means succeeding in ways that honour ethical values, value people, improve communities and protect the environment. Day-to-day management decisions focus on managing the economic, social and environmental impacts of the Bank's activities on its partners.

We provide our clients with high-level banking and financial services that create and activate instruments for the development of Slovakia's economic system. We always treat our employees who contribute to our mission with respect without distinction. We create for them a healthy, motivating and fair environment that brings higher productivity and dedication in their work activities. Our goal is to build a shareholder relationship based on trust and satisfaction. We are always transparent with our suppliers, and their selection is subject to meeting the objective conditions applicable to each of the potential suppliers. We are aware that our decisions have a direct and indirect impact on the environment and therefore we support the sustainable development of the business environment. We want to contribute to the benefit of society and the through the promotion and implementation of cultural and public benefit projects. The Bank strives to be a good neighbour and we help the communities where our partners live and operate to develop through various projects.

However, ethics and responsibility must not remain a mere statement. We must put these words into practice, because without accepting them, we cannot be a successful company with satisfied clients. And that is our primary goal.

Bratislava, 30 June 2017



Alexander Resch

Chairman of the Board of Directors and Chief Executive
Officer of Všeobecná úverová banka, a.s.

About this report

VUB Bank publishes its tenth annual Corporate Responsibility Report, prepared for the second time in accordance with the G4 version of the Global Reporting Initiative (GRI) international guidelines. The report reports on VUB's economic, social and environmental performance. The present report

contains qualitative data for the calendar year and the financial year 2016, which are comparable to previous financial periods. It is published on [v](#). In the interest of conserving natural resources, the report is published only in an electronic version. Responses and questions can be sent to [v](#).

Overview of corporate responsibility reports issued

	Date of issue	GRI reporting level
Report for 2016	30. 6. 2017	basic level
Report for 2015	30. 6. 2016	basic level
Report for 2014	20. 4. 2015	B+, audited
Report for 2013	2. 4. 2014	B+, audited
Report 2012	2. 4. 2013	B+, audited
Report 2011	2. 4. 2012	B+, audited
Report for 2010	31. 3. 2011	B+, audited
Report for 2009	31. 3. 2010	B+, audited
Report for 2008	31. 3. 2009	B+, audited
Report for 2007	20. 8. 2008	B+, audited



Profile and management

Vision, mission, values

VISION

We want to be the best bank in the country in customer satisfaction and continue to excel in profitability and operational efficiency.

MISSION

Aware of the value our activities and services bring to society based on its needs and on the basis of trust and respect for all clients, employees and shareholders, we strive to create a sense of belonging among our employees and the community and to compete in the marketplace with a sense of fair play and to promote sustainable growth and results.

VALUES

VUB Bank's corporate culture and code of ethics include values that help us achieve the expected results. Values that guide our actions in complex situations requiring a choice between several paths, always keeping sustainable development in mind. They are an elemental element in the success of the work of individuals and of the Bank as a whole and are published on page [v](#).

INTESA SANPAOLO GROUP VALUES

These values apply to all banks and subsidiaries in the Intesa Sanpaolo Group. They define what ethical rules and principles of business we follow.

We act transparently

We are committed to transparency in our activities, advertising and contracts so that all stakeholders can make independent and informed decisions.

We promote equality

We are committed to eliminating discrimination of any kind from our actions and to respecting differences based on gender, age, race, religion, political opinion, union membership, language ability or disability.

We act responsibly

We strive to make the best and most efficient use of resources, avoiding excessive waste and ostentation, and prioritising choices that keep sustainable development in mind.

We listen carefully

Our work is guided by the value of each individual. We use attentive listening and dialogue as the main tools to continuously improve our relationship with all .

We improve quality

We focus on continuously improving the quality of our products, services and communication channels. We continuously support the personal and professional growth of our employees and strive to improve the efficiency of our organisation in order to optimise it in terms of cost and time. We aim for continuous improvement, foresight, preparedness for challenges, cultivation and stimulating creative innovation. At the same time, we recognize and reward merit.

We act fairly

We pursue our goals with honesty, integrity and responsibility, while respecting the rules and professional ethics as well as the spirit of the signed contracts.

We respect differences

We intend to combine large operations with deep local roots and be a bank with a broad vision losing sight of the individual.

VUB BRAND VALUES

They speak to who we are and are deeply embedded in everything we do.

Simplicity

We want to offer products and services that are simple and that people understand. We can adapt and respond flexibly.

Usefulness

Our goal is to solve specific problems of people, we try to bring relevant solutions. Behind the innovations we bring, we look for added value for our clients.

Humanity

We think about the needs of both clients and employees and want to build long-term relationships with them. We are not people who have become bankers, but bankers who have remained people.

Humor

We believe that everything goes better with a smile and that is why we strive to make sure that our clients have a reason to smile every time they visit VUB Bank.

Company Profile

KEY INDICATORS

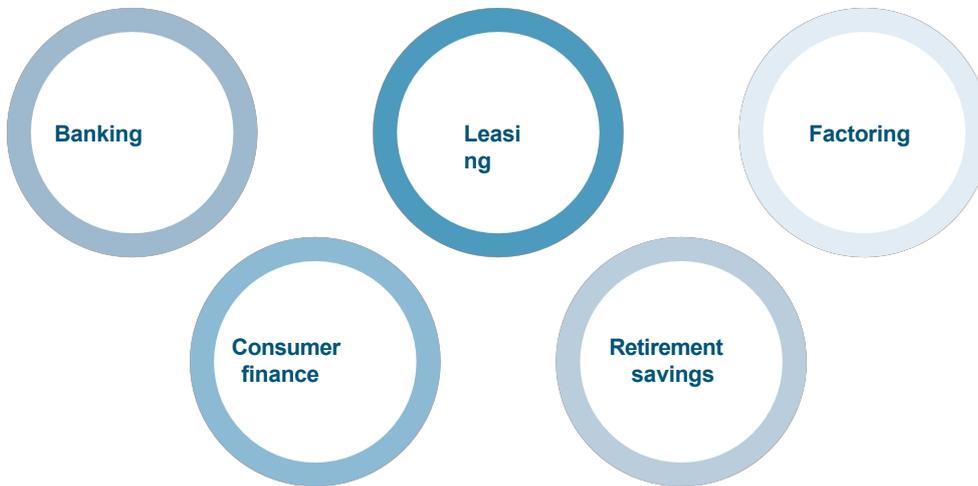
Economic	2016	2015	2014
Loans to clients (in euros)	10.2 billion	8.8 billion	8.0 billion
Customer deposits (in euros)	9.7 billion	8.5 billion	7.9 billion
Share capital (million)	430,82	430,82	430,82
Number of clients	1 135 457	1 202 804	1 227 856
Number of trading places	237	236	239
Percentage of local suppliers		90	90
Social			
Number of employees	3 439	3 456	3 493
- of which women	2 476	2 520	2 568
- of which with disabilities	46	42	37
Percentage of turnover	18,4	15,7	13,4
Number of injuries	11	4	3
Support to non-profit organisations (in thousands of euros)	225	200	238
Environmental			
Energy consumption per employee (kWh)	4 001	4 168	8 031
Paper consumption per employee (kg per year)	153	147	140
Water consumption per employee (litres per day)	11	12	14

VUB Bank was established on 1 1990 by spinning off its commercial activities for corporate clients in the Slovak Republic from the State of Czechoslovakia. It is a public joint-stock company and operates in Slovakia and the Czech Republic. A turning point for our business was in 2001, when the majority stake in VÚB banka was acquired by the major Italian banking group IntesaBci (now Intesa Sanpaolo). VUB Bank is currently the second largest bank in Slovakia.

VUB Bank manages deposits of EUR 9.7 billion and loans of EUR 10.2 billion. Currently, the bank has more than 1.1 million clients in its portfolio. In recent years, it has been one of the most profitable banks in Slovakia. The shareholder structure is presented in the Shareholders chapter.

THE VÚB GROUP PROVIDES A WIDE RANGE OF SERVICES

VUB Bank is the only universal bank licensed to provide a full range of banking services to retail, corporate and institutional clients. Through its subsidiaries it offers services in the field of leasing (VÚB Leasing), pension savings (VÚB Generali), consumer finance (Consumer Finance Holding) and factoring (VÚB Factoring). The bank is also an intermediary offering insurance products.



ABOUT THE INTESA SANPAOLO GROUP

The Italian banking group Intesa Sanpaolo, in Turin and Milan, is the majority shareholder of VUB Bank with a 97.02% stake in the company's share capital. Intesa Sanpaolo Financial Group was formed in January 2007 by the merger of the major Italian banks, Banca Intesa and Sanpaolo IMI. Both banks

both had a significant position in the the Italian financial market and contributed significantly to the consolidation process of the Italian the Czech banking sector.

The Intesa Sanpaolo Group has a leading position in Italy and is one of the major banks providing financial products and services to households and companies in Europe. It has a strategic presence in Central and Eastern Europe and the region. Through its subsidiary banks, it operates in the following countries: Albania, Bosnia and Herzegovina, Croatia, Egypt, Hungary, Romania, the Russian Federation, Serbia, Slovenia and Slovakia ✓.



Economic indicators

The real economy remained positive for Slovak banking in 2016. GDP growth remained above 3% and the labour market continued to improve further, with the number of jobs in the economy rising to an all-time high and the unemployment rate falling below the euro area level for the first time ever.

EU-funded investment did see a correction in previous growth, which slowed construction activity in major infrastructure projects, but on the other hand, new housing construction has started to grow at levels not seen since the boom of 2006-07. The number of dwellings under construction has reached the highest level in the post-communist era. Meanwhile, the pace of industrial growth has remained very respectable, thanks in particular to production, where production capacity is still expanding as Jaguar Land Rover has confirmed its intention to invest in Slovakia.

As for retail trade, consumer spending has finally picked up, but it has still not reached its potential created by the dynamic strengthening of the labour market. People continued to use the improved financial situation to invest housing rather than for consumption. As a result, demand for mortgages remained strong, keeping growth in housing loans at double-digit levels.

Price developments reflected these diverging trends, i.e. relatively weak consumer spending against strong demand. Consumer inflation thus remained negative for the third year in a row, while house prices rose at a rapid annual rate approaching 10%.

Alongside an improving labour market and rising wages, falling interest have supported demand for housing loans. Indeed, the interest rate environment in Slovakia reached one of the lowest levels in the euro area in 2016. Both Slovak government bond yields and rates on new housing loans in the key 1 to 5-year fixing segment reached for a time the lowest level of all euro area countries except Germany.

However, in addition to stimulating demand for credit, low interest rates have begun to affect the profitability of the banking sector. The sector's net interest income declined by almost 5% year-on-year. Overall, profitability still grew year-on-year, but only due to temporary factors, namely the sale of the VISA stake, the reduced bank levy rate, lower provisions and income. Apart from these factors, the sector's net profit fell year-on-year as of September.

VUB Bank's financial results were of course also affected by this extreme interest rate environment. In fact, even the huge 17% growth in total loans achieved by the VUB Group could not sufficiently offset the impact of the declining margins on interest income. So it is clear that without volume growth the negative impact of declining margins on profitability would have been even greater. And that's why it was very important that we were able to significantly increase our market share in lending in 2016. While at the end of 2015 our share of total bank loans in the Slovak market was 18.5%, in December 2016 this share was 19.9%.

In addition to our excellent business performance, which has enabled us to outperform our competitors and significantly increase our share in key markets, trends in operational efficiency and the quality of our loan portfolio have also developed positively. These developments enabled us to achieve the best possible financial results and largely offset the negative impact of declining margins and increasing regulatory costs.

MARKET SHARES

	k 31. 12. 2016	k 31. 12. 2015	k 31. 12. 2014
Total assets	18,8 %	17,7 %	17,6 %
Client deposits	17,8 %	16,7 %	16,8 %
Loans to clients	19,9 %	18,5 %	18,4 %
Mortgage loans	42,1 %	40,4 %	41,6 %
Branch network	18,5 %	18,1 %	18,7 %
Payment cards	22,7 %	24,4 %	25,8 %
ATMs	20,8 %	20,9 %	21,1 %
EFT POS terminals	21,1 %	16,3 %	18,2 %

The full results are published in VUB's Annual Report 2016 [v](#).

Number of VUB Bank employees	k 31. 12.
2016	3 436
2015	3 456
2014	3 493

Staff structure	k 31. 12. 2016
Members of the Board of Directors	6
Managers	539
Non-managers	2 899

DIRECTORIAL COMPANIES WITH PART-OWNERSHIP OF VÚB, a.s.**Consumer Finance Holding, a.s.**

Headquarters: Hlavné nám. 12, 060 01 Kežmarok

Shareholders: VUB, a.s.

Share of VUB, a.s.: 100 %

Main : Provision of non-bank loans

VÚB Leasing, a.s.

Headquarters: Mlynské nivy 1, 829 90 Bratislava

Shareholders: VUB, a.s.

Share of VUB, a.s.: 100 %

Main : Finance and operating leasing

VUB Factoring, a.s.

Headquarters: Mlynské nivy 1, 829 90 Bratislava

Shareholders: VUB, a.s.

Share of VUB, a.s.: 100 %

Main : Execution of factoring and forfaiting transactions

TRADE NETWORK

VUB's business network, which serves more than 1.13 million clients, is the second largest in Slovakia. VUB's management is based in Bratislava.

	2016	2015	2014
Retail branches	196	193	196
Mortgage centres	11	11	11
Corporate branches	29	32	32
Magnifica centres	8	-	-
Branch office in Prague	1	1	1
Number of ATMs	575	572	572

We want to be closer to our clients, which is why they can use our services at more than 200 branches across Slovakia. We are remodelling our branches into a modern design so that our clients feel comfortable, like at home, because a satisfied client is our priority. We have more than 500 ATMs in Slovak towns and villages for convenient access to your account. Our branches and ATMs are also located in areas with low density. A list of all branches and ATMs can be found at [v](#).

MEMBERSHIP OF ORGANISATIONS

In 2016, VUB Bank was an active member of several associations and professional societies. The most important professional association is the Slovak Banking Association, which is the key association in the Slovak financial sector and the only organisation representing the interests of banks operating in Slovakia. Other important organisations of which VÚB banka was a member are the Italian, American and German Chambers of Commerce, the Association of Securities Traders and the Slovak Chamber of Commerce and Industry. We are a member of the Business Leaders Forum, which brings together leaders in promoting the principles of responsible business in Slovakia.

EVALUATIONS

The safest bank in Slovakia

The 23rd edition of the prestigious competition of Global Finance magazine, a respected economic magazine, was once again successful for VUB Bank. After 2012, 2014 and 2015, when Global Finance evaluated VUB Bank as the safest bank in Slovakia, in 2016 it was awarded the most important title of the best bank in . Criteria such as asset growth, profitability, strategic relationships, customer centres, pricing or innovation in products and services are decisive in selecting the best ones.



Best banking partner of the year

Every year, the financial advisory company Gepar Finance organises a survey of the best cooperation between brokers and banks. For brokers specializing in mortgages, the best bank partner is VÚB Bank. Thanks to the helpfulness and assistance of VÚB Bank's mortgage specialists and branch managers, as well as the professional approach of the employees from the Mortgage Outside Sales Department and their professional relationship with brokers, VÚB Bank managed to defend its first place from 2015.

Mortgage of the Year 2016

The portal www.FinancnaHitparada.sk announces a professional evaluation of banking products for the second time and also in 2016 it evaluated the best on the Slovak financial market. In the portal's professional evaluation in the Mortgage of the Year 2016 category, the mortgage loan from VÚB banka scored the highest. VÚB banka thus confirmed its position as a leader on the Slovak mortgage market.

Mortgage of the Year 2016, Refinance Mortgage of the Year, Innovation Award

The expert jury of the third annual Fincentrum & TREND Mortgage of the Year competition decided on the best mortgage products on the market. The Mortgage of the Year and the Refinance Mortgage of the Year were awarded to the products of VÚB banka, which once again confirmed our position as a leader on the Slovak mortgage market. The judges appreciated our proactivity related to the change of legislation, valid from

March 21. We were the first bank in Slovakia to introduce a mortgage loan with an interest rate below 1.combined with interesting benefits. The organizers also awarded two special assessments. The award for innovation went to VÚB banka.



HERMES Communicator of the Year 2016

The HERMES Communicator of the Year project aims to motivate institutions in Slovakia to improve the quality of communication. It wants to draw the attention of the professional public to the importance of communication towards clients and to support the development of communication and legal literacy of the general public. VUB Bank was the winner in the Banking category. The bank won based on the results of a representative quantitative survey conducted by MEDIAN SK.



Award for effectiveness in advertising

The prestigious Effie award is given annually by the Club of Advertising Agencies of Slovakia to the most effective advertising campaigns and concepts in Slovakia. The award for the communication concept with Petra Polnišová in 2016 went to VÚB banka. It can be stated that VÚB banka is the most effective communicating bank on the Slovak , as no other Slovak bank was awarded.



TECHBOX BANKING APP 2016

The 2016 NAY TECHBOX of the Year competition is the sixth annual consumer poll for the best products, operators and banking apps of the year. The aim of the poll is to recognise the best of the year from a consumer perspective. The selection is narrowed down to six nominees in each category, chosen by an expert panel of experienced technology editors from TECHBOX magazine and TECHBOX.sk. In the 2nd year of the competition category, VÚB Bank took 2nd place with the VÚB Mobil Banking application.



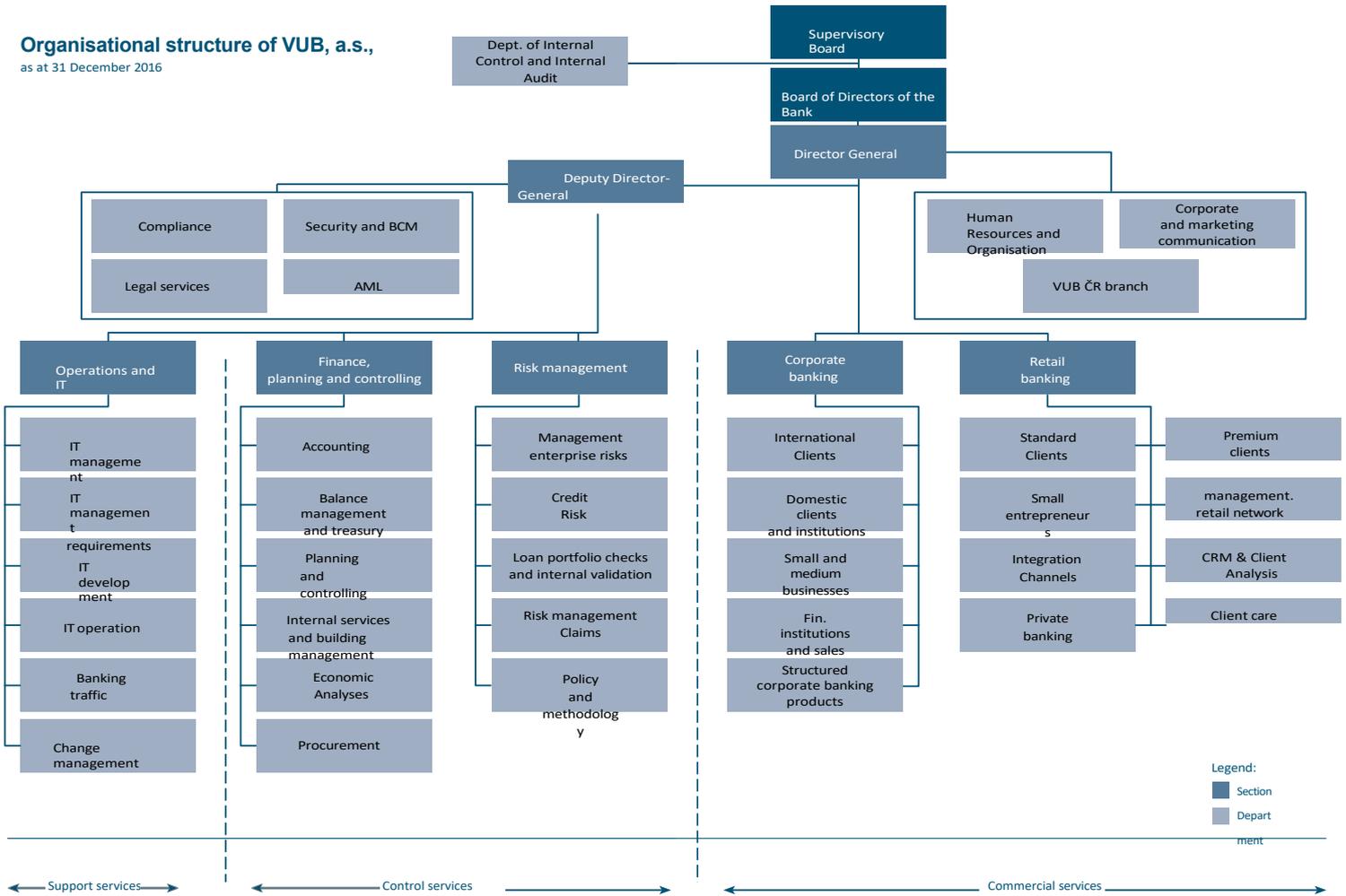
Smart Bank 2016

The second year of the Smart Banka survey brought a nationwide competition for the best banking applications in Slovakia. In a public vote, the best banking applications were evaluated according to their functions and features offered by individual banks to their customers. As many as 11,715 people participated in the voting for the best Slovak banking apps, deciding on the winners and expressing their opinion on mobile banking in Slovakia. In this ranking, VÚB banka ranked .



Organisation and management

Organisational structure of VUB, a.s.,
as at 31 December 2016



GOVERNANCE

Like its parent company Intesa Sanpaolo, VUB Bank applies a dual model of administration and control in which control activities and strategic management are separated from the management of business, which are carried out by **the Bank's Board of Directors**. Ownership and management are thus clearly defined, with the Supervisory Board acting as a filter between shareholders and the Management Board. The bank's management has full executive power, while the **Supervisory Board** performs a control. This model ensures transparency and reduces the risk of conflicts of interest.

ORGANISATIONS OF THE BANK

The bodies of VUB, a.s. are:

- a) General Assembly,
- b) Supervisory Board,
- c) Board of Directors.

GENERAL ASSEMBLY

The General Meeting is the supreme decision-making body of the Bank, representing all shareholders, and its decisions approved in accordance with applicable law and the Bank's Articles of Association are binding on all shareholders. The General Meeting shall be composed of all shareholders present at the General Meeting. Members of the Supervisory Board and the Management Board of the Bank regularly attend General Meetings to contribute to their smooth running and to respond to shareholders' questions and suggestions. The Management Board is obliged to convene an Ordinary General Meeting within three months of the preparation of the annual accounts and their. If the interests of VUB, a.s. so require, and in the cases provided for by law, an extraordinary general meeting may be convened.

SAFETY ADVICE

The Supervisory Board is the Bank's supreme controlling body. It supervises the performance of the Management Board's duties and the Bank's business activities. A member of the Supervisory Board may not be a member of the Management Board of VUB, a.s. and, with the exception of members of the Supervisory elected by the employees of VUB, a.s., a member of the Supervisory Board may not be an employee of VUB, a.s.

The Supervisory Board shall review and submit to the General Assembly conclusions and recommendations concerning in particular:

- the performance of the tasks assigned by the General Meeting to the Board of Directors;
- compliance with these Articles of Association and legal regulations in the activities of VUB, a.s.;
- business and financial activities of VUB, a.s., accounting, documents, accounts, the state of assets of VUB, a.s., its liabilities and receivables.

The Supervisory Board shall have a minimum of three and a maximum of seven members, including its chairman and at least one vice-chairman. The members of the Supervisory Board shall be elected and dismissed by the General Meeting. Their term of office shall be three years.

MEMBERS OF THE SUPERVISORY BOARD IN 2016

Ezio Salvai	Chairman of the Supervisory Board (independent member)
Ignacio Jaquotot	Vice-Chairman of the Supervisory Board
Luca Finazzi 2016)	Member of the Supervisory Board (since 23 May
Paolo Sarcinelli	Member of the Supervisory Board
Christian Schaack	Member of the Supervisory Board (independent)
Andrej Straka	Member of the Supervisory Board (employee representative)
Ján Gallo	Member of the Supervisory Board (employee representative)

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board in accordance with the relevant provisions of the Banking Act No. 483/2001 Coll. 431/2002 Coll. as amended, and the relevant provisions of the Articles of Association of VUB, a.s., established the **Audit Committee**, the **Remuneration Committee** and the **Risk Management Committee**.

Audit Committee

As at 31 December 2016, the Audit Committee had five members, including the Chairman. The Audit Committee met four times in 2016. The matters by the Audit Committee relate to: the preparation of the financial statements and compliance with specific regulations; the effectiveness of the Bank's internal control and risk management system; compliance with regulatory requirements; the audit of the individual financial statements and the audit of the consolidated financial statements. The Audit Committee shall further review and monitor the independence of the auditor, in particular the services provided by the auditor under the special regulation; recommend the approval of the auditor to perform the audit for the Bank and set a deadline for the auditor to submit an affidavit of independence. The Audit Committee regularly invited the Bank's external auditor to its meetings.

The control function at VUB, a.s. is performed by the Bank's Internal Control and Internal Audit Department, whose rights and duties, except those defined by law, are determined by the Supervisory Board. The recommendation and prior approval of the Supervisory Board is a condition for the appointment or dismissal of the Director of the Bank's Internal Control and Internal Audit Department, as well as for the determination of the remuneration attributable to this function. In 2016, the Supervisory Board invited the Chairman of the Audit Committee and the Director of the Bank's Internal Control and Internal Audit Department to its meetings.

Remuneration Committee

The Remuneration Committee has been operating at VUB Bank since July 2012. It has 3 members, all of whom are members of the Supervisory Board. The Committee meets at least once a year. Its main tasks are to independently assess the remuneration principles of selected functions (in accordance with the Banking Act) and their impact on risk management, own funds and liquidity; to prepare decisions regarding the remuneration of selected functions, including decisions affecting risk and risk management in the Bank, to be made by the VUB Management Board; to take into account the long-term interests of the Bank's shareholders, investors and other stakeholders when preparing these decisions; and to oversee the remuneration of selected functions.

Risk Management Committee

The Risk Management Committee was established by decision of the Supervisory Board in September 2015. It has 3 members, two of whom are members of the Supervisory Board. The Risk Management Committee is part of risk management primarily with supervisory, advisory and sub-ordinate units, especially in monitoring the risk management system and risk management strategy and their implementation.

BOARD OF DIRECTORS

The Board of Directors is the statutory body managing the Bank's activities. It is authorised to act on behalf of the Bank in all matters and represents VUB, a.s. before third parties, courts and other authorities.

The Board of Directors manages the activities of VUB, a.s. and decides on all matters of VUB, a.s., unless they are reserved by law or the Articles of Association to the competence of other bodies. In particular, the Board of Directors shall:

- a) executes the decisions of the General Assembly and the Supervisory Board,
- b) maintains the prescribed accounting and other records, books of business and other documents of VUB, a.s,
- c) maintains the issuer's register of securities,
- d) submitted to the General Meeting for after prior approval and on the recommendation of the Supervisory Board:
 - amendment of the Bank's Articles of Association,
 - proposals to increase and decrease the share capital and to issue bonds,
 - ordinary, extraordinary or consolidated financial statements,
 - proposals for the distribution of current or retained earnings from previous years and/or proposals for the reimbursement of outstanding losses from the current year or from previous years,
 - annual report,
- e) approves and periodically reviews the Bank's Remuneration Policy.

Members of the Management Board are elected and dismissed by the Supervisory Board. The Supervisory Board shall at the same time determine which of the members of the Management Board shall be the Chairman and, if a Vice-Chairman or Vice-Chairmen has been appointed, shall at the same time determine which of them shall be the Vice-Chairman or Vice-Chairmen of the Management Board. The terms and conditions of office of the members of the Company's Management Board are regulated in the Contract on the performance of the duties of a member of the Management Board in accordance with the relevant provisions of the Commercial Code, Act No. 483/2001 Coll. on Banks, the adopted Remuneration Principles and other relevant .

MEMBERS OF THE BOARD OF DIRECTORS IN 2016

Alexander Resch	Chairman of the Board of Directors and Chief Executive Officer
Elena Kohútíková	Member of the Board of Directors and Deputy CEO Antonio
Bergalio	Member of the Board of Directors and Senior Director of Finance, Planning and
Jozef Kausich	Member of the Board of Directors and Senior Director of Corporate
Controlling	Banking
Peter Magala	Member of the Board of Directors and Senior Director of Risk Management
Peter Novák	Member of the Board of Directors and Senior Director of Operations and IT
Martin Techman	Member of the Board of Directors and Senior Director of Retail Banking

The biographical data presented in the Annual Report 2016 [v](#) contain information on the professional competence of the members of the Supervisory Board and the Management Board in the sphere of finance and banking, as well as information on their practical experience, which is a guarantee of effective management of the company in line with the Bank's economic, environmental and social strategy. The Bank has adopted the Remuneration Policy of VUB, a.s. (Remuneration Policy), which is in compliance with the Intesa Sanpaolo Group Remuneration Policy, Act No. 483/2001 on Banks and other relevant legislation. The objective of the Remuneration Policy is to prevent inappropriately risky behaviour, behaviour aimed achieving only short-term results and to manage potential conflicts of interest. It aims to align the individual objectives of the members of the Management Board with the long-term interests of the VUB Group. At the same time, the individual performance of each position is assessed through the achievement of Key Performance Indicators, which represent sustainability targets and economic, financial, operational or risk-adjusted indicators. The terms and conditions of office of the members of the Company's Management Board are regulated in the Management Board Member's Performance Contract in accordance with the relevant provisions of the Commercial Code, Act No. 483/2001 Coll. on Banks, the adopted Remuneration Principles and other relevant legislation.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors establishes a number of specialised committees, mainly related to risk management, :

- Corporate Credit Committee,
- Asset and Liability Management Committee,
- Credit Risk Committee,
- Operational Risk Committee,
- a committee for the introduction of new products,
- Project Portfolio Management Committee,
- the risk claims management committee and the watchlist.

INFORMATION DISCLOSURE AND TRANSPARENCY

1. The Bank applies strict rules on the protection of confidential information, maintains and regularly updates a list of persons with access to confidential information.
2. Information on management methods is published on VUB Bank [v](#)'s website in the "About VUB" section. Information for shareholders is published on VUB Bank [v](#)'s website in the section "Information for shareholders".
3. The members of the Management Board and the Supervisory Board have no personal interest in the Bank's business activities. The Bank strictly complies with the provisions of Act No. 483/2001 Coll. on Banks (hereinafter referred to as the "Act on Banks"), as amended, concerning the provision of business to a person with a special relationship to the Bank. Pursuant to the Banking Act, the unanimous consent of all members of the Board of Directors is required for the conclusion of an active trade, based on a written analysis of the trade in question; the person to whom the trade is excluded from the decision-making process. The Bank shall not enter into transactions with persons having a special relationship with it which, by their nature, purpose or risk, would not be entered into with other customers.
4. The Bank complies with the Code of Corporate Governance in Slovakia as well as the rules of the Bratislava Stock Exchange, which regulate the disclosure of all material information. The Company's compliance with these regulations ensures that all shareholders and potential shareholders have access to information on the financial position, economic results, ownership and management of the Company, on the basis of which they can make informed investment decisions. The Slovak Corporate Governance Code is available on the website of the Central European Corporate Governance Association (CECGA), [v](#). The Stock Exchange Rules are available on the website of the Bratislava Stock Exchange, [v](#), under "BSE Rules".
5. The company actively supports a constructive dialogue with institutional investors and ensures timely information to all shareholders about the General Meetings and announcements through its own website not only in Slovak, but also in . This enables active participation of both foreign and domestic investors.
6. The Bank applies the changes resulting from Act No. 566/2001 Coll. on Securities and Investment Services and on Amendments and Supplements to Certain Acts (hereinafter referred to as the "Act"), in the European context of the so-called MiFID Directive (Markets in Financial Instruments Directive) and continues its activities aimed at investor protection and strengthening client confidence in the provision of investment services. The main objective of the MiFID Directive is to increase financial consumer protection in the field of investment services. The essence of the MiFID Directive lies in the categorisation of clients according to their knowledge and experience in the investment field in order to provide the client with a responsible level of protection, in the bank's obligation to act in the best interest of the client when executing his/her orders in relation to financial instruments (best execution), in the increased requirements for market transparency and for the organisation of the bank as a dealer to ensure internal controls and the avoidance of conflicts of interest.
7. The Bank continues to provide payment services under the Payment Services Directive (PSD). The aim of this law is, among other things, to provide the same high level of transparent information on payment services so that consumers can make business decisions and make purchases throughout the European Union. In the interests of transparency, it sets out harmonised requirements necessary to ensure the provision of necessary and sufficient information to users of payment services concerning the contract for the provision of payment services and payment transactions.
8. The Bank continuously informs the investing public about transactions concluded with listed shares and bonds via the [v](#) website.

Key areas in the value creation process

The activities of all VUB Bank's departments for 2016 were defined with the intention of moving forward and creating the conditions for the fulfilment of the strategic objectives, which are based on the objectives of the parent company Intesa Sanpaolo, today. In the long term, we have set our sights on 3 key areas, the improvement and deepening of which brings a positive name to the bank and added value to the business:

- Client satisfaction,
- Balance sheet and operating profit,
- Employee engagement.

Priorities in meeting the *Client Satisfaction* objective include stabilising the client portfolio, where we place emphasis on improving the onboarding process for new clients and client retention. We are rolling out various activities to activate passive clients with whom we want to set up a relationship and work more effectively. Acquiring and retaining every client who is active - engaging with the bank, taking an interest in its activities and providing feedback - is an opportunity for the bank to develop. Monitoring their behaviour gives the bank the opportunity to define the direction it should and facilitates decision-making on setting new rules.

Engaged and properly motivated employees are one of the key areas. On the one hand, they understand the bank's strategy, they are interested in the activities that the bank initiates and take the basic settings into their activities, on the other hand, they understand the client's needs, work proactively with them, are able to effectively propose solutions that the bank offers and thus create space for business. In 2016, we focused on activities that make it easier for employees to work with clients in a number of ways. We streamlined sales processes and client service models, and in 2017 we will continue to introduce useful sales tools and focus on fair performance reviews in relation to expectations.

The third strategic area is that of *balance sheet and operating profit*. In order to grow and add value to our day-to-day business, we maximise the potential created by changes in the bank's external and internal environment. External influences, employee ideas, suggestions from our existing and potential clients, which are the result of dialogue with our clients, are opportunities for us to take advantage of the potential on offer and move forward. We bring relevant new offerings or new ways of accessing products and services, we work to the attractiveness of our products and services, we introduce a benefits programme, and we update the propositions and revise the pricing for all key products. A product catalogue prepared in this way opens up opportunities for growth in production and market share, attracting new clients, but at the same time helping to maintain the stability of the current portfolio.



**Our
approach to responsible
business**

Adoption of international standards and commitments

GLOBAL COMPACT

VUB is a signatory to Global Compact [v](#), a strategic initiative of the United Nations focused on accountability in business. The globally recognised initiative is designed for companies and organisations that have decided to align their mission and daily work with ten principles in the areas of human , working conditions, the environment and anti-corruption. This initiative not only helps companies save money and motivate employees, but also has a positive impact on the economy and society as a whole. Today, the initiative brings together more than 10,000 companies from 130 countries.



These principles are fully consistent with VUB's values. Every year, VUB Bank issues an annual report in which it declares compliance with these principles, and this was no different in .

EQUATOR PRINCIPLES

Intesa Sanpaolo is committed to the so-called Equator Principles [v](#). They consist of a set of international rules for project finance developed by a group of international banks on the basis of the policies of the International Finance Corporation (International Finance Corporation). The principles are based on the World Bank's environmental and social standards and are applied to financing projects worth more than USD 10 million. The Principles guide financial institutions in selecting projects to reduce social and environmental risks in project finance. They oblige applicants for financing to prepare a mandatory environmental impact report.



In 2016, VUB Bank provided financing for one project that met the Equator Principles criteria. It was a power plant generating electricity from renewable sources (incineration of sludge).

GLOBAL REPORTING INITIATIVE

Parent Intesa Sanpaolo is accredited as a GRI Organisational Stakeholder. VUB Bank supports the mission to develop international reporting guidelines that are internationally recognised and highly credible. The guidelines consist of principles defining the content of the report and ensuring the quality of the information reported. They also contain standards for disclosure of information consisting of performance indicators and reportable parameters, with the weight and importance of each component considered equivalent. Reporting according to the Global Reporting Initiative (GRI) guidelines is a way of measuring and disclosing accountability information to internal and external stakeholders against the company's sustainable development goal. The GRI Reporting Framework is a generally accepted framework designed to report on:

- economic area,
- social,
- environmental area.

In preparing the Corporate Responsibility Report each year, VUB Bank follows the Sustainability Reporting Guidelines, which are defined in the GRI Guidelines. In 2016, the report was compiled for the second time according to the G4 version of the international guidelines. In previous years, the reporting level was B+ according to the GRI methodology.

ISO 26000

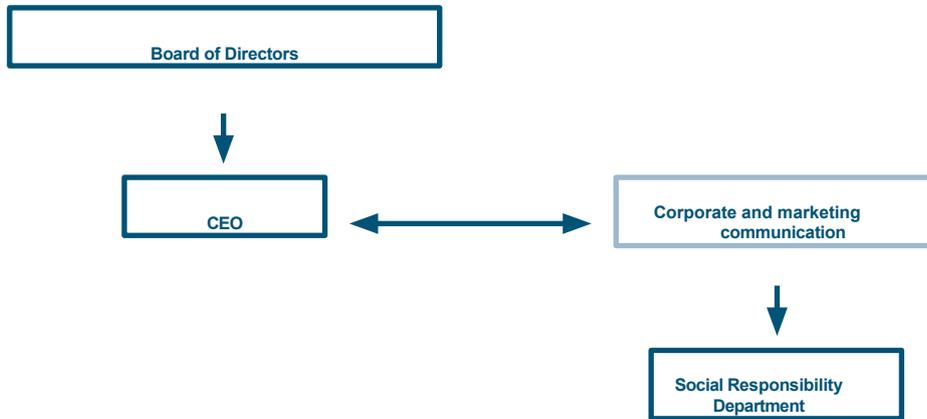
ISO 26000 is part of the international standards issued by ISO - International Organization for . ISO 26000 is a designation of standards for corporate social responsibility and compliance with codes of ethics. VUB Bank has started the process for its



acquisition in 2015 and implemented the necessary activities in 2016. The aim of the standard is to strengthen the accountability of organisations for their behaviour and thus increase their contribution to sustainable development. The standard provides guidance for improvement in three core areas of accountability (the so-called Triple Bottom Line), namely:

- social responsibility,
- economic ,
- impacts.

Management model and strategy



CORPORATE SOCIAL RESPONSIBILITY DEPARTMENT

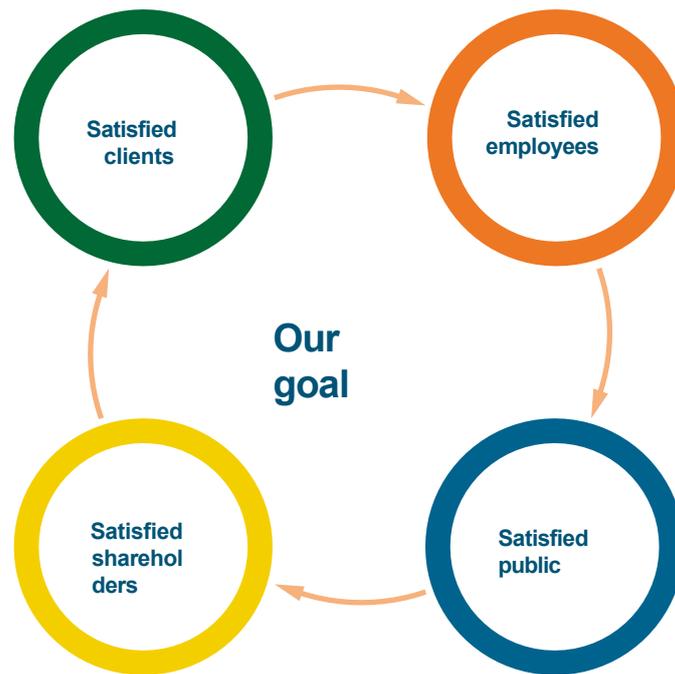
The department is included in the bank's organisational structure as part of the Corporate and Marketing Department, which reports directly to the CEO. The department is headed by the Responsibility Manager, who also a member of the International Corporate Responsibility Coordination Group of the parent company Intesa Sanpaolo. The role of the department is to coordinate VUB Bank's corporate responsibility activities.

The department's responsibilities include:

- implementation of corporate responsibility principles in VUB Bank's activities,
- Coordinating responsible business conduct in line with the Bank's business strategy,
- monitoring all aspects of corporate responsibility at VUB Bank,
- national and international reporting,
- Compiling annual corporate responsibility reports for domestic and foreign entities/organisations,
- development of internal dialogue and division of responsibilities between the different sections of the Bank,
- setting the Bank's responsibility objectives and ambitions,
- Representing the Bank in external dialogues with partners and professional forums,
- Corporate philanthropy,
- VUB Foundation.

Managerial decisions in the area of corporate responsibility are the responsibility of the CEO, with all activities reported to the Bank's Board of Directors on a regular, quarterly basis. Codes and policies relating to responsible business conduct are always approved by the Board of Directors, which is responsible for economic, social and environmental performance.

CORPORATE RESPONSIBILITY STRATEGY



The subsidiary banks implement the same values, policies and principles of corporate responsibility in their activities as the parent Intesa Sanpaolo. The model applied by the parent company is based on the fact that, like the bank itself, all employees are accountable in their day-to-day activities. A comprehensive approach to sustainability is important, reflecting the needs of the bank's various partners, be they owners, employees or clients. This results in the implementation of common policies and principles of corporate responsibility.

Methodology reporting

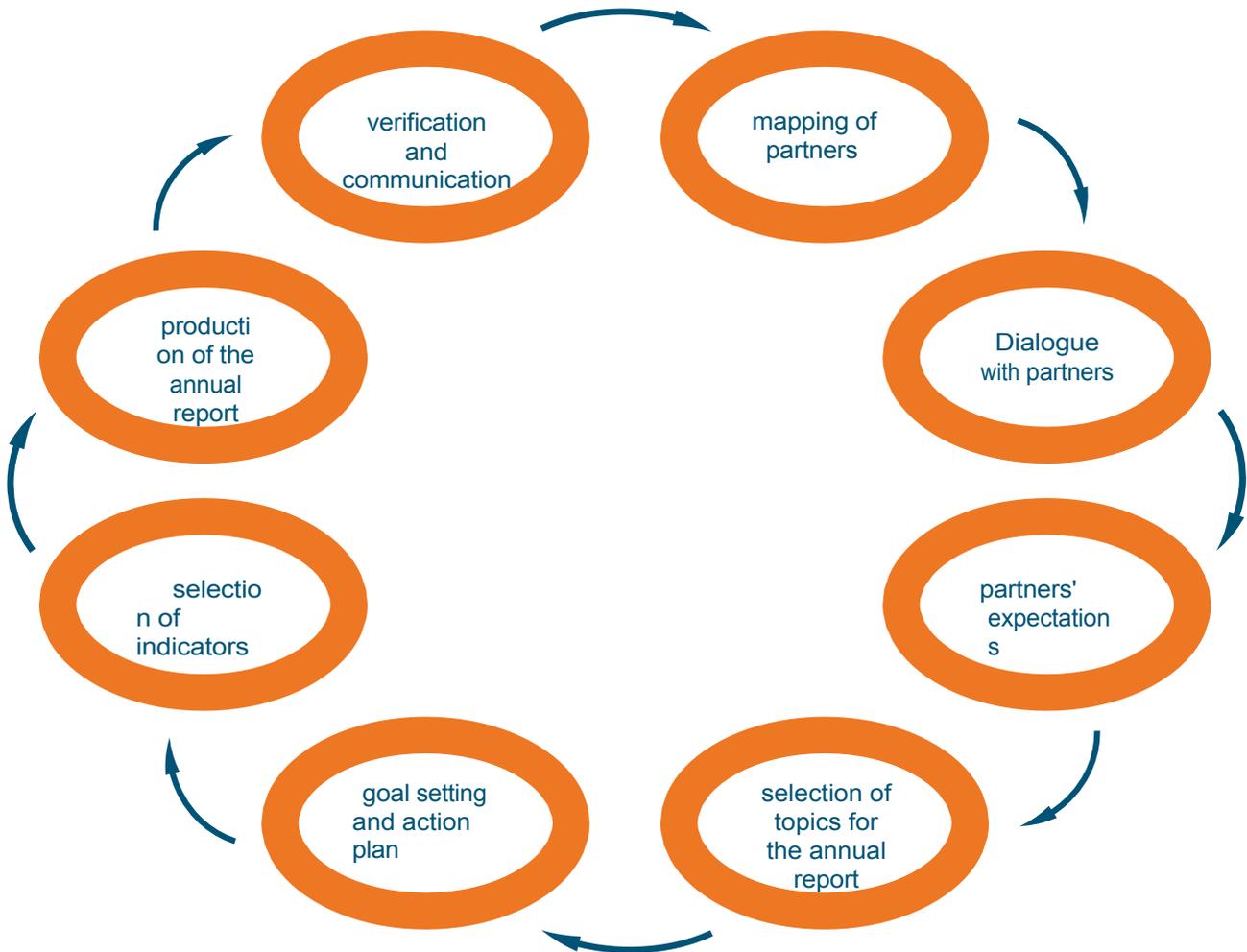
STRUCTURE AND CONTENT

This report presents information in the context of sustainable development and includes topics where VUB Bank has a significant economic, environmental and social impact or where its decisions have an impact on partners' decisions.

The report is divided into a number of chapters that map out our areas of influence on each partner group and the impact of partners on the Bank. The entire content is divided into two main parts. The first part includes the *Profile and Governance* chapter, which describes VUB Bank's profile, identity, governance system, mission, and values, and the *Our Approach to Corporate Responsibility* chapter, which focuses on corporate responsibility management and the implementation of its principles.

The second part of the report consists of chapters devoted to individual groups of partners, i.e. those entities that are significantly influenced by VUB Bank's activities and to whom we feel the greatest responsibility, and at the same time, which have a significant impact on the Bank's activities. These are clients, employees, shareholders, suppliers, the community and the environment. In identifying these categories, we have drawn on the corporate responsibility strategy of the parent bank, Intesa Sanpaolo, which has used the methodology of the AA1000 principles (in particular the AA1000 SES Standard) of the London-based Accountability Institute. The report documents the results achieved by the bank with respect to the objectives set in its business. The data was collected and compiled by the Corporate Responsibility Department. The report documents exclusively VUB Bank's activities; the activities of subsidiaries are not included in the report. The only occasional exception is in the area of community responsibility, where information and data relating to the activities of the VUB Foundation are interwoven. This has been chosen for activities that VUB Bank and its Foundation have jointly implemented and financed. An annex to the report is an overview prepared according to the GRI guidelines, which includes the disclosure of the profile and management approach for all indicator categories.

REPORTING CYCLE



COMPLIANCE WITH GLOBAL REPORTING INITIATIVE GUIDELINES

The content has been compiled according to the Sustainability Reporting Guidelines from the fourth edition of the Global Reporting Initiative Edition. The bank's profile, strategy and management approach in each area and 46 indicators are reported. A list of the indicators reported and the management approach for each indicator category is attached in the form of an overview table. Compliance with the GRI guidelines has been verified by an external verifier, the Pontis Foundation, which is a GRI partner organisation in the Slovak Republic. The verifier's opinion is presented in the Annex to this report. The verifier was not involved in the verification of the quantitative and qualitative data presented in the report.

Who are our partners

PRIORITISATION OF STAKEHOLDERS

There are many entities that VUB Bank influences and is influenced by. However, it is essential to identify those that are most important in this relationship. To this end, we have prioritised the stakeholders in a clear tabular form. Prioritisation is a process whereby each stakeholder is rated on a binary scale (1-yes, 0-no) in terms of the stakeholder's impact on the Bank, and then in terms of the Bank's impact on the stakeholder in the economic, social and environmental spheres. If the sum of the scores for each stakeholder ranges from 3 to 6, we consider these stakeholders to be important in relation to VUB Bank, and for the purposes of the Corporate Responsibility Report we refer to them as 'partners'.

OVERVIEW OF THE RESULTS OF THE STAKEHOLDER PRIORITISATION

Stakeholders	Impact on VUB Bank			Impact of VUB Bank			Total
	econo mic	Social	envi-ronmental	econo mic	Social	envi-ronmental	
Clients	1	1	1	1	1	1	6
Staff	1	1	1	1	1	1	6
Shareholders	1	0	0	1	1	0	3
suppliers	1	0	1	1	0	0	3
Community	1	1	0	1	1	1	5
environment	1	0	0	1	0	1	3
Media	1	0	0	0	0	0	1
Government	1	0	1	0	0	0	2
Local Government	0	0	1	1	0	0	2
employee representatives	1	1	0	0	0	0	2

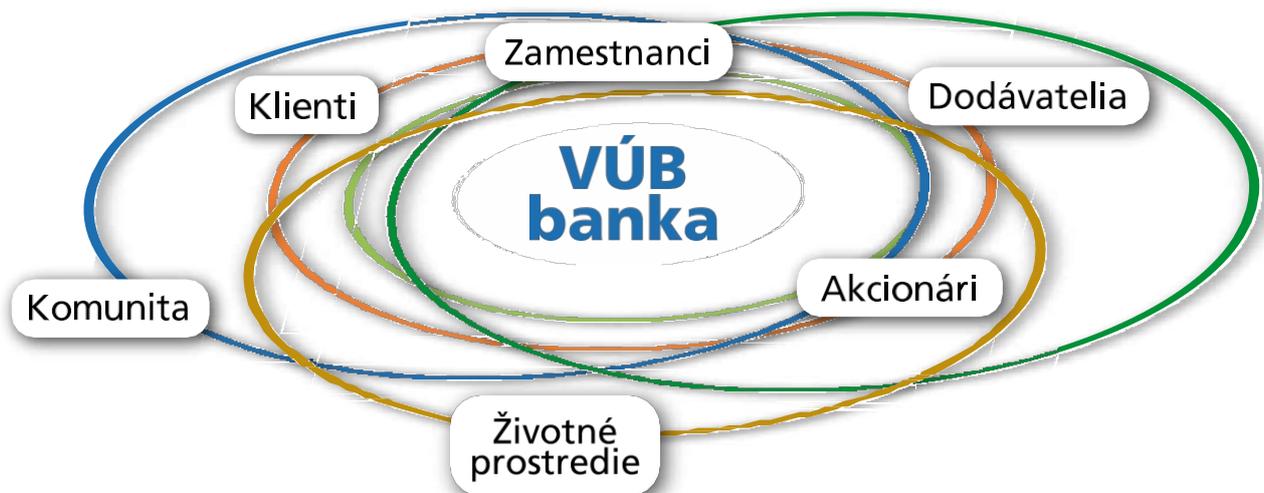
Partners are therefore individuals or groups who are influenced by VUB Bank's activities, but also influence them. From

this perspective, VUB Bank's partners are:

- Clients,
- Staff,
- Shareholders,
- Contractors,
- Community,
- .

Although the interests, demands, expectations and needs of the partners differ, there is a linking and overlapping of their influence. It is true that not every expectation can be met and not every partner has the same influence.

INFLUENCE OF PARTNERS ON THE BANK'S BOARD



Each group of partners is discussed in detail in separate chapters. VUB Bank is well aware of how important it is to strengthen trust with all partners who are in contact with us - by caring for clients and employees, supporting the development of local communities, protecting the environment and creating shareholder value in the long . Each of our partners reflects the needs and expectations want to meet. Communication is the most effective tool to achieve

Dialogue with partners

VUB Bank implements several activities aimed at effective communication and dialogue with individual groups of partners. Communication and dialogue ensure that the needs and requirements of partners are correctly identified, including with regard to the environment.

We communicate bilaterally with our partners:

1. by providing information through various communication channels (press, advertising, internet) and through annual reports (financial annual report, responsibility report),
2. monitoring their needs and then their satisfaction through internal and external surveys (client satisfaction surveys, focus groups, etc.).

The main forms of dialogue with partners are:

- client satisfaction surveys,
- customer ,
- employee surveys and polls,
- websites, social networks, online media,
- discussion between staff and Bank management,
- press releases, articles, newsletters,
- emails, letters, phone calls,
- personal meetings.

The forms of dialogue and communication with partners implemented are specified in the individual chapters of this report. The dialogue with partners results in measures and commitments that the Bank implements in its business and action plans. All these measures help us to fulfil the Bank's mission, to improve our services and products, and to manage our relationship with the Bank's partners in such a way that our relationship is evenly balanced to the satisfaction of both parties.

Analysis of relevance

The Corporate Responsibility Report 2016 deals with aspects - topics that are important to VUB Bank's partners. The themes were identified through a relevance analysis in the same way as in the parent company Intesa Sanpaolo. It is a process that is structured according to the GRI G4 guidelines, the main reference standard for sustainability reporting. Considerations that reflect the significant economic, social and environmental impacts of the organisation or that could significantly influence shareholders' assessments and decisions are considered material.

The process recommended by the GRI comprises three phases:

IDENTIFICATION → DETERMINATION OF PRIORT TOPICS → CONFIRMATION (VALIDATION)

1. Identification of relevant topics

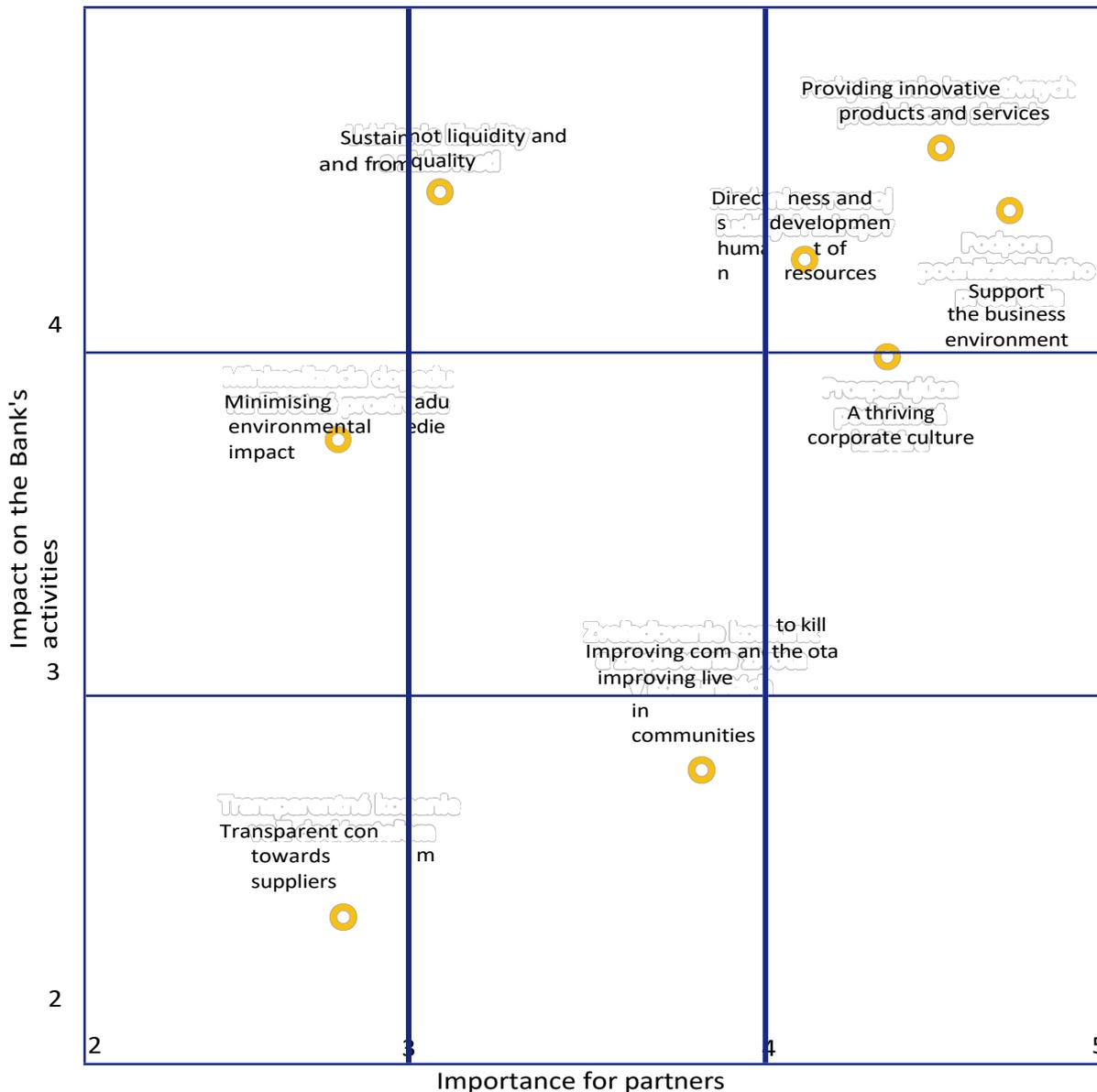
In identifying relevant topics, we based our analysis on internal and external documents with regard to mega-trends that could have an impact on VUB Bank, such as:

- Internal documentary sources including the strategic plan, senior management communications, AGM minutes, shareholder communications, internal policies and Code of Conduct submissions,
- External documentary sources, including the Sustainable Development Reporting Benchmarks (G4),
- VUB Bank's Corporate Responsibility Report,
- Resources from national and international institutions (World , World Economic Forum) to identify general and specific megatrends in the banking sector.

2. Prioritisation of themes and definition of a relevance matrix

The involvement of partners and the dialogue process form the core of the relevance analysis. In order to prioritise the themes identified, we considered each of them from two perspectives. On the one hand, we define how much impact the topic has on the Bank's activities, and on the other hand, how relevant the topic is to the partners. These two aspects represent the two axes of the relevance matrix below.

RELEVANCE MATRIX



The priority themes addressed in the Corporate Responsibility Report are defined according to the main objective of the individual partners and are:

- Maintaining liquidity and profitability (shareholders),
- Human resource management and development, thriving corporate culture (employees),
- Providing innovative products and services, supporting the business environment (clients),
- Minimizing the impact on the environment (the),
- Enhancing communities and improving community life (community),
- Transparent behaviour towards suppliers (contractors).

3. Validation of the matrix

In defining the scope of the themes identified, we have taken into account all the positive and negative impacts on partners. In order to assess the broader context of sustainability, we took into account the risks and opportunities arising from the topic as well as the potential impact on VUB Bank's strategy in the long .

Achievement of objectives for the year 2016

Area	Targets and commitments 2016	State of fulfilment
Clients	To improve service and become "the best bank for the client".	x x x x
	Strengthen dialogue with clients to better understand their needs, get closer to them and maximize their satisfaction.	x x x x
	Use the findings from the dialogue with the client to implement new solutions, offer relevant products and services, use a targeted service model and appropriate distribution channel.	x x x x
	Strengthen its position in the field of modern banking. Focus on digital - mobile - paperless banking.	x x x x
	Simplification of sales processes and service.	x x x x x
	Build a trusted relationship between client and business specialist based on partnership and advice - We understand business.	x x x x
	Educate clients on financial literacy.	x x x x x
	Build long-term professional and positive relationships with clients. To be a lifelong guide and advisor in the world of finance.	x x x x
Staff	Simplify internal rules and reduce their number.	x x x x x
	Increase employee engagement, strengthen employee motivation and improve the benefits on offer.	x x x x
	Introduce mentoring at headquarters.	x x x x x
	Intensify the dialogue with employees to ascertain their satisfaction, also focusing on training activities.	x x x x
	Improve the work-life balance of employees.	x x x x x
	Streamline inter-departmental communication and cooperation and introduce new rules for a culture of communication.	x x x x
Suppliers	Introduce e-tendering for more procurement cases.	x x x x x
	Streamline purchasing by reducing the number of forms and increasing their computerisation.	x x x x x

Area implementation	Objectives and commitments 2016	Status of
Environment	Introduce energy-saving measures by replacing inefficient equipment with equipment in a better energy class.	x x x x
	Be a member in SKGBC - green buildings.	x x x x
	Install efficient MaR technologies on heating systems to reduce gas consumption.	x x x x
	Introduce electricity saving measures, especially in the area of lighting.	x x x x
	Make waste separation more efficient.	x x x x
Community	Develop a new grant program focused on community projects.	x x x x
	Ensure the sustainability of the Foundation's activities and programmes.	x x x x
	Put more emphasis on regions by supporting projects in economically weaker areas of Slovakia.	x x x x

Legend: x x x x x completed, project closed

x x x x x partially implemented or in preparation

x x x x x Mostly met, project not closed

x x x x x not met

Business ethics and the management of sensitive aspects

The main pillars of our corporate responsibility are ethics and transparency, which are also expected by our partners. VUB Bank has established a Code of Ethics, the adherence to which in specific actions helps to implement ethics in business activities. The Code of Ethics is a set of principles that is of strategic importance to us and regulates the conduct of our employees. Its adoption is required of everyone without distinction. Compliance with the Code of Ethics is continuously monitored and violations are sanctioned. The Code of Ethics is followed by a corporate anti-corruption programme with specific systemic and organisational measures, including an internal control system.

The great responsibility that we as a bank have towards all our partners goes hand in hand with compliance with many legal regulations, which are supervised by various regulators. However, VUB Bank is also governed by rules that are not stipulated by any law and are not supervised by any authority. However, we consider such rules to be essential for ethical and transparent conduct. During 2016, VUB Bank was neither in any litigation nor a party to any proceedings.

INTERNAL AND EXTERNAL ETHICAL STANDARDS

VUB Bank continues to improve its corporate governance and, in cooperation with its parent company Intesa Sanpaolo, is establishing its own internal corporate responsibility rules beyond the basic framework required by Slovak legislation. The following internal and external regulations are in force:

- VUB Code of Ethics,
- Internal principles of conduct,
- Accepting gifts,
- Environmental Policy,
- The policy of not funding weapons,
- Whistle Blower ,
- Relationship management policy with political parties and politically exposed persons, clients operating in the arms and risk , clients from risk countries and transactions with risk countries in the VUB Group,
- codes.

VUB Code of Ethics

VUB's Code of Ethics, one of the pillars of its corporate culture, is based on the Code of Ethics of the Intesa Sanpaolo Group. It is a binding document that presents a framework of ethical and moral values, the observance of which is a fundamental prerequisite for ethical and transparent growth and sustainable development. It defines the principles of conduct in relation to all VUB Bank's partners that raise the level of standards. Each individual within the Bank must adopt and adhere to them in order to have the trust of all stakeholders. As a management tool and part of the Group's broader vision of social and environmental responsibility, the Code of Conduct places the highest importance on relations with all stakeholders. An electronic version of the document is published [at V](#).

Failure to comply with the Code of Conduct is sanctionable and reports of violations may be sent to [v](#). We are committed to protecting those who report violations of the Code of Conduct in good faith from retaliation, discrimination or punishment, and to ensuring the utmost possible discretion, unless otherwise required by law. In 2016, there were three internal violations of the Code of Ethics in an employee-to-employee relationship. The three reported breaches of the Code of Ethics by clients related to inappropriate behaviour of employees towards clients in crisis situations. All complaints were properly investigated and sanctions were taken against the staff members.

Internal principles of conduct

The Code sets out the basic principles of conduct for the Bank's representatives, employees and external collaborators, who are obliged to perform their duties responsibly, honestly, fairly and professionally, to promote the interests of the Bank and the Group, and to take into account the interests of clients and shareholders. The exercise of decision-making powers and all business activities must therefore reflect all the values and principles contained in the Code. The Parent Intesa Sanpaolo and all Group companies promote respect for applicable laws and regulations as well as compliance with the general principles of conduct set out in the Code at all decision-making and operational levels. The Code of Conduct must be observed in every geographic context where Intesa Sanpaolo operates in order to protect the assets, integrity and reputation of each company and the Group. Employees are informed of the principles through appropriate training and information systems, and compliance is monitored by an adequate internal control system.

Accepting gifts

This internal policy is based on the Code of Ethics of VUB Bank and forms an annex thereto. It regulates the principles and restrictions on the behaviour of the Bank's representatives and employees when accepting gifts. It also sets limits on the acceptance of donations, deals with the handling of donations and establishes a Register of Received.

Environmental policy

An environmental policy is a written commitment to protection that sets out the mission and objectives for environmental management. The policy defines the VUB Group's approach to the prevention, management and, where , reduction of direct and indirect environmental impacts generated by its business activities. As part of its corporate responsibility, VUB Bank is committed to minimising the impacts of its business activities and reducing the environmental impacts of its activities, including in cooperation with partners. Although we are not a significant polluter of the environment, we are aware of the issue of environmental pollution and so we make it a priority to that any negative impact on the environment is minimal.

Non-weapons financing policy

This policy is adopted by VUB Bank from its parent Intesa Sanpaolo. In line with the values and principles of the Code of Ethics, it defines the prohibition of financing and execution of transactions related to the import and export of arms and weapons systems. Members of the Group may assist clients in transactions relating to existing inter-governmental agreements or other transactions for national armies, police forces or other armed forces of the State that can be considered compatible with the spirit of the "unarmed bank - a bank that does not support arms", subject to authorisation by the competent unit of the Intesa Sanpaolo Group.

Blower Policy

If an employee of VUB Bank discovers a violation of internal regulations or legal provisions in the course of his/her work activities, he/she has the right and opportunity to share his/her complaint viapodnety@vub.sk andetickykodex@vub.sk [v](#) on the basis of this policy. The policy also provides an opportunity for any supplier or potential supplier of the Bank to file a complaint, including an anonymous complaint, as part of or in connection with the procurement process for the purpose of seeking redress. The Regulation regulates the procedure and manner for dealing with employee and customer complaints and complaints from suppliers or potential suppliers.

Relationship management policy with political parties and politically exposed persons, clients active in the arms industry and risk industries

In particular, the policy regulates:

- managing relations with political parties and politically exposed persons in order to preserve impartiality and independence

The aim is to prevent potential reputational risks related to political parties and politically- involved persons through the impartial and independent conduct of the VUB Group. By this obligation is meant the fact that companies belonging to the VUB Group will exercise the utmost caution when entering into business relations with political parties and politically exposed persons.

- management of relations with clients operating in the arms industry

In the context of upholding the values and principles defined in the Code of Ethics, the main objective of this policy is to prevent VUB Bank and its subsidiaries from participating in the financing of activities and transactions related to the production of weapons equipment as well as trade in such equipment for military purposes.

- managing relationships with clients operating in risky business areas (industry risk)

Clients and potential clients operating in the sectors/business areas listed below are considered at risk within the VUB Group:

- exchange offices,
- Credit Unions,
- bars, nightclubs, casinos,
- gaming rooms with more than 3 slot machines,
- security agencies,
- sex shops and pornography distributors,
- collection agencies,
- brokerage companies,
- bookmakers,

- managing client relationships and transactions to/from risky countries (country risk).

Intesa Sanpaolo's clients and potential clients from selected countries, as well as all types of transactions and payments to and from these countries, are considered to be at risk, as required by Intesa Sanpaolo's binding regulations and rules.

Area-specific codes

VUB Bank is also committed to complying with other codes defined for specific areas. are:

- Code of Conduct for banks in the field of protection,
- European agreement on pre-contractual information,
- Code of Ethics for Housing Loans (ESIS); in March 2016, this Code of Ethics was replaced by the regulation of Act No. 90/2016 Coll. on Housing Loans,
- Code of Ethics for Advertising Practice.

VUB Bank, as a member of the VUB Group, follows the rules and policies of its parent company Intesa Sanpaolo in the area of corporate responsibility. The full text of the binding regulations can be found at www.vub.sk ✓ and www.intesasanpaolo.com ✓.

CONFIDENTIAL DATA PROCESSING AND CLIENT PROTECTION

Processing of confidential data

We respect and protect our client's privacy. We handle the confidential data of our clients in accordance with Act No. 122/2013 Coll. on the Protection of Personal Data, as amended, with the utmost care and with their knowledge and consent. We publish and continuously update a list of third parties to whom we have provided client data on page

✓:

- List of VUB's intermediaries in the area of processing personal data of clients and persons to whom personal data constituting banking secrecy is disclosed,
- List of third parties and recipients to whom clients' personal data and data constituting bank secrecy are provided and disclosed.

At the same time, we are also preparing intensively for the new legal framework introduced by the General Data Protection Regulation 2016/679 (GDPR).

We consider the privacy of our website users to be a crucial issue. Therefore, VUB Bank processes cookies transparently and in accordance with legal requirements to the extent and for the purpose specified in its document "Cookies at VUB, a.s., which is available on page ✓.

Client protection in the provision of payment services

VUB Bank continues to implement effective measures aimed at better informing clients when providing payment services in connection with the implementation of the PSD (Payment Services Directive) in Slovakia through the Payment Services Act. At the same time, it further enhances the knowledge of its own employees through internal training activities in order to guarantee the highest possible customer comfort when using payment services in practice.

Client protection in financial intermediation

VUB Bank aligned its activities with the requirements of Act No. 186/2009 Coll. on financial intermediation and financial counselling and on amendment and supplementation of certain acts, as amended, in order to provide clients with the protection required by law. In order to ensure greater protection of clients' rights, VUB Bank strives to treat each client as a retail in financial intermediation. Basic information on financial intermediation, the products that are the subject of it and the tied and subordinated

financial agents with whom VUB Bank cooperates, we publish on our .

Client protection in consumer credit

VUB Bank provides consumer loans in accordance with Act No. 129/2010 Coll. on consumer credits and other credits and loans for consumers and on amendment and supplementation of certain acts, as amended.

Investor protection (MiFID)

VUB continues to provide the highest possible protection not only to retail clients, but also to clients in the higher category of professional clients. VUB Bank has adopted and is continuously improving a number of measures aimed at protecting investors and addressing their complaints. The basis for this legislation is the Markets in Financial Instruments Directive (MiFID, implemented in the Act. Our clients have documents available on the Bank's website to help them better understand financial instruments and the provision of investment services. In the context of the implementation of Directive 2014/65/EU ("MiFID II") and Regulation 600/2014 (MiFIR"), the Bank has been working hard to align its processes and product portfolio with the challenging requirements by this legislation.

CONFLICT OF INTEREST POLICY

VUB Bank undertakes to avoid conflicts between the private interests of its employees and the interests of the Bank. Employees are obliged to take the required measures to avoid conflicts of interest. Should such a conflict arise, employees shall resolve it in favour of the Bank. Employees shall never use their relationship with the Bank to advance their personal interests or to damage the Bank's reputation by their actions, nor shall they use their position or confidential information to favour an applicant for employment with the Bank or a person to establish a business with the Bank. The Bank regularly evaluates the measures and procedures implemented to prevent, minimise and address potential conflicts of interest. VUB Bank has implemented measures to minimise the occurrence of external conflicts of interest in the economic activities of employees and in transactions between the bank and an employee or a person close to an employee. Employees should consult with their supervisor about their work activities outside their main job or involvement in business activities. The Bank has no objection to employees engaging in non-work activities as volunteers or otherwise, that such activity does not interfere with the performance of regular work for the Bank or contravene the internal rules of the Bank and the Intesa Sanpaolo Group.

VUB also applies and complies with specific measures against conflicts of interest in the area of investment services. Their main objective is to prevent conflicts of interest or to manage unavoidable conflicts of interest in such a way that VUB Bank avoids the risk of damage to the interests of its clients. These measures are monitored and their effectiveness is regularly evaluated. In connection with the occurrence of a potential conflict of interest, VUB Bank declares that it will disclose the nature and source of the conflict to its clients prior to the provision of an investment service or the performance of an activity and will always put the clients' interests ahead of its own in the event of their provision or performance. In the event of a conflict of interest between the clients themselves, it will ensure equal and fair treatment of all affected clients.

FIGHT AGAINST MONEY LAUNDERING AND TERRORISM

In the fight against money laundering and financing of terrorism, we act in accordance with both Slovak and European legislation and ensure the protection of our clients as well as the bank itself. In the banking sector, we are a partner for the Financial Investigation Unit (FIU), which actively reviews the signs of client behaviour reported by us, and we are also under the permanent supervision of the regulatory authority, the National Bank of Slovakia.

We are increasingly active in relation to protecting banks from money laundering and terrorist financing and are paying more to this area. We do not want to even indirectly encourage these negative phenomena by facilitating financial flows through our products, services or in any connection with the Bank. For these reasons, we adhere to strictly set internal rules to prevent money laundering and terrorist financing through the detection of unusual business transactions. To this end, the Bank has developed and implemented its own Anti-Money Laundering and Anti-Financing of Terrorism Programme based on/on:

- Slovak legislation,
- European legislation,
- FATF international recommendations, Basel Committee on Banking Supervision recommendations, Wolfsberg Principles, US Patriot Act,
- Intesa Sanpaolo's group policy on laundering, as well as towards entities and countries at risk.

We apply enhanced due diligence (Customer Due Diligence) in accordance with applicable legislation, taking into account the risk profile of individual clients.

Within the organisational structure, the Bank has defined a specialised unit responsible for the implementation, execution and coordination of activities related to the protection against the misuse of the Bank for money laundering and terrorist financing purposes, reporting directly to the Deputy . The unit is also responsible for detecting unusual business operations and cooperating with the relevant regulators, and ensuring that all financial operations are monitored in accordance with the requirements of the law and international legislation. This unit also evaluates foreign payment transactions in real , thus preventing in the first instance the link between the banking sector and a sanctioned or risky person/country.

NON-DISCRIMINATION

At all levels and in relation to all its partners, VUB Bank adheres to the principles of non-discrimination, which are firmly enshrined in our Code of Ethics and Value System. One of VUBB's values is *"We promote equality - We are committed to excluding any discrimination from our actions and to respecting differences based on gender, age, race, religion, political opinion, membership, language ability or disability."* For more information on how to apply, see [Employee v](#).

CORRUPTION AND FRAUDULENT PRACTICES

The Bank has created a specialised unit, which is part of the Risk Management Division and deals with the detection of fraud and corruption, working closely with the Internal Audit and Internal Control Department and the Compliance Department in particular. All Bank employees are aware of the internal ethical standards and the zero tolerance principle and have access to basic information on the steps to be taken in the event of any suspicion of corruption or fraud. As the Bank has an eminent interest in detecting corruption and fraud, it has proactively implemented the Whistle Blower Policy. In this policy, the Bank also implemented in 2016 the requirements of Act No. 307/2014 Coll. on Certain Measures Related to the Reporting of Anti-Social Activity, as amended.

The bank does not hide the detected cases of corruption and fraud from its employees, but on the contrary, it has decided to inform and educate its managers to continuously improve their work and eliminate shortcomings and mistakes in this area in the future. For this reason, the managers are informed of some of the cases that have in the past.

All newly recruited employees of the retail network are given a special lecture on fraud and corruption risks as part of their induction training, where they are alerted to the typical signs of risky behaviour. The main objective of this training activity is to increase prevention and reduce the incidence of such cases.

Clearly defined attitude and principles

VUB Bank meets and is committed to high moral and ethical standards based on clearly stated principles. These principles have been communicated to all the Bank's employees in various forms (distributed brochures, internal campaign, publication on the intranet). The principles are as follows:

- The Bank requires all employees to act with honesty, integrity and to protect the resources and information in their work environment or for which they are responsible.
- The Bank is committed to ensuring that the risk of fraud and corruption is reduced to the lowest possible.
- This policy applies to all unusual cases involving both employees and external consultants, suppliers, contractors and/or any other third party in a business relationship with this organisation.
- All employees must make their own decisions in accordance with the interests of the Bank. They must not act with the aim of obtaining financial or other material advantage for themselves, their family or loved ones.

Zero tolerance

VUB Bank clearly proclaims its fundamental principle of zero tolerance to corruption and fraud. All employees of the Bank are informed about the following principles:

- The Bank will not accept any form of fraudulent or corrupt behaviour, therefore each case will be thoroughly investigated and appropriate action will be taken.
- Any involvement in fraud or attempted fraud will lead to dismissal and possible prosecution.
- The necessary investigation will be carried out regardless of the relationship of the person concerned to the organisation, the position or the length of employment.

Measures to reduce corruption and fraud Internal

control system

The Bank has various controls built into its processes to minimise the risk of corruption and fraud. The Bank establishes the need for a control mechanism in every process where there is a risk of corruption and fraud (e.g. decision verifications, 4 eyes control, access rights management, etc.). The internal control system consists of three levels: statutory, executive and supervisory.

Internal audit

The Bank has established an Internal Audit and Internal Control Unit, which is an independent supervisory body (the unit reports directly to the Bank's Supervisory Board, not to the Management Board). One of its main tasks is to review the functionality of the internal control system, compliance with external and internal legislation, including the Bank's Code of Ethics, review of control system failures and suspected internal fraud.

In 2016, the Internal Audit and Internal Control Unit reviewed the internal control system in all corporate branches, in approximately half of the retail branches and also performed a number of specialised audits related to the risk of internal fraud and corruption. All key processes in the bank, selected on the basis of an annual risk map, were also reviewed. Based on the risks identified in the individual audits, the Bank immediately took corrective action and set up regular monitoring of such areas and informed the relevant government authorities where necessary.



Our partners

Clients

Clients are one of our most important partners and therefore they are at the centre of our attention and our priority. No matter whether the client is an individual or a large company, we treat everyone with the same responsible and professional approach.

The client care strategy is based on three pillars:

- development of retail banking,
- development of the medium and small business segment,
- improving the quality of services, improving processes, innovating the bank's products and distribution channels.

The aim is:

- to be the number choice for our clients,
- to be a strong, stable and secure bank,
- increase profitability in line with sustainability and responsibility.

OUR CLIENTS

At the end of 2016, VUB Bank had **1 135 457** clients (including the Prague branch).

	2016	2015	2014
Individual clients	1 124 993	1 192 207	1 216 568
Corporate clients	10 464	10 597	11 470
Total	1 135 457	1 202 804	1 228 038

INDIVIDUAL CLIENTS

Our focus is on retail banking, where we serve over 1.1 million clients:

- citizens - natural persons,
- small entrepreneurs and sole traders,
- ,
- .

For this clientele, we still maintain a significant market position in many areas of banking. We are aware of the importance of our client base and therefore, from 2016, we started to apply the so-called *segment approach*, where we focus on building a long-term and positive relationship with our clients through targeted activities.

- With standard clients, we look at their needs throughout the entire lifecycle and become a guide that can find solutions to everyday problems.
- We approach affluent clients through a personal banker who provides advice and a professional approach to managing the client's wealth.
- Entrepreneurs and small businesses get a partner in our bank in the form of a business specialist who provides solutions to a variety of business issues.

Individual clients - breakdown by age

	2016	2015	2014
0 - 25	290 261	157 917	168 530
26 - 40	222 287	337 631	350 849
41- 60	462 642	409 000	416 372
> 61	149 803	287 659	280 817

The average age of a VUB client in 2016 was 46.01 years, which is approximately the same as in the previous period.

Individual clients - average age

	2016	2015	2014
	46,01	46,38	45,89

The average length of a client's relationship with the bank in 2016 was 12.15 years, a slight decrease from the previous period.

Individual clients - average length of business relationship

	2016	2015	2014
	12,15	12,78	12,07

Individual clients - breakdown by length of business relationship with the bank

	2016	2015	2014
Less than 1 year	66 798	67 119	75 823
2 - 4 years	119 767	125 455	141 365
5 - 7 years	133 626	143 077	154 210
8 - 10 years	134 130	145 815	163 182
Over 10 years	670 672	710 741	681 988

CORPORATE CLIENTS

Corporate clients represent an important segment in VUB Bank. We provide them with our services associated with a professional and personal approach in 32 corporate branches across Slovakia. We use local knowledge combined with international know-how, and offer products designed to contribute to environmental sustainability. Our clients are:

- small and medium-sized enterprises,
- large companies,
- towns and villages,
- Farmers,
- Owners of flats and non-residential premises that are managed by an administrator or a community of flat owners (SVB).

MUNICIPALITIES

VUB Bank is a long-term and strong partner also in the segment of local governments, to which it offers a range of specialised products such as overdraft, revolving or investment loans from the Samospráva product line. We significantly participate in co-financing projects supported by EU funds aimed at the development of infrastructure of cities, municipalities and regions. The loans offer an optimal and flexible solution for all current EU funds programme calls, which are currently the predominant form of financing investment activities of local governments.

CLOSER TO CLIENTS

THE BUDDING NETWORK

VUB Bank provides its products and services in Slovakia in the second largest network of retail branches. As of 31 December 2016, 232 outlets were available to customers.

Number of trading places

	2016	2015	2014
Retail branches	189	193	196
Mortgage centres	11	11	11
Magnifica centres	8	0	0
Corporate branches	23	32	32
Prague	1	1	1
Total	232	237	240

All branches of VUB Bank and their outlets are available to customers 5 days a week. In each regional city, at least one branch is open 7 days a week and 10 hours a day. In 2016, there were 21 such outlets (20 retail branches and 1 Magnifica centre).

We strive to make our branches easily accessible for people with . All new outlets have wheelchair access and when renovating older outlets we make sure that such access is built in.

Number of branches with barrier-free access



CONTACT CENTRE

In 2016, the Contact Centre continued to pursue the Bank's strategy of being close to its customers through modern e-banking. The client chooses how he wants to communicate with the bank. Operators are ready to help clients via phone, email, web chat or Facebook.

Nonstop banking services not only provide clients with 24-hour support and the ability to carry out active transactions and operations, but clients can also borrow money quickly and easily in the form of a pre-approved loan or take out various types of insurance directly during a call with a *Contact* operator. All this without visiting a branch and without printing paper documentation, saving clients time and costs. The year-on-year business results of VUB Bank's Contact Centre (19% increase in client requests and 8,800 closed transactions) confirm that this way of selling is welcomed by clients.

In addition to direct sales, we facilitated more than 12,000 sales meetings at our for clients as part of our service-to-sales approach, thus contributing to the realisation of additional new business.

ATMS

VUB Bank ranks second in in the number of ATMs. As of 31 December 2016, VÚB banka had 575 ATMs.

Number of ATMs



In 2016, we expanded the number of ATMs with a deposit module. They are located in self-service zones and, in addition to standard cash withdrawals, allow customers to deposit banknotes independently of the opening hours of the outlet. They are installed mainly at branches in large shopping centres and at those branches where clients make large numbers of deposits.

Year	2016	2015	2014
Number of ATMs with deposit facility	18	11	5

POS PAYMENT TERMINALS

The number of payment terminals supporting contactless technology, which enables fast and secure payment for goods and services, is growing every year in Slovakia. In addition, VUB Bank allows additional services such as bill payment or recharging prepaid SIM cards of mobile operators on its terminals in agreement with selected merchants. In the whole year 2016, cardholders made transactions with a turnover of EUR 966 million in VUB Bank's payment terminal network.

Coverage by contactless terminals of VUB Bank

Year	2016	2015	2014
Percentage of the number of VUB terminals	73	63	42

The trend of shifting transactions away from the previously popular ATMs in favour of cashless payments made via payment terminals or via the internet continues, where 74% of the total number of card transactions were made in 2016.

Cashless payments

Year	2016	2015
Percentage of total payments	74	66

SAFETY

SECURITY AND DATA PROTECTION

Protecting our clients' confidential information and privacy is a matter of course for us. All information and documents about clients that are not publicly available, in particular information about business with the bank and balances, are subject to bank secrecy.

SECURITY IN BRANCHES

All branches of VUB Bank are equipped with CCTV and other security in accordance with the relevant legislation. The basic rule of security is that the protection of the lives and health of customers and employees always takes precedence over the protection of property.

DIGITAL SECURITY

VUB Bank is dedicated to digital security awareness and continuously strengthens its clients' awareness of the risks and frauds they may encounter in the online environment when making financial transactions. At the same time, it regularly issues security guides on how to protect oneself from fraudsters' attempts.

ATM SECURITY

To increase security, the ATMs are equipped with anti-skimming protection, which prevents copying of data from the card's magnetic stripe. All new ATMs are also already equipped with a camera system.

DIALOGUE WITH CUSTOMERS

We that not only numbers, graphs, volumes, but also the category "client satisfaction" are the measure and the basis of our success. At its core is quality service and the pursuit of continuous improvement based on communication and feedback.

CLIENT CARE AND COMPLAINT HANDLING

We are aware that client satisfaction is the measure and foundation of our success. Since 2008, a separate department at VUB Bank has been dedicated to this issue. The aim of the *Customer Care* Department is to identify the reasons for customer dissatisfaction and to initiate proposals for changes in order to increase and strengthen customer satisfaction and loyalty. On the basis of client feedback and its analysis, we strive to achieve changes in processes, product parameters, sales and after-sales services, as well as in communication with clients. At the same time, the department strives to provide effective and constructive feedback to clients and the bank. At the same time, in consultation with the Bank's specialist departments, to draw up a list of tasks and measures and monitor their implementation to achieve the set objective. The Customer Care Department consists of two separate departments.

The Customer Complaints Department ensures the bank's methodology for handling complaints, requests and complaints from retail customers, monitors and ensures their handling. On the basis of these, it draws up action plans to improve customer satisfaction.

If the client wishes to submit a complaint (request, complaint or claim) to VUB Bank, he/she may do so in one of the following ways:

- orally or in writing at the bank's business outlets - branches,
- in writing VUB, a.s., Complaints Department, Mlynské nivy 1, 829 90 Bratislava,
- by phone via the Contact service on 0850 123 000; from abroad +421 2 48 555 970,
- by filling in the contact form at www.vub.sk.

Number of complaints

	2016	2015	2014
	12 861	12 611	13 074

Feedback from our clients is both positive and negative. We are always pleased to receive compliments from our clients, which is why we have developed an initiative in the bank where we concentrate all the positive feedback in one . We also send them directly to the employee , to his or her superiors and post them on the company intranet as a model and motivation. However, not all suggestions from clients are positive. We register all complaints and claims and respond to them within the time limit in accordance with the applicable legislation. Based on the resolution and analysis of the less pleasant complaints, many processes and internal settings have been changed within the bank. We are therefore very grateful for any feedback from our clients. Despite the age of modern technology, 60% of clients still prefer to have personal contact in the branch.

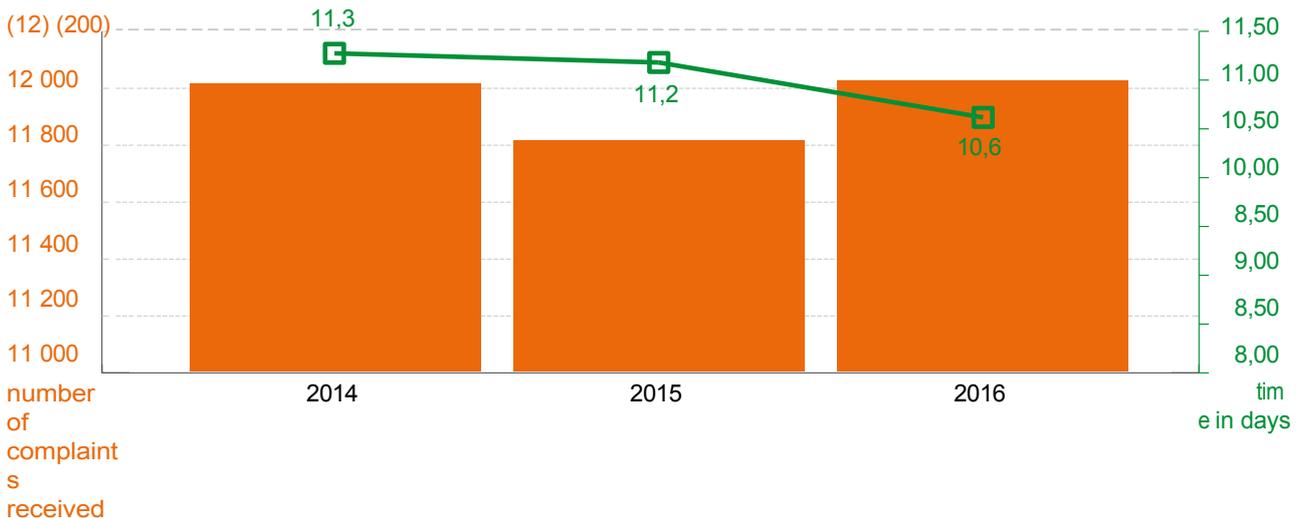
Input channels for receiving stimuli

	2016*	%	2015*	%	2014*	%
Branch network (in person)	8 077	66,91	7 110	60,17	7 665	63,56
Contact centre (by phone)	3 383	28,02	4 138	35,02	3 862	32,03
Bank Head Office (in writing)	612	5,07	569	4,81	532	4,41

* not including applications

The average time to resolve complaints at VUB Bank in 2016 was 10.6 days, i.e. less than in previous years.

Evolution of the number of client complaints received (excluding requests) and the time taken to resolve them



Some of our clients addressed their suggestions directly to the Banking Ombudsman of the Slovak . In 2016, there were 20 such cases.

The most frequent complaints from our clients are related to payment card transactions, whether via the Internet, ATM or payment at a merchant. This is to be expected given the sheer number of card transactions carried out on a daily basis.

The **Quality Management and Integration** Department analyses the results of satisfaction surveys, monitors the development of satisfaction indicators, assesses the quality of retail branches, communicates with clients and responds to their evaluations.

CLIENT EXPERIENCE AND ITS MEASUREMENT

As a pro-client oriented company, we are aware of the importance of client satisfaction for the subsequent success and development of the company, and therefore we are currently paying due to it. We gather feedback from clients on their satisfaction with us in a number of ways:

SATISFACTION SURVEYS

NET PROMOTER SCORE

In 2016, VUB introduced the *Net Promoter Score (NPS)* methodology to evaluate its retail branches, which is a method of measuring customer loyalty and, at the same time, a method of obtaining and using customer to improve branch performance. Clients are contacted through the contact centre within 1 week of the branch visit. In the survey, we contacted 90 977 clients. Of these, 48,582 clients (53.40% success rate in completing the telephone questionnaire) provided us with feedback and a picture of how they perceive our various retail branches. The importance of clients' perception of satisfaction is also evidenced by the fact that the NPS values of individual branches have become part of their employees' remuneration system.

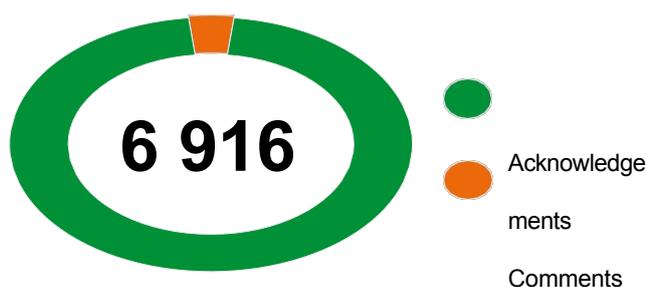
BENCHMARK

In cooperation with the parent company Intesa Sanpaolo, two surveys were carried out in 2016 to measure the satisfaction of retail clients (Benchmark Survey and Internal Survey). In the Benchmark Survey, clients of 5 banks (VÚB banka, Slovenská sporiteľňa, Tatra banka, ČSOB, Prima banka Slovensko) evaluated their satisfaction with banking products and services. In the Internal survey, which followed 4 months after the benchmark survey, we addressed only VÚB clients (1 495 clients in total). The resulting NPS of 17.3 represents a lower value compared to the past.

STAFFINO

Staffino is an application for smart phones (it is also possible to leave feedback directly via the [v](#) website), through which clients leave positive feedback, as well as comments on our branches, employees and products. We respond to every single feedback from clients within 24 hours (within working days). After a successful pilot in 2015, we engaged all retail branches to be evaluated through this app in 2016. 4,037 clients took advantage of this new opportunity to give us feedback, 6,916 reviews. Of these, 96.6% were compliments and thanks. Clients praised the professionalism of our staff, their helpfulness and helpful approach.

Total number of reviews via Staffino



CLIENTS WEEK

In 2016, we continued the successful activities of the past. It has become a nice and pleasant tradition that in September we organised a "Clients' Day" for our clients, which is celebrated throughout the Intesa Sanpaolo International Group. However, one day is not enough time to say THANK YOU to all our clients for inspiring, motivating and trusting us. That's why in 2016 we decided to dedicate an entire week to our clients. During this week, there were also special perks for clients on selected products and surprises in the form of small gifts. Clients also had the opportunity to participate in a competition for attractive prizes. Every client who rated us via the Staffino app during the week was entered into a prize draw to win exciting prizes.

EVALUATION OF BRANCHES

Since 2006, we have introduced a system of branch remuneration based on strict quality parameters. These criteria, we do not look at the volume of products sold, but at parameters related to the quality of client service and the quality of sales, advice and qualified assistance to the client. This helps us to identify the problem areas of individual branches and to work for continuous improvement. Our aim is to identify the strengths and weaknesses of a branch, the way to increase the quality of a particular branch and, therefore, the growth in the number of satisfied clients.

RESPONSIBLE PRODUCTS AND SERVICES

VUB Bank pays attention to the continuous development of new products and innovation of current products and services. It strives to meet its clients' needs and save their time as much as possible.

MORE EFFICIENT PROCESSES

In 2016, we managed to significantly simplify the customer service processes at our branches. We have introduced digital processing, which has significantly reduced the administrative part of activities at branches.

We have put into practice the principle *We print only what we have to*. We ask the client in what form he wants to receive non-personalised documents (e.g. terms and conditions, price list) and personally persuade him to use electronic channels such as Internet banking or e-mail.

We have significantly accelerated the issuance of various bank statements: the client receives them on request immediately at the branch and does not have to wait for several days/weeks.

We have significantly reduced the time needed to block stolen/lost payment: the client can process his/her request in 1-2 minutes instead of the previous 20-40 minutes.

We have increased the competence of Branch Managers in the area of trade exemptions, thus strengthening the competence of the branch towards the client and speeding up the process of processing the client's request.

PRODUCTS THAT HAVE WON PROFESSIONAL AWARDS

Professional awards from MasterCard, Visa and Gold Coin:

MasterCard - Product of the Year 2016

In July 2016, VUB Bank introduced a unique MasterCard contactless corporate credit card that separates corporate from private spending and allows easy and detailed control of corporate spending. In addition, *MasterCard Business World* credit card holders automatically get up to 0.5% back on every card payment, regardless of whether they pay in a brick-and-mortar store or . With MasterCard Business World or MasterCard Business Gold credit cards, the client also automatically receives an ELITE card, the benefits of which are especially appreciated when . The cardholder is granted free access to the VIP airport lounges at Vienna and international airports, and the cardholder's companions can also enter the lounge together with the cardholder.

MasterCard - Most effective marketing campaigns 2016

Throughout 2016, VUB Bank prepared activities for . These were campaigns aimed at promoting the use of payment cards at home or , and at the same time they provided clients with an additional benefit when paying by card, whether in the form of a reward for a purchase, a discount from a merchant or the opportunity to participate in a competition.

For its initiative and campaigns prepared for MasterCard credit card holders throughout 2016, VUB was awarded the *MasterCard Most effective marketing campaigns 2016* award.

Visa - Best Issuer 2016

At the end of 2016, VUB Bank also received an award from Visa in the Best Issuer category for . VUB has currently issued more than 750 thousand cards. VUB has issued over 750,750 payment cards with the Visa logo, which include innovative products such as the payment sticker and mobile payments via the Wave2Pay application.

MODERN BANKING WITH VUB

The point of innovation is to simplify the client's life and bring them services that will be useful.

DIGITAL SALES 2016

The online world does not bypass our client base either - we are keeping pace with modern society and growing competition by making available a range of additional products and services in internet and mobile banking (credit products, investments) and simplifying the processes for obtaining products online. As we pay attention to the increasing demands of our clients and respect their requirements in today's fast-paced world, we also maintain a positive relationship with our clients by providing solutions that simplify the way clients work with their money when making payments or transactions, without compromising security. We are constantly developing innovative products for our clients and expanding the possibilities of mobile and internet banking by making available a range of functionalities that make it easier for clients to manage their finances and control their liabilities.

In 2016, we successfully launched the following initiatives:

- online sales of products and services,
- digitalization of the branch network (wifi, SignPads, tablets),
- Setting up paperless processes for sales and transactions,
- simplifying authentication when communicating with the Contact Centre,
- building a network of Magnifica centres for affluent clients,
- expanding competences in the field of investment and reinsurance,
- building a network of competence centres within the Small business segment,
- Implementation of a new CRM tool for relevant and effective communication with clients,
- product improvements,
- creation of segment service models (service models for targeted work with clients from different segments),
- reorganisation of the retail business network and creation of new competences.

WIFI CONNECTION

In 2016, we achieved complete internet coverage at all branches. Each VUB branch is marked with a "Free WiFi" sticker on the entrance door. Visitors can connect to the internet easily, quickly and can surf the for free while waiting for equipment. More than 500 visitors connected to VUB WiFi daily in 2016, which amounts to 72,684 people surfing more than 6.6 TB of data for the entire year. Other benefits:

- clients can download, install and test our mobile applications directly at the branch,
- employees have the opportunity to show clients how our digital banking works in ,
- Increasing the satisfaction of our clients in our branches, improving our services.

ID SCANNER

In 2016, VUB Bank launched a pilot project of document scanning via ID scanners at 6 branches. The ID scanner facilitates the work of branch staff, as it is not necessary to transcribe all data from the OP into the bank's systems. The ID scanner retrieves all the data and automatically inserts it into the systems. It has built-in document authentication functionality, which reduces the likelihood of accepting forged documents. This saves time for branch staff and enables them to maintain closer contact with the client.

SIGNPADS

The introduction of SignPads is part of VUB Bank's strategy to streamline processes by introducing modern digital trends, minimising paper bureaucracy and saving the to a large extent. A SignPad is a tablet-like device that is placed at a dealer's workplace and used to digitally sign documents. Once signed, the client receives the documentation in electronic form directly into their Internet banking. Through SignPad, clients can also be provided with all types of non-purpose loans, VUB Account, credit cards and overdraft facilities.

As of the end of 2016, SignPads were installed in 129 branches in the number of 734 units. Approximately 35% of all deals were closed each week using these devices. In addition to sales functionality, SignPads also fulfil an educational and marketing function, as clients have the opportunity to obtain more information about banking services and products.

The use of SignPads also significantly saves the . For example, in a typical current account sale, up to 100 pages of documents had to be printed (for the bank and the client together). In 2016, VUB Bank sold 1,883 current via SignPads, which represents up to 188,300 pages of paper saved.

376 500-page reams of saved. That's about three large mature trees.



CONTACTLESS TECHNOLOGY

In 2016, VUB Bank continued to issue cards with contactless technology, which increases the convenience and speed of payments. So far, the bank has issued more than 755,000 contactless to customers.

Number of VUB Bank contactless cards issued

Year	2016	2015	2014
Number of contactless cards	755 070	677 286	528 981
Percentage of total number of cards	60	52	41

MOBILE PAYMENTS VIA THE WAVE2PAY APP

The trend of digitalization in Slovakia is progressing and we are following it by expanding our offer of cutting-edge and secure payment options. It is a mobile debit payment card. It is part of the **Wave2Pay** mobile application and allows its holder to make purchases of goods and services via a mobile phone. It offers clients an innovative, fast and convenient way to pay for goods and services. The Wave2pay app has transformed VUB clients' smartphones, allowing them to pay by simply putting their phone to the POS terminal reader. It is a fast, simple, modern and, most importantly, secure way of payment.

At the end of 2016, more than 6,000 mobile were issued that enable mobile payments via the Wave2Pay app.

PAYMENT STICKER

Customers of VUB Bank can pay by mobile phone even if their phone does not support this technology. Just apply for a VISA Inspire Wave 2 Pay payment sticker, which the client sticks on his smartphone or key fob and can use it to pay for goods and services wherever contactless payments are accepted.

At the end of 2016, we had more than 33 000 payment sticker holders.

ONLINE CREDIT CARD SALES

A novelty for both our and new clients (existing non-clients of the bank) was the launch of online credit card sales - without the need to visit a branch. More and more clients prefer this way of "buying" and setting up services or products. Clients can easily apply for a credit card from the comfort of their home.

ONLINE BANKING = INTERNET AND MOBILE BANKING

The Internet and Mobile Banking electronic channels are available for all types of computers and mobile devices, whether it is a smartphone or a traditional mobile phone with a web browser, regardless of the type of operating system. They provide clients with a high user experience, modern design, new functionalities and interesting innovations. In addition to the classic functions such as making a payment, overview of your income and expenses on your accounts, movements on your payment cards and other information about your banking products, we offer clients the possibility to set up multiple online without visiting a branch.

- It is possible to open a VUB Account within a few via Internet Banking. It is even possible to open a savings account easily via the VUB Mobil Banking mobile application. If the client is interested in compulsory insurance or wants to insure himself in the event of long-term disability, he can also set up these insurances online via Internet Banking.
- Clients with a MasterCard credit card can now enter a transfer from their card to any bank account, so they have the funds from their card at their disposal at any time.
- We have made it easier for clients to enter transfers and pay invoices using QR codes in the mobile app. The app offers the function of generating a payment QR code that contains the data for payment or the possibility to upload an image of the QR code to the mobile app, whereby the data for payment is automatically added to the payment order. Thus, they completely need their mobile device to pay their invoices.

The number of clients using online banking is growing, as evidenced by the following data:

- More 60% of our clients use electronic channels to manage their finances,
- 30% of digital banking users log in via mobile,
- the number of active users of the VUB Mobil Banking application doubled in 2016.

PERSONALISATION OF E-BANKING CHANNELS

We try to adapt our online banking to our clients' needs and respond to their suggestions and comments as much as possible. That's why we have added features that allow them to customize their electronic channels to their liking. After the categorisation of account transactions, Internet Banking has added the classification of credit card payments into payment categories with the option to create your own categories. Another innovation is the ability to choose in movements which columns the client wants to display and in what order. This allows everyone to see only the data they need.

E-NEWS

One of the activities in the area of simplification of banking processes is the delivery of statements to customers through electronic channels. To facilitate the transition of clients from paper statements to statements available in electronic form, we introduced a feature in Internet Banking at the end of the year that sets up one-click delivery of statements to Internet Banking and cancels all paper statements at the same time. In 2 months, more than 40,000 customers have used this feature. Apart from the eco-friendliness of the solution, the main advantage for the clients is that they can access the statements at any time, which are a full tax document and all they need is a computer with an internet connection.

EASIER UPDATING OF CONTACT DETAILS

In case the client has changed his phone number, e-mail address or , he can change these details in Internet Banking in one click for all his products and services. This makes it easier and faster for clients to update their contact details with the bank.

FINANCIAL INCLUSION

VUB Bank also thinks about vulnerable or various disadvantaged groups of the population. Among the products developed specifically for these clients are, for example, the *Senior Account*, the *Good Angel* charity card, discounted loans and accounts for students or *Flexihypotéka for young people*.

In 2016, VUB Bank brought the following responsible products and services to its clients:

PRODUCTS FOR SENIORS

SENIOR ACCOUNT

It is an account for clients of retirement age with a discounted package of services. It is tailored to their needs and requirements and offers everything a pensioner needs for a current account: a free debit card, a discounted maintenance fee, free payments at merchants with a debit card, Internet banking, a regular account statement by post, free standing orders and direct debits. In addition, last year we adjusted the price for individual products to this category of customers.

YOUTH PRODUCTS

In 2016, VUB Bank offered several types of discounted products and services for young people.

VÚB YOUTH ACCOUNT

One way to teach a child to handle money is to open an account. To it, the child and the student can get all modern services. Apart from Internet banking, Mobile banking is also very popular in this age group. Of course, a payment card with the possibility of contactless payment or payment on the Internet is issued. Parents can keep the account under control at all times. Account maintenance for children and students is free of charge, which is our way of making this product available to the widest possible group of clients in this category and thus promoting their financial literacy.

As part of the launch of the Youth Account in 2016, we're also running a big summer competition to win 1,500 free 3-months of Spotify Premium access. We gradually communicated 5 contest steps to our clients, through which we taught them how to use various banking services related to VUB accounts. For every single task they completed, they also received a reward from our partners as part of this campaign (e.g. 20% discount on purchases at www.zoot.sk or a free 0.5 l drink with the menu at Subway). The campaign included a series of humorous videos that used sketches to introduce the youth to common banking services.

MORTGAGE FOR YOUNG PEOPLE

Discounted, subsidised mortgage for young people up to 35 years of age who need to invest in the purchase, construction, renovation or modernisation of a property. The advantage of this product is a lower repayment, lower interest and the possibility of obtaining a higher loan. Those earning an average gross income of up to EUR 1 153 were eligible for the interest rate advantage for the first five years after the mortgage was granted. The amount of the advantage is 3%, of which 2% is subsidised by the state and 1% by the bank. In addition to the financial savings, the mortgage for young people allows the repayments to be halved or principal repayments to be deferred for two years on the birth of a child.

In 2016, more than 5,000 preferential mortgages for young people were granted, amounting to more than EUR 330 million.

Mortgages for the young

Year	2016	2015	2014
Volume of loans granted in EUR	334 473 396	271 723 487	220 000 000
Number of mortgages granted	5 051	4 389	4 000

SUPPORT FOR THE THIRD SECTOR**GOOD ANGEL**

Maestro *Good Angel* charity debit card. Half a percent of payments made with the Good Angel card go to a non-profit organisation that helps cancer patients and families with seriously ill children. This money is not donated by the cardholder, but by VUB Bank on his/her . The beneficiaries of the system were 7 739 families. (more in the Community chapter)

Year	2016	2015	2014
Number of Good Angel cards issued	46 257	40 267	36 797
Contribution from VUB in euros (% of card payments made by clients) *	306 757	385 573	315 981

* In 2014 and 2015, the contribution from VUB Bank was 1% of the made. In 2016, the contribution from VUB Bank was reduced to 0.5% of payments made (based on Regulation 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-linked payment transactions).

In 2016, we expanded the bank's long-standing cooperation with the non-profit organization Good Angel to include several forms of assistance via Internet banking. Clients have the option to set up rounding of their payments to a whole 1 euro for the benefit of the Good Angel or to set up a standing order to the account of the Good Angel. They can also apply for a debit payment via Internet Banking, with which the bank contributes on behalf of the client each time a payment is made to the Good Angel account. (more in the Community chapter)

BUSINESS SUPPORT

Doing business in Slovakia is not easy. Almost every entrepreneur or sole trader will testify to that. For their business development, but also for the normal operation of their business, they need seed capital. The tax burden is high, it is sometimes difficult to get invoices paid, and if the purchase, reconstruction or modernisation of production equipment is added to this, the entrepreneur simply needs to borrow. Start-ups and sole traders have an even harder time when it comes to arranging a loan. They do not have their business up and running yet, they lack a stable income and they have to convince the bank that their business plan will be profitable in the future. VUB Bank supports entrepreneurship and therefore offers the possibility to choose from several types of loans designed for entrepreneurs and small businesses.

NEW SERVICE FOR CLIENTS - ENTREPRENEURS

A new form of depositing cash at the branch through a disposable , which allows customers to hand over cash without unnecessary waiting at the branch and without sorting cash. The client can dispose of the cash immediately.

PROFI LOAN FOR START-UP ENTREPRENEURS

Profi Credit is a banking product designed primarily for small and medium-sized entrepreneurs and to support start-ups. It has a simplified approval process and submission of documents and is granted in the amount of a minimum of EUR 1 600 and a maximum of EUR 332 000. It is used to finance business needs without the need to prove the purpose of the provided, requires a minimum amount of documents, the application is assessed within 24 hours of the submission of documents and the client has the option to choose insurance of the ability to repay the loan. In 2016, VUB Bank granted Profi loans in the total amount of almost EUR 135 million.

Year	2016	2015	2014
Volume of loans granted in EUR	134 635 341	125 894 210	109 358 302

PROFI LOAN WITH FINANCIAL GUARANTEE

For a start-up entrepreneur who can document the required collateral, it is possible to provide a *Profi Loan with a financial guarantee*. This is a no-purpose loan with a maximum repayment period of up to 8 years, which will provide financing for the client's operational or investment business needs. It is provided without proof of income and without a minimum period of business in instalment or overdraft form. An application and documents proving the establishment of a pledge are sufficient for processing. The financial resources used as collateral do not have to be owned by the entrepreneur, often a family member, for example, is the owner.

BUSINESS CREDIT LINE

Existing VUB clients using a business account have a simpler situation since 2016. After only 6 months of using the account, the bank will provide them with a pre-approved *Business Credit Line*. The amount of the pre-approved loan is based on the turnover on the account and the use of other products and services of the bank. Thanks to it, the client has the opportunity to obtain practically immediately financial resources for the development of his business from EUR 1 600 to EUR 70 000 without submitting any financial documents. The loan is provided in instalment or overdraft form with a repayment period of up to 5 years.

BUSINESS INVESTMENT LINE

At the same time, the bank also offers its clients the so-called *Business Investment Line* up to EUR 50 000, which represents the pre-approved leasing limit. This limit can be used to finance motor , machinery, equipment and technology.

PROFI CREDIT

It is suitable for financing short- and medium-term operational business needs of the client in connection with the growth of business activities. It is a non-purpose loan that can be granted up to EUR 170 000 in the form of an overdraft or instalment loan with a repayment period of up to 5 years. The application is assessed within 24 hours of submission of documents.

In 2016, VUB Bank provided Profi loans in the total amount of over EUR 142 million.

Year	2016	2015	2014
Volume of loans granted in EUR	142 405 830	125 894 210	109 358 302

PROFIHYPO CREDIT

For the purpose of investment financing to clients, the bank can grant Profihypo a loan secured by real estate in the maximum amount of EUR 500,000 with a maturity of up to 20 years.

- Profihypo special purpose loan with submission of financial statements - used for investment in immovable property intended for business, tangible and intangible assets, repayment of existing loans. It is also possible to use 30 % of the amount of the loan granted without proving the purpose of the loan.
- Profihypo special-purpose without submission of financial statements - it is intended for selected clients, e.g. professional chambers.
- Profihypo non-purpose with submission of financial statements - used to finance short-term operational needs as well as medium or long-term investment needs as the business grows.

FLEXI CREDIT FOR FARMERS

The business of farming is different from other types of business, especially in terms of seasonality, receiving payments for goods, and support for various activities from European Union funds. It requires a special approach and products. *The FLEXI loan for farmers* meets the needs of farmers and serves to bridge the period between the need to finance the operating costs necessary to cover the increased financial needs, especially during the period of harvest establishment and harvesting work, and the payment of subsidies from the Agricultural Payments Agency. The VUB allows farmers to pre-finance up to two subsidy periods. This type of loan is also suitable for land financing, purchase of agricultural land for production purposes, financing of agrotechnology and technologies.

FLEXI FLOOR

VUB Bank offers an investment loan *FLEXI land* to clients who want to do business on their own land. It is an investment loan for the purchase of agricultural land, which farmers can use for the purchase of agricultural land with the advantage of flexible repayment methods, for example, always at the time of payment of subsidies from the Agricultural Payment Agency, or the possibility of reimbursement.

EU STRUCTURAL FUND PROJECT FUNDING

By providing bridging loans (pre-financing) as well as investment loans (co-financing), VUB Bank actively cooperates in the implementation of investment plans of business entities with the support of financial benefits from the EU. Bridging loans are intended to finance the client's expenses before the payment of the non-repayable financial contribution. The purpose of investment loans is to provide resources to ensure a mandatory minimum level of co-financing of the project by the client.

START-UP SUPPORT

VUB Bank also supports start-ups in other ways than providing specific banking products or services. The most important forms of support are direct cooperation, the provision of know-how and the provision of grants or financial donations for education for start-ups. In , we supported:

■ *Impact HUB*

Impact HUB is an international coworking platform focused on supporting innovative and socially beneficial ideas. It supports start-up entrepreneurs, socially beneficial projects and education in entrepreneurial skills.

Increasing the number of active women in business in Slovakia

Thanks to our support, Impact Hub has organized a year-long educational series of *Business Women Workshops* for active women and a series of one-off one-on-one counselling sessions on pre-determined business topics called *Business Clinic*.

Leaders of start-up business ideas and meaningful community activities, as well as students and ladies eager to learn, attended a series of 22 workshops aimed at acquiring practical skills in marketing, online communication, management and IT. The series also included a two-day Rails Girls workshop, where 60 girls and women learned how to create web applications from the concept stage to coding, thereby learning more about the web as a platform for their ideas.

The Business Clinic is a series of successful mentoring formats during which projects have received one-to-one expert advice from experts in law, accounting, marketing and online communications.

Within both formats we enabled over 300 participants to gain new practical experience immediately applicable to their project or growing business, thus contributing to a better business environment in Slovakia accepting women as entrepreneurs.

INNOVATIVE PRODUCTS - CUSTOMER SERVICE

MAGNIFICA - A NEW SERVICE MODEL FOR PRIVATE BANKING

The new, premium segment includes retail clients who are under the care of specialist personal bankers. Magnifica's service model provides clients with a package of superior personalised services and caters to their financial needs.

The service is provided to clients in our superior branches, the so-called *Magnifica Centres*, which we have opened in all regional towns in Slovakia. The Magnifica centres are distinguished from a traditional branch by a comfortable and discrete environment, fast self-service areas or a pleasant waiting area with daily newspapers and access. For Magnifica clients, we have prepared special banking in each area: an interesting current account, debit or credit cards with many benefits, special mutual funds or mortgages and loans with favourable interest rates. We strive to bring the latest technology to our clients, allowing them to simplify their communication and have access to the quality and up-to-date information they need to make decisions in the world of finance. Through digital channels, we provide clients with access to their portfolios so that they are always informed of their development and status, whether or not the bank is open. In addition to financial services (investments in securities, financial derivatives and investment gold), we also provide clients with many non-financial services. These services include tax and legal advice, where we work with tax advisors and auditors of multinational companies. Then there is art banking (paintings, jewellery, vintage cars) and also full concierge services.

There are currently 8 Magnifica centres open in Slovakia. Clients can use the services of a personal banker in 24 *Magnifica branches* in other cities. At the end of the year, 34,000 clients were under the management of personal bankers and another 50,000 premium clients were under the management of other branch positions.

Private banking

The certified personal banker will adapt to the client's time availability and arrange a meeting with the client on a specific date. He or she will set up an effective financial plan with the client and get to know their financial needs in each life situation, which he or she then helps to meet. He or she is in regular contact with the client and informs him or her in a timely manner about anything important regarding the client's finances, such as how to get the most out of finances through saving and investing, or advises on how to best obtain funds for the client's housing or other needs. We provide our clients with "open architecture", i.e. products that are "tailor-made". Clients' requests are also handled over the phone without the need to visit any branch. We also save clients time if they need to meet outside the bank premises. We will always meet them at their convenience.

The greatest benefit of Private Banking services is professionalism, expertise, discretion, flexibility and helpfulness. In no small measure, it is also a time-saver for clients, as the private banker ensures that the development of the client's portfolio is monitored on a daily . Such service is perceived very positively by our clients.

VÚB ACCOUNT AND VÚB MAGNIFICA ACCOUNT

The behaviour of bank customers has significantly in recent years. Clients now demand products that are useful and to use. They want to know what they are paying for, but even more they demand an answer to the question "what am I getting for it". At VUB Bank they can save 50% or up to 100% of the monthly maintenance fee thanks to the benefit programme. In 2016, they have the opportunity to set up a VUB Account via Internet banking from the comfort of their home.

CREDIT CARDS

Due to the constantly changing needs of our clients, in 2016 VUB Bank made the benefits associated with credit cards more attractive.

- *Card transfer* - the new service allows all MasterCard credit card holders to easily transfer money from their credit card to any current account via internet/mobile banking.
- *MasterCard Standard* - change from an annual loyalty programme to a monthly reward, where the monthly fee is refunded to the client for purchases over EUR 300. At the same time, a new benefit was added in the form of 1% *money back* when paying by card at an online merchant.
- *MasterCard World* - The MasterCard World credit card rewards and cash back program underwent changes last year. Customers can earn up to 2% cash back on hotel and restaurant payments, 1% on online payments and 0.5% on all other payments. Even on his birthday, the client will get an extra +4% on payments. Clients can get up to 100% off their monthly fee with a payment volume of at least €500.

SIMPLICITY AND TRANSPARENCY OF COMMUNICATION

We are committed to making our clients' cooperation with our bank easy and comfortable. Transparency is one of our core values, which is why, as a signatory to the *Bank's Code of Conduct in the area of consumer protection*, we inform our clients as openly as possible about everything. We provide them with information about our products and services through:

- Staff,
- business places,
- information leaflets,
- brochures and guides,
- web pages,
- social networks.

FINANCIAL EDUCATION

The issue of financial education of VUB Bank's clients and non-clients is still topical and important. Every year we prepare new projects to increase financial awareness. In 2016, *iPoradca* digital banking education was added to the existing activities.

It is an educational and supportive activity for:

- employees - workshops, newsletters, *iPoradca*'s knowledge base built on VUB's intranet, creation of the Digital Banking Manual,
- clients - *iPoradca* section on the VUB website.

The aim is that a client who needs advice on digital products and services, or help activating and using them, can quickly and easily access the information they need.

At the same time, in 2016, the role of *iPadvisors* (approx. 200 dedicated employees with detailed knowledge of digital banking) was transferred to each branch employee, which resulted in a high percentage of active use of Internet and Mobile Banking among VUB employees (86% use of Internet Banking and 64% use of Mobile Banking).

PROFESSIONAL ASSOCIATIONS

At VUB, we value our clients and therefore we adapt our offer of products and services to their needs and specific requirements. We strive to get to know our clients as well as possible and differentiate our product portfolio to meet the requirements of our client base to the maximum extent possible. One of the forms of getting closer to the client, cooperation and communication is the conclusion of agreements with professional associations (chambers and associations). VUB Bank's interest is to establish the most intensive cooperation with professional associations in terms of mutual communication, support of marketing activities and the use of banking products and services by their members. The cooperation is aimed at making the Bank's products and services as accessible as possible to the members of professional associations. That is why our website has a *special section for professional associations*.

Continuous development, credibility, reliability and honesty are the core values we apply in meeting the needs of members of professional associations. Our partners include:

- Association of Private Practitioners,
- Chamber of Veterinary Surgeons of the Slovak Republic,
- Slovak Chamber of ,
- Slovak Medical Chamber,
- Slovak Chamber of Commerce,
- other chambers with special offers.

The cooperation with professional associations and VUB Bank has been going on for 11 years.

Where does it lie? Why is it advantageous, for example, for *doctors* to have their finances in VUB?

VUB Bank has prepared and regularly updates special products and discounts for members of the Slovak Medical Chamber (SLK) - private and state doctors. These are products that we have created to meet the needs and specifics of doctors. We prepared the products in cooperation with SLK representatives, who interpreted to us various situations that both private and state doctors encounter in their practice.

State-owned doctors can benefit from advantageous personal finance products, while private doctors can also benefit business advantages. They can finance their housing, the equipment and operation of their practice, or whatever they as members of a professional association, with soft loans. For young aspiring doctors going into the private sector, we offer an overdraft or instalment Profi Loan even without a minimum period of business.

In the long term, we continuously strive to build strong and lasting relationships based on a high level of expertise and quality of advice for all professional associations. We attend conferences, seminars and events where our business specialists represent us and then communicate with members on the spot about their needs, requirements and possible solutions.

We are pleased that currently, on average, 42% of the members of the contracted professional associations are VUB clients. The clients in question actively use their benefits as members of the Chamber in both the private and business spheres. We are constantly innovating our discounted banking products and services to make it easier, faster and more modern for members of professional associations to conduct their business. This, and the fact that we are a bank with locations , makes us confident that we are the best choice for our clients.

Staff

STRATEGY IN RELATION TO EMPLOYEES

In 2016, VUB Bank responded to the pressure on sales and improved customer awareness of the bank by investing in management development, which we consider to be key in the execution of our strategy. We continued our programme to develop hard and soft skills, which we see as key in these times of high turnover, low unemployment and a constantly changing environment.

Activity started and completed in 2016

Activity started in 2016 and continuing in 2017

Fulfilling the objectives	Status
<p>Climate survey</p> <p>In 2016, the implementation of the climate survey, its evaluation, the communication of the results, the setting of action plans and their implementation were among the main activities of the Human Resources and Organisation Department. The synergy of several departments was essential in the activities related to the survey. The survey was carried out again after two years. It highlighted areas where we as a Bank see potential for improvement. In the climate survey, the weakest areas were found to be collaboration between teams and the company's top management, while collaboration within the team was found to be a strength, and a highly positive assessment was made of the direct reports being able to set clear objectives and communicate them clearly.</p> <p>The identified areas of improvement became the basis for the creation of an action plan, in which we further defined the sub-areas and activities we want to focus on in the coming period. The action plans were drawn up from the bottom up. Those activities identified as key by the staff have and will continue to receive the most energy and attention in order to achieve maximum improvement. These key activities include simplification and changes to the remuneration system, a flexible working environment and interdepartmental cooperation activities.</p>	<input type="checkbox"/>
<p>Intern and work</p> <p>For university students, we offer the opportunity to get a job through the Internship and Work programme. For the trainee programme Internship and Work 2016/2017, 12 areas were published through the well-known Slovak job portal, where 4th and 5th year students could apply. More than 60 applicants were interested in the programme, out of which 10 trainees were selected to learn about the environment and activities of the bank. The interns had the opportunity to be part of the Marketing, Audit, Human Resources, Credit Risk, Standard and Premium Clients, Administrative and Financial Supervision departments. The program starts with a 3-month introductory internship with an adaptation plan developed to gradually master the tasks in the specific department. For the next 5 months, the program focuses on self-directed activities, placing interns in the day-to-day work environment of the unit. The Internship and Work programme also provides many benefits for interns, which are focused on internal training such as time management, assertiveness or effective communication. For those who show us their skills, we offer the opportunity to apply for a job at the end of the internship.</p>	<input type="checkbox"/>
<p>Recruiting new staff</p> <p>In 2016, we made approximately 530 new hires. Management positions in the retail business network were in most cases filled by internal candidates, whom we are preparing for the role of manager in the <i>Manager's Bench</i> program. This is a development programme designed to identify, develop and prepare future ROS managers from among employees and managers of small branches. A total of 20 retail have been enrolled in this programme. We anticipate continuing the Manager's Bench in the coming year.</p>	<input checked="" type="checkbox"/>

Fulfilling the objectives

Statu

s

Staff outputs



In 2016, employee output increased by 3% compared to the previous , when it reached 15.7% of all employees. We continuously strive to reduce the attrition of 643 employees, of which 464 were female and 179 were male, through the practices we outline later in this , we do not rely solely on external factors to reduce turnover in general.

Stabilisation and incentive programme



In 2016, we continued to nominate bank employees to the *Key Employee* Programme in order to keep the turnover of this target group at the desired level. 10% of employees, including managers, were nominated for this programme in each of the following categories: talent, key employees and successors. We offered a number of development programmes to these colleagues, which focused on professional and personal development.

This programme also includes the *Manager's Bench* development programme, which prepares future managers from among the employees. The second cycle of the Manager's Bench was completed in June 2016. At the end of the year, the success rate of this programme was evaluated at , i.e. 60% of all participants experienced career growth in their managerial line during or after the development programme.

New educational application VUB Academy



In 2016, we implemented a new education management information system called *VUB Academy*. This new system is based on modern technologies and is more user-friendly and intuitive compared to the previous system. It enables clear and simple planning and organisation of training and development programmes and also provides space for e-learning, webinars and other online forms of training.

Introduction of the certification process



In order to raise the professional level of branch specialists we have, since October 2015, started with certification. The certification consists of a professional (tests) and skills part (model situations), which assess the overall professional level of the specialist. In October and November 2015, all personal bankers were certified, during May and June 2016, the business specialists were certified, and in the autumn, the mortgage specialists were also certified. All specialists will have the opportunity to be certified at approximately 6-month intervals, with the certificate being valid for 2 years.

STAFF STRUCTURE

The majority of our employees are women - in 2016, 72% of the bank's 3,439 employees were women. This disproportion in favour of women arises mainly in the branches of the retail business, where women predominantly work.

Staff structure by type of employment contract

	2016	%	2015	%	2014	%
Indefinite period	2 826	82,18	2 916	84,38	2 952	84,51
Specific time	613	17,82	540	15,63	541	15,49

Staff structure by type of full-time equivalent

	2016	%	2015	%	2014	%
Full time	3 408	99,10	3 435	99,39	3 482	99,69
Part-time	31	0,90	21	0,61	11	0,31

Staff structure by job type and gender

	%
Senior managers	1,66
Men	1,31
Women	0,35
Middle and junior managers	13,20
Men	4,57
Women	8,64
Administrative staff	85,14
Men	22,13
Women	63,01

Structure of branch staff by category and gender

	%
Management staff	7,68
Men	1,66
Women	6,02
Family bankers	32,95
Men	4,42
Women	28,53
Other	9,86
Men	1,13
Women	8,72

Staff structure by age

	%
Less than 30 years	21,84
31 - 50 years old	61,27
50 years and more	16,89

Staff structure by education and gender

	%
Higher education	56,03
Men	20,65
Women	35,39
Secondary education	41,29
Men	6,51
Women	34,78
Other	2,68
Men	0,84
Women	1,83

Staff structure by average age

	age
Men	38,13
Women	40,49
Senior managers	42,32
Lower managers	43,08
Non-managers	39,28

Average length of working relationship in years

	Men	Women	Total
2016	9,82	13,23	12,28
2015	8,69	11,14	10,45
2014	8,59	11,36	10,55
2013	8,32	11,09	10,37
2012	7,93	10,82	10,05

Employee structure by region and gender

	Men	Women	Total
Bratislava	653	934	1587
Banskobystrický	63	287	350
Košice	43	199	242
Nitriansky	38	213	251
Prešovský	48	244	292
Trenciansky	45	181	226
Tmava	30	193	223
Žilina	43	225	268
Total	963	2 476	3 439

Staff structure by nationality

	Men	Women	Total
Slovakia	959	2 471	3 430
Hungary	0	1	1
Czech Republic	3	4	7
Italy	1	0	1
Total	963	2 476	3 439

Staff on parental leave

Number of employees entitled to and taking parental leave	392
Men	0
Women	392

STAFF OUTPUTS

Compared to the previous year (15.7%), staff outputs were 18.7%, increase of 3% year-on-year. A total of 643 employees left, of which 464 were female and 179 were male. In addition to external factors, we have sought to reduce turnover through other means:

- we develop an adaptation plan for each new employee on joining,
- We meet regularly with new employees during their probationary and adaptation period,
- we conduct motivational interviews with employees after the adaptation period with the intention of obtaining feedback,
- we are improving the quality of recruitment tools for key positions,
- greater emphasis on working with subordinates in the case of executive coaching,
- we use a mentoring concept that has improved and accelerated the preparation of new recruits for their future work; this concept has also reduced the attrition rate of new recruits within 3 months of joining,
- we prevent HR problems through HR partners in the regions and at headquarters,
- we conduct exit interviews, find out the reasons for departures and then work with this information,
- we have introduced an electronic way of recording and evaluating the reasons for the drop-out rate, which will allow us to process the information obtained in a better and clearer way and also to work on eliminating them.

Outcomes by age and gender		%
Total	643	18,70
Men	179	5,21
Women	464	13,49
<= 30	238	6,92
31 - 50	341	9,92
> 50	64	1,86

Outputs by region	Men	Women	Total
Banskobystrický	13	73	86
Bratislava	123	194	317
Košice	10	25	35
Nitriansky	3	32	35
Prešovský	5	43	48
Trenciansky	7	26	33
Trnava	9	34	43
Žilina	9	37	46
Total sum	179	464	643

RECRUITMENT OF NEW STAFF

The rules we follow when recruiting and hiring new employees are based on an assessment of individual knowledge, skills and personal qualities relevant to the vacant position being filled. We take care to adhere to the principles of impartiality and avoid favouritism, abuse or discrimination. For job seekers, we have a "Careers" section on our website ✓ with an up-to-date overview of vacancies. In 2016, we made approximately 530 new .

One of the most important resources for filling vacant positions is the VUB employee base itself. Vacancies or newly created positions are not only an opportunity for external candidates, but also a challenge in career development for internal employees.

As has become a tradition, in 2016 we also dedicated ourselves to the *Find Your Colleague* programme. The goal of this activity is to engage all of our employees in finding and recommending candidates for open positions. All suggested candidates are always considered for their suitability for the position. Only the best of the best go through the standard selection process. An incentive paid to the staff member who recommended the candidate after six months and then after one year of employment.

We organise a monthly *Welcome Day* for new employees. The aim is to get a basic overview of the bank - information about the bank's history, the Intesa Sanpaolo Group, its position, the portfolio of products and services provided, the company's structure, as well as employee rights, obligations and benefits.

Since September 2016, in addition to an initial welcome by the CEO, which is very motivating, we have also prepared a presentation on the business of retail and corporate for newly hired employees. Traditionally, we have been presenting to them the activities of the Human Resources and Organisation, Marketing and Corporate Communications (especially the bank's brand) and Security and BCM departments. The duration of this session does not exceed ½ day in length. The afternoon programme is different for ROS (retail sales network) and FOS (corporate sales network) staff and for head office staff. For ROS and FOS staff, a mandatory training session follows to provide them with knowledge on anti-money laundering and counter-terrorism issues. The following day, another mandatory training session on Fraud Prevention is held for ROS staff. With this change, we have thus reduced the initial 3-day training to 2 . For Head Office staff, we are offering a short training session in the afternoon on Overview of the Bank's products, which will provide all the necessary information on the Bank's basic retail products, irrespective of their job title, which can be used not only by them but also by their circle of close friends and relatives. We want to support the idea that every employee should also be an ambassador of VUB in his/her surroundings.

Recruitment in 2016

Total	532
Men	170
Women	362

Recruitment by gender and age		%
Total		100
Men		31,95
Women		68,05
<= 30		53,76
31 - 50		42,11
> 50		4,14

Recruitment by region	Men	Women	Total
Banskobystrický	13	51	64
Bratislava	124	145	269
Košice	3	23	26
Nitriansky	6	29	35
Prešovský	7	35	42
Trenciansky	6	21	27
Trnava	3	32	35
Žilina	8	26	34
Total sum	170	362	532

PERFORMANCE MANAGEMENT AND CAREER DEVELOPMENT

We give all our employees the opportunity to express their individuality to the best of their ability, which leads to greater creativity at work. We encourage innovative ideas that move us forward. At VUB Bank, we guarantee equality of opportunity to jobs and development tools within the framework of professional development and growth, which we cover with a performance and development management system. Its aim is to:

- to create conditions for the individual development of all employees and thus enable the development of VUB Bank as a whole,
- Strengthen staff involvement in the Bank's development,
- Arrange for all staff to contribute effectively to the achievement of the Bank's objectives,
- Increase transparency and fairness of pay.

All employees have the opportunity to develop their careers and grow within the bank. The purpose of the development path is to ensure that each employee is given targeted support. At the beginning of the development path is an adaptation training, followed by training specific to the type of position, the required knowledge and skills to fulfill the job tasks.

An important part of the performance and development management system is the appraisal process. In the past year, we continued the GPS (Global Performance System) evaluation system, which is common to all Intesa Sanpaolo Group subsidiaries. Its main task is not only to evaluate the employee's objectives, but also to plan his/her key tasks and objectives supporting the Bank's strategy for the coming period. All employees are evaluated annually by their direct supervisor, depending on their job position and classification. The employee himself plays an important role in the whole process, declaring his ambitions and ideas for his future career. Based on the employee's performance, motivation and potential, the supervisor coordinates the employee's further development and growth.

Number of promotions by sex		2016
Total		38
Men		19
Women		19
Percentage of staff promoted		1,10 %

REWARDING

The remuneration system at VUB Bank is based on the principles of transparency, fairness and motivation. It is set up in such a way that VUB Bank is competitive on the labour market and at the same time attractive for its employees. We monitor and react to wage and inflationary developments in Slovakia so that real incomes correspond to these trends.

The basic tool for setting the remuneration policy is the job catalogue, which defines the job positions in the bank, descriptions, the "size" of each position across the bank measured on the of:

- the complexity of the work,
- impact on the company's results,
- core business and support,
- working with confidential information,
- initiatives and control of results,
- knowledge and experience,
- management and autonomy.

The remuneration system consists of a fixed and a variable part. The fixed part reflects the job, its 'size', complexity and long-term performance. The variable component is proportional to the employee's performance and is also a motivational tool designed to increase the personal involvement of employees in the performance of their tasks and to reward their performance and contribution to the Bank.

The annual overall as well as individual performance is evaluated by a remuneration committee composed of the , the Deputy CEO for Support, the Senior Director of Finance, Planning and Controlling and the Director of Human Resources. The Commission also approves the results of annual appraisals, variable pay components and adjustments to basic salaries.

Employee evaluation	%
Percentage of employees who have been evaluated	100,00
Men	28,00
Women	72,00
Number of employees who have been evaluated	3 439
Men	963
Women	2 476

BENEFITS

VUB Bank provides a wide range of benefits (i.e. financial and non-financial benefits) to all of its employees, regardless of their job title. VUB Bank fully covers the meal allowance and for many years has continued to provide financial assistance to employees who find themselves in a difficult life . Employees of the retail network with daily contact with clients receive a clothing allowance. A large amount of the money spent on employee benefits is a contribution to supplementary pension savings, with a 1:1 employee/employer ratio.

Employees can also avail of certain discounted banking products such as free current account maintenance, discounted rates on term accounts, consumer or mortgage loans at discounted interest rates or discounted insurance rates. Transport allowance is also part of the benefits. Among other things, each year we focus on supporting the families of our employees, as evidenced, for example, by the allowance, the popular International Children's Day gifts or the summer camp allowance. In 2016, we also continued our strategy of looking after the health of our employees and finding a work-life balance. We provide an allowance for a preventive check-up, a day of paid time off before a wedding, time off to send off a freshman or a day off for new dads. Employees are informed about the current benefits on offer mainly via the intranet and other communication channels.

VUB Bank strives to maintain a balance between the work and personal lives of its employees. Through a number of measures, it accommodates its employees in order to ensure the best possible balance between these "lives". Among the most significant measures are flexible working hours (start optional between 7.00 - 9.00 a.m.

and ending between 15.00 and 19.) and four days off per year for care, which the Bank will provide over and above the statutory holiday entitlement. Women from the fourth month of pregnancy onwards and single employees caring for a child up to the age of 15 (for disabled children up to the 26) are entitled to take two extra days of leave per year.

Voices beyond the law

Time off beyond the law is very among employees. In 2016, employees took 11,647 days off for care, 78 colleagues were able to get ready for their big day thanks to a day off with pay on the working day before their wedding, of which 42 employees were from the retail network and 1 from the corporate sales network, and 35 employees were from the head office. 87 people took the opportunity to relax and celebrate their round anniversary by taking time off for their 50th and 60th birthdays. On the first day of compulsory schooling, 92 employees escorted their freshman child to school thanks to the freshman escort leave. 60 dads were helped by a day off for dads during the first weeks after the birth of their child.

Overview of employee benefits provided in 2016:

- discounted products (savings account, time deposit, consumer loan, flexi-mortgage, free maintenance),
- supplementary pension savings,
- leave with pay in excess of the Code,
- care for the health of employees,
- health allowance,
- meal allowance,
- transport allowance,
- social assistance contributions,
- clothing allowance,
- work anniversary contribution,
- grant,
- other benefits (cultural and sporting events, discounts, relaxation voucher, Health Days).

Amounts spent on employee benefits in 2016 (EUR thousand)

Insurance and accident contracts	1 150
Work anniversary allowance	239
Allowances for children/students	0
Cultural and recreational activities	235
Allowances for disabled children	0

Discounted products for employees

Mortgages (number)	767
Total mortgages disbursed (in thousands EUR)	58 721
Loans (number)	871
Total loans disbursed (in EUR thousand)	7 739

TRAINING AND DEVELOPMENT

VUB Bank creates conditions for continuous and systematic improvement of employees' qualifications, supports their education in areas important for the Bank's needs and personal development. Specific educational requirements are addressed according to individual needs in cooperation with external educational organisations in the Slovak Republic and abroad in the form of internships or participation in selected educational activities. The aim of training activities is, on the one hand, to develop the knowledge and skills that are indispensable for the performance of work, and, on the other hand, for many employees such activities are an important motivator.

EDUCATION IN THE RETAIL BUSINESS NETWORK

In the retail network, we support the implementation of the strategy with a number of training and development programmes aimed at improving the quality of sales. From October 2015 to the present, we have been running the *Manager Role* development programme, which is dedicated to managers and advisors in the branches. The aim of this programme is to learn how to manage sales through activity management and advisor skills. We consider a good sales conversation with all clients as the foundation, regardless of whether they have come to the bank to arrange a mortgage or just to make a cash deposit or transfer. All branch managers, regional teams and, through them, all branch staff are part of the programme. This approach to sales is also supported by the *Art of Selling* training programme, which is designed primarily for those colleagues who joined the bank several years ago and have received training in sales skills development in the past. The Art of Selling is seamlessly linked to the Manager's Role. Approximately 270 advisors went through this programme during May and June.

TRAINING OF HEAD OFFICE AND CORPORATE NETWORK STAFF

For this target group, 80% of the training is vocational training, which is specific to particular job positions and which is carried out in cooperation with external suppliers in Slovakia and abroad. Within the framework of personal development, or the development of "soft" skills, we provide a wide range of trainings for the employees of the headquarters focused on communication, personal effectiveness, or cooperation. In 2016, more than 700 HQ staff had such training in their training plan. For employees who were identified as key, successor or talent, we delivered a number of development programmes, whether focusing on a comprehensive understanding of banking processes, personal effectiveness and personal development, or on acquiring superior negotiation skills.

VUB ACADEMY

The *VUB Academy* organises its own training centre, as well as professional, corporate and personal development courses. The Academy prepares professional and skilled employees, supports the continuous development of employees and their careers, motivates and stabilises employees. In the *AMOS* e-learning system, employees can browse the catalogue of training activities and take initiative in their development and career growth. E-courses and e-tests are available at any time and users can repeat them several times. The app contains courses on current topics, training on individual work processes, freely available tests relevant to the position or product, and a variety of training courses.

Since 1 May 2016, a new VUB Academy application has been in operation, which brings, for example, a simplified process of registering for trainings for employees. By omitting the training approval step by the employee's supervisor, we have reduced bureaucracy and the burden on employees, but we assume a verbal agreement on participation between the employee and his/her supervisor. However, the new application also brings some additional benefits, which are an overview of one's own training and the training of team members, or the possibility to request a date or book a place at a training session in advance. As part of the introduction of the new app, video tutorials were also provided to make the process of getting to know the new tool easier for employees.

In 2016, we conducted an average of 6 training days per 1 VUB Bank employee in the form of classroom training and 2 days in the form of e-learning.

Education by type	
External classroom training (% days)	18 %
Internal classroom training (% of days)	58 %
E-learning	24 %
Total hours of training provided (days)	27 425

Education by content	
	%
Management and communication skills	26
Business	19
Operational	6
Credit	14
Financial	8
Special	19
IT	8
Language	1

Another activity we use to nurture our own professionals is the *Mentoring Program* in the retail business network. Mentors are employees in senior positions who pass on their practical experience to junior colleagues, mostly new hires or employees returning from maternity or parental leave. The aim is to facilitate adaptation to the .

Within the ZAPNi programme, we give employees the space to look for innovative solutions with the intention of improving the co-operation of clients or the employees themselves. In 2016, we received 72 suggestions for improving processes in the bank. Since the programme was launched, 153 good ideas have been put into practice.

EMPLOYEE SURVEY

Employee satisfaction is periodically surveyed through employee surveys. VUB Group employees participate in a group-wide employee survey (Climate Survey), which has been regularly conducted by the ISBD Group since . However, it only provides a general picture of the Bank. However, VUB Bank needed to get a clearer picture of its current situation and where we need to improve from the perspective of each department. This is why we have been

On 31 May to 14 June 2016, a more detailed employee survey of the VUB Group took place in cooperation with the international consulting company Aon Hewitt, which guaranteed the anonymity of the survey participants. The results of the survey were presented to the employees and some of the measures based on the survey were already implemented in the course of 2016. Activities from the areas identified by employees as problematic were included in the action plan as a matter of priority.

Based on the employee survey conducted in 2016 and subsequent focus groups, areas for improvement were proposed, implementation of which began during 2016 and will continue in 2017. The areas that have and will continue to receive our attention are:

- reward and recognition,
- favourable infrastructure,
- collaboration and communication between teams.

DIVERSITY AND EQUAL OPPORTUNITIES

VUB is committed not to discriminate, to observe the principles of equal treatment, to exclude any discrimination from its actions and to respect differences based on gender, age, race, religion, political opinion, , linguistic abilities, disability, marital and family status, language, political or other opinion, national or social origin, property or other status. By signing the Collective Agreement, it has also undertaken to respect the prohibition of discrimination in accordance with the Labour Code. Employees must not be disadvantaged because they exercise their rights under employment law. No cases of discrimination were recorded in 2016. The Bank provides everyone with equal opportunities for personal and professional growth and gives every employee the same opportunity to assert himself or herself. Differentiation of employees according to job qualifications and performance is not considered discrimination.

In 2016, the number of employees with disabilities increased to 44. The indicator relating to violations of the rights of indigenous peoples is not relevant due to the geographic location of our business.

HEALTH PROTECTION AT WORK

The Bank is obliged to create a working environment and conditions in accordance with Slovak technical standards and hygiene regulations. Occupational health and safety topics are covered in internal regulations and in the Collective Agreement. The rights of all employees in this respect are also represented by trade union representatives. Pursuant to Section 20 of Act No. 124/2006 Coll. on Occupational Safety and Health (OSH), the Bank has appointed a main occupational safety committee. It consists of seven members: 4 representatives of the employees (trade unionists) and 3 representatives of the employer. In addition to the main committee, regional OSH committees are appointed for each region to carry out regular annual comprehensive OSH inspections. The regional committee is composed of a minimum of four members: an employee representative, two employer representatives (a regional asset management technician and a branch manager) and an OSH technician. The total number of OSH committee members is 260, so the percentage of the total workforce represented in formal joint OSH committees is in the category of up to 25 per cent of the total workforce.

Every new employee on joining the company undergoes an initial familiarisation of employees in accordance with Act No. 124/2006 . on Occupational Safety and Health and on Amendments and Supplements to Certain Acts. Periodic familiarisation with occupational health and safety within the meaning of the aforementioned legislation and the Bank's internal regulations shall be completed by all Bank employees every two years in electronic form. The Bank also provides training for employee safety representatives (trade unionists) and a first aid course. OSH activities (comprehensive OSH inspections, provision of personal protective equipment, training, investigation of accidents at work, measures to improve the working environment, updating of internal regulations) are submitted semi-annually when the Collective Agreement is evaluated. Training and advice on employees is provided by OHS technicians from an external company.

As part of risk prevention and control, an initial audit is carried out by the Occupational Health Service (OHS) at the opening of a new branch. The health service, first aid training, workplace supervision and pre-ventive medical examinations in relation to the type of work carried out are provided by an external 's OH&S. The Bank shall ensure safe and healthy working conditions and provide personal protective equipment in areas where cash is handled and in areas where work of a technological is carried out. Where a staff member uses a company car, he shall be obliged to undergo a driving test every 2 years.

The nature of our business raises the possibility that employees could be exposed to a situation, e.g. a branch collapse. In these rare cases, they are provided with professional psychological support and are entitled to 5 working days off work to recover. In 2016, we recorded one case of robbery.

Despite the measures described above implemented in the framework of training on occupational safety, prevention and risk control, we recorded 11 registered work accidents in 2016. We did not record any serious work-related accidents or occupational diseases.

Health and safety

Number of occupational disease claims submitted	0
Number of registered injuries	11
Number of serious injuries	0
Death in the workplace with final assessment	0

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Freedom of association and collective bargaining shall be exercised in accordance with the Labour Code, the Collective Bargaining Act and the Law on the Right of Association. The collective agreement shall regulate individual and collective relations between the employer and the employees which are more favourable than those provided for in the Labour Code or other generally binding . The Bank is thus committed to ensuring that trade union rights are preserved, in particular the right to free unionisation and collective bargaining in accordance with generally binding . The collective agreement is concluded for a period of 3 years between VUB, a.s. and the Council of Trade Union Representatives of VUB, a.s. It applies to all employees in an employment relationship with the employer, regardless of their membership in a trade union . The provisions of the Collective Agreement shall take precedence over the Bank's internal regulations to the extent of the obligations entered into in the Collective Agreement.

Trade union leave

Percentage of employees in trade unions	16 %
Percentage of employees covered by a collective agreement	100 %
Number of days absent due to union activities (total time off granted to union organisers)	500
Number of days absent due to meetings	53

NOTIFICATION OBLIGATION

The Labour Code imposes an information obligation on the employer towards the employee representatives in relation to the business and financial situation and the anticipated development of the business. Information is defined as 'in a comprehensible manner and at an appropriate time'. Under the Labour Code, the employer is obliged to discuss with the employees' representatives in advance any substantial changes concerning, inter alia, the status, structure and expected development of employment. The provision of further information, including specific deadlines, is agreed in the collective agreement in accordance with the wording of the Labour Code.

INTERNAL COMMUNICATION AND DIALOGUE

Attentive listening and dialogue are also important in relation to employees. At the bank, we understand that if we expect our employees to perform at their best, we need to keep them regularly informed about what is happening, why and where the company is going, and where each of them fits into this fulfilment. At the same time, we give them the space to express their own opinions and ideas and involve them in decision-making processes. Internal communication is based on the seven values common to the entire Intesa Sanpaolo Group, as well as the values of the VUB brand. It helps in the fulfilment of our vision and mission and in the dissemination of the principles and principles enshrined in the of Ethics.

The company intranet is built as a key and most effective tool for internal communication, with the employees themselves involved in the creation of the content. Every piece of information on the intranet has its own owner, so employees know who to at any time if they need to. Overall, approximately 5 % of all staff from the various departments are involved in content. When internal communication is set up well, it is all about understanding the community. Throughout the year, we also conduct internal surveys on various via the intranet.

If people are to understand what, why and how things are happening in the company, dialogue and two-way communication are necessary. Employees therefore always have the opportunity to ask questions of the CEO via the intranet form, to comment on topics important to the bank and to the employee, e.g. the benefits system, the form and content of the intranet and the internal magazine. Employees have the opportunity to meet directly with the CEO at the regular *CEO Breakfast Club* once a month, through which we try to encourage our employees to take an interest in what is going on in the .

ACTIVE INVOLVEMENT OF EMPLOYEES IN THE LIFE OF THE BANK

Throughout the year, we prepare various internal campaigns for VÚB Bank employees to motivate them to be actively involved and interactive. We launch internal campaigns on a monthly basis, each time with a new theme relevant to the period. We use all channels of internal communication, including posters, intranets, newsletters, personal emails and screensavers on computers, to promote brand perception, values and, of course, business. We built team spirit and informal relationships by participating in various sporting events, such as the *Intesa Sanpaolo Running event 2016* held in Portorož, Slovenia, in April 2016, the *ISP Sport Tournament 2016* held in Poreč, Croatia, in June 2016, and the *ISBD Sports Event 2016* in Portorož, Slovenia, where VUB Bank employees represented the bank in football, basketball and volleyball. Some of our employees took part in the relay race *From the Tatra Mountains to the Danube* in August, or the *Piešťanská barla* event, during which they showed their cohesion and proudly presented their employer. In 2016, the VUB Bank headquarters hosted the *VUB FocsCup 2016* tournament, which was also attended by the CEO.

At VUB Bank, we help employees spend their free time with their children. For the children of our employees, in cooperation with the parent company Intesa Sanpaolo, we organised the Belgrade *ISBD JUNIOR SPORT EVENT 2016* in May, and in June, the *ITALIA SOCCER CAMP* visited Bratislava, thanks to which 50 children of VUB Bank employees were able to try out the practices of Italian coaches.

EMPLOYEE HEALTH CARE

We are that only healthy and energetic employees can perform their jobs effectively and thus contribute to the bank's goals. That is why in 2016 VUB Bank organised a two-day *Health Days* programme in Bratislava and Banská Bystrica. Employees were able to indulge in short office massages, get examined by an ophthalmologist, take part in health measurements with special devices, try out various stress relief techniques, or work out at morning yoga classes. A healthy lifestyle also includes a healthy diet. In June, *Zdravomat* became a part of the VUB Bank headquarters. It is a vending machine with fresh, healthy and high-quality food, offering salads, cereal baguettes, mineral water and fruit juices, or healthy snacks. During the cold weather, apples were handed out to every employee at VUB Bank throughout the week with the educational slogan "Give an apple every day and you won't see a doctor". Employees were also motivated to strengthen their immunity in a fun way. VUB Bank was visited several times a year by *healthy stalls* located in the reception area, where employees could buy blueberries, organic chocolate and other organic sweets, or consult a herbalist on how to avoid illnesses or win over them by using "grandmotherly" recipes.

In 2016, VUB Bank took care not only of the physical health of its employees. The feeling of usefulness and importance or self-fulfilment positively affects the psyche and health of a person. Sometimes it takes very little to make a person realise his or her importance in the company in which he or she works. That is why VUB Bank decided to thank its employees during the *Clients' Week*, without whom it would not have achieved its goals and maintained its leading position on the . The CEO expressed his gratitude in his speeches and speeches, VUB Bank thanked all employees through posters placed in the elevators or on the bulletin boards at the bank's headquarters, mailings and the intranet. In 2016, the *VÚB LEAGUE OF MASTERS 2016* was held to celebrate the biggest stars of the year-long retail branch competition. The annual competition has a positive impact on healthy competition between branches and motivates employees to continuously improve. At VUB Bank, we are aware that high work commitment requires a lot of energy. Every year at the end of the year, the traditional *VÚB Life* Christmas meetings are held in Košice, Banská Bystrica and Bratislava, during which employees can get to know each other better and gain new energy for the next year. Through various employee benefits, we strive to maintain a balance between work and personal life.

Employees were also motivated to be physically active, which has a positive effect on a person's overall health. During the *European Mobility Week*, employees were encouraged to take a break from their pet car and use other, more eco-logical, modes of transport (see more in the Environment chapter). VUB Bank also motivated its employees to use bicycles as an environmentally friendly means of transport by providing more parking spaces through the purchase of additional racks.

Shareholders

SHARE CAPITAL AND SHARES OF VÚB, A.S.

The share capital of 430,819,063.81€ is divided into:

- 4 078 108 registered shares issued in book-entry form with a nominal value of EUR 33.20 per share; and
- 89 registered shares issued in book-entry form with a nominal value of EUR 3,319,391.89 per share.

VUB, a.s., has its entire share capital paid up. Its shares are traded on the public capital market organised by the Bratislava Stock Exchange (hereinafter referred to as the "Stock Exchange" or the "BSE") under the share number - ISIN - SK 111 000 1437 in the total number of 4 078 108 units. Information on these shares is provided by the Stock Exchange on its website in the securities/markets, listed market and issue detail section of VÚB, a.s. VÚB Bank has also issued 89 shares, which are not publicly traded.

Information on shares of VUB, a. s., traded on the public capital market

Security name	Shares of Všeobecná úverová banka, a.s.
Form of the security	book-entry share*
Form of security	registered share
Issuer of the security	Všeobecná úverová banka, a.s.
Country of issue action	Slovak Republic
Number of shares issued	4 078 108 pcs
Nominal value	33,20 euro
Location of the share issue	Stock Exchange in Bratislava, a. s.
Capital market	Main listed stock market
Currency trading	Euro (€)
Numbering of shares	ISIN SK 111 000 1437
Abbreviation of the name of the security	1VUB02A
Stock index	SAX

Remark:

* a book-entry share represents an electronic entry in the records of the Central Securities Depository of the Slovak Republic, a. s.

VUB, a.s. has a large number of minority shareholders from the first wave of coupon privatisation in 1991. The number of shareholders has declined from the original 80,000 shareholders to the current almost 30,000 shareholders. The majority shareholder is the Italian banking group Intesa Sanpaolo, which joined VUB, a.s. in . The shareholder structure is detailed below.

SHAREHOLDER STRUCTURE OF VÚB, A.S.

Information on the Bank's shareholders is published quarterly, within 30 days of the end of the quarter. The data is as at 31 December 2016.

By type of owner	Share in thousands of shares EUR*	Share in %
Intesa Sanpaolo Holding International S.A. - majority owner	418 034	97,03
Other legal persons	5 305	1,26
Natural persons	7 364	1,71
TOTAL (Share capital of VUB, a.s.)	430 819	100,00

By nationality of the owner	Share of shares in thousands EUR*	Share in %
Intesa Sanpaolo Holding International S.A. - majority owner	418 034	97,03
Domestic shareholders	9 349	2,17
Other foreign shareholders	3 436	0,80
TOTAL (Share capital of VUB, a.s.)	430 819	100,00

* The share of shares of VUB, a.s. in EUR means the value of the shares of VUB, a.s., expressed as the nominal value in EUR multiplied by the number of shares held.

VUB, a.s. shares were held by 29 183 shareholders as at 31 December. The foreign shareholders come from the following countries and the following share in the share capital (in %): Luxembourg (97.032 %), Germany (0.651 %), Czech Republic (0.139 %), Austria (0.003 %), Great Britain (0.004 %), USA, Canada, Romania, France, Switzerland, Sweden, Belgium and Cyprus.

The majority shareholder, Intesa Sanpaolo Holding International S.A. Luxembourg, with registered office at L-1724, 35 Boulevard du Prince Henri, Luxembourg, has a qualifying participation in the Company's share capital, with a total shareholding of 97.03% of the Company's share capital.

RELATIONS BETWEEN THE COMPANY AND ITS SHAREHOLDERS AND THE COMPANY'S APPROACH TO SHAREHOLDERS

The Bank complies with the provisions of the Commercial Code and other applicable laws concerning the protection of shareholders' rights, as well as the provisions on the timely provision of all relevant information about the company and the provisions on the convening and conduct of its general meetings. The Company complies with the principles relating to the rights of shareholders, the principle of equal access to information for all shareholders and other principles in accordance with the Code of Corporate Governance in Slovakia. The corporate governance principles ensure, facilitate and protect the exercise of shareholders' rights. The Company duly and timely fulfils all its obligations to shareholders arising from the relevant legislation and from the Corporate Governance Code in Slovakia. The Company facilitates the proper exercise of shareholders' rights and acts transparently and exclusively in accordance with the relevant applicable.

DIALOGUE WITH SHAREHOLDERS

VUB Bank's priority is to communicate effectively with all shareholders and to ensure that they are properly informed. The Bank's Secretariat Department ensures continuous dialogue with shareholders and the Economic Analysis Department is responsible for communication with rating agencies and analysts. The dialogue takes several forms, both formal and informal, in both Slovak and , writing, by telephone and through face-to-face meetings. The main medium is the Bank's website www.vub.sk, where the necessary information, guidelines and forms are published. There are also practical legal procedures for transactions most frequently requested by shareholders, in particular:

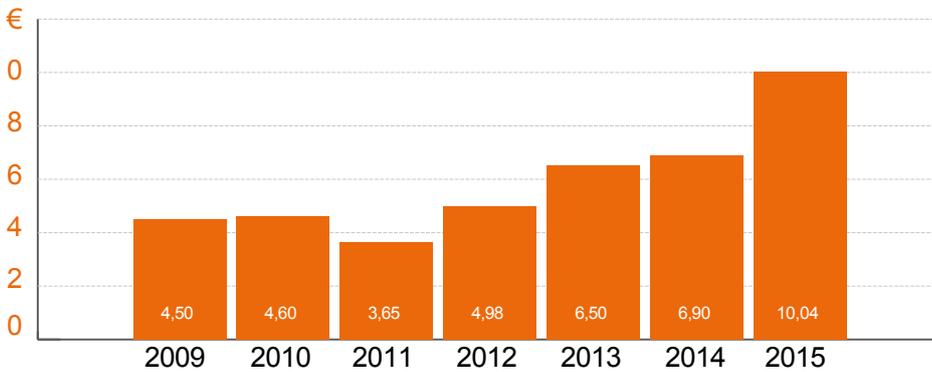
- The method and place of payment of the dividend,
- Change of address or name of a shareholder - to whom and how to report,
- Inheritance of shares - legal steps and entitlement,
- Donation of shares - legal steps,
- Power of attorney for the payment of dividend on shares and for the transfer of the right to dividend,
- Proxy to attend the General Meeting,

- Requirements for documents certified ,
- Participation of shareholders at the general meeting - rights and requirements,
- The full text of the documents and draft resolutions that are the subject of the General Assembly's deliberations,
- Results of the General Assembly votes,
- Information on the buy-back of own shares of VUB, a.s.,
- Options for buying and selling shares of VUB, a.s.

In addition to the above procedures, the website also provides the following useful information for shareholders:

- Decisions on dividend payments for individual years,
- Information on their taxation,
- Development of the share price of VUB, a.s.,
- Information on the distribution of the bank's share capital and shares of VUB, a.s.,
- Information on shareholder structure,
- Information about the main shareholder,
- List of members of the Board of Directors and the Supervisory Board,
- Press and analytical reports,
- Financial statements and important background information on the Bank's activities,
- Information on VUB Bank's market position and its assessment,
- Market shares,
- Rating,
- The Bank's vision and mission and awards,
- Extract of data on VUB Bank from the Commercial Register of the Slovak Republic and
- Annual Reports.

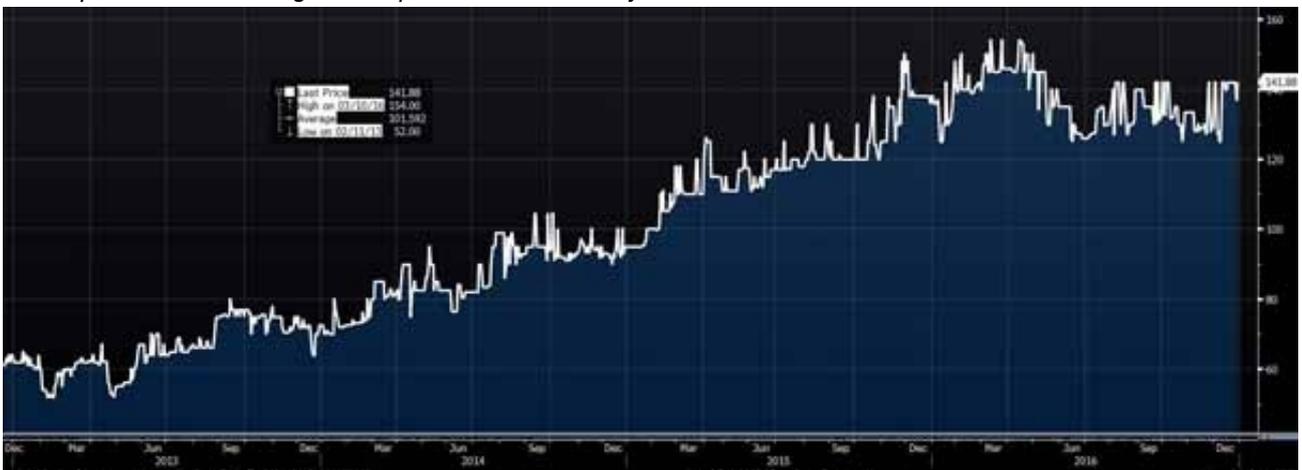
OVERVIEW OF DIVIDEND PAYMENT FROM VÚB, A.S.



VÚB, A.S. SHARE PRICE

Information on the current price of VUB, a. s. shares on the public capital market is regularly published in the national daily press publishing stock exchange news, e.g. Hospodárske noviny or on the website of the Bratislava Stock Exchange. VUB's share is a part of the Slovak SAX stock index and significantly influences its development. The share price has fluctuated over the last four years (2013-2016) from a low of EUR 52 per share to a high of EUR 154.00 per share (as at 31 December 2016).

Development of the average share price of VUB for the years 2013 - 2016 in EUR



Source.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

The rights and obligations of a shareholder are set out in the relevant legislation and the Articles of Association of VUB, a.s. All shares carry with them the shareholder's right to participate in the management of VUB, a.s. and the right to a share in its profits. The shareholder's right to participate the management may be exercised at the General Meeting. The distribution of profits to shareholders in the form of dividends shall be decided by the General Meeting. Shares are freely transferable either by registering the transfer with the Central Securities Depository of the Slovak Republic, a.s. or by registering the transfer with a member of the Central Securities Depository on the basis of an order to register the transfer or transfer of shares.

The General Meeting is the supreme decision-making body of the Bank, representing all shareholders, and its decisions, approved in accordance with applicable law and the Bank's Articles of Association, are binding on all shareholders. The following major decisions fall within its competence:

- a decision to amend the statutes,
- the decision to increase and decrease the share capital and the decision to authorise the Board of Directors to increase the share capital,
- a decision to issue senior bonds or convertible bonds,
- a decision to change the rights attached to any type of VUB, a.s. shares and to limit the transferability of VUB, a.s. shares,
- election and dismissal of members of the Supervisory Board, with the exception of members of the Supervisory Board elected and dismissed by employees of VUB, a.s.,
- the approval of the ordinary and/or extraordinary individual and/or consolidated financial statements, the decision on the distribution of profits or the settlement of losses and the determination of royalties,
- a decision on the distribution of retained earnings from previous years and/or the settlement of outstanding losses from previous years,
- a decision on the use of the reserve fund,
- a decision on the amount, method and place of payment of dividends and the determination of the record date for determining the persons entitled to exercise the right to dividends.

Prior to the General Meeting, VUB Bank sends an invitation to all shareholders with the agenda of the General Meeting with annexes and basic information that will be discussed at the meeting. Additional information is available for inspection by shareholders at the Bank's registered office or is sent to them upon request. The invitation and supporting documents are also published on the Bank's website and in periodicals with a national coverage, publishing stock exchange news. Instructions on the shareholder's rights pursuant to Sections 180(1) and 181(1) of Act No. 513/1991 Coll., Commercial Code, as amended (hereinafter referred to as the "Commercial Code"), and documents and data pursuant to Sections 184a(1) and (2) of the Commercial Code are published at least thirty days prior to the General Meeting on VUB Bank's website in the section titled "Information for Shareholders".

VUB Bank accepts all its legal obligations towards its shareholders. It complies with the provisions of the Commercial Code relating to the protection of shareholders' rights, in particular the provisions on the timely provision of all relevant information about the company and the provisions on the convening and conduct of annual general meetings. The Bank complies with the principle of equal access to information for all shareholders in accordance with the Corporate Governance Code in Slovakia.

SHAREHOLDER PROTECTION INITIATIVES IN 2016

Since 2007, VUB Bank has applied Italian Law 262, which was issued in . In order to implement the law, a project called "Project 262" was defined. Its objective is to comply with the requirements of Italian Law 262 in VUB Bank. Law 262, which was inspired by the US Sarbanes Oxley Act, was enacted to ensure a significant strengthening of investment protection. The resulting measures cover a broad area and focus on various activities, such as governance, accounting audit rules, financial instruments rules, conflicts of interest, transparency and market regulation. This law is part of a legal scenario aimed at consistently strengthening governance. The objective of Project 262 at VUB Bank is to review the internal control system, identify weaknesses and, on the basis of these weaknesses, adjust the internal control system to eliminate potential risk and ensure a true and fair view of the financial situation.

Act 262 requires individual companies to identify processes that affect financial information, assess the relevant risk associated with those processes, and, based on that assessment, design adequate internal controls to eliminate the potential risk. The basis of the project is to identify and respond promptly to any internal control that is not functioning properly. This will ensure that the quality of financial reporting is enhanced through business ethics, effective internal controls and good corporate governance. On the basis of the

262 determined the responsibility of the CEO for the content of financial reports, the accounting procedures used, for an adequately set up control system and for the fair presentation of assets, liabilities, costs, expenses, income and cash . The CEO and the CFO sign a declaration confirming the adequate and effective application of accounting and financial reporting procedures. The benefit of the whole project is to provide assurance to shareholders of the true and regular presentation of the capital, economic and financial position of the VUB Group and the adequacy and effectiveness of the internal control system and processes.

Suppliers

STRATEGY IN RELATION TO SUPPLIERS

Suppliers are one of the groups of VUB Bank's partners that are significantly affected by responsible business conduct and the resulting compliance with the Code of Ethics. VUB Bank requires its suppliers to comply with the principles that are part of its business and which it sees as an obvious part of the Code of Ethics and its daily conduct.

VUB Bank is aware that good business results are beneficial for all stakeholder groups, among which suppliers have their inherent position. VÚB banka is one of the largest Slovak companies and as such has a wide network of business partners - its suppliers. By purchasing goods and services, it indirectly generates benefits for the whole company in the form of employment and the business and financial results of its suppliers. Responsible environmental and social practices are an inherent commitment of VUB Bank towards its suppliers.

One of the basic prerequisites for success in a competitive market is an efficient way of handling the funds for goods and services that VUB Bank needs for its operations. The total amount of such costs directly contributes to the business results. Therefore, VUB Bank expects its suppliers to be flexible, pro-active and responsive, accompanied by high efficiency. VUB Bank is interested in developing long-term business relationships based on open pricing in order to achieve the most advantageous and mutually acceptable supplier terms and conditions.

VUB Bank manages the use and consumption of materials (office paper, toner for copiers and printers), collection and disposal of their used packaging. In the area of building management, it cooperates with companies that are ISO 14001 certified. This system helps companies to participate successfully in national and international competitions, but also ensures the growth of the company's value and cost-effectiveness, as well as customer confidence. Purchases of office paper are limited to chlorine-free paper (TCF/ECF) and recycled paper. Bulk correspondence sent to the Bank's customers is exclusively in recycled envelopes.

In the area of building management and maintenance, VUB Bank cooperates with companies that take a systematic approach to environmental protection in all aspects of their business. In the area of redesign, reconstruction or other construction work, VUB Bank cooperates with construction companies that integrate care into their business strategy and day-to-day operations. The same applies to lighting and interior design contractors, whose activities, in addition to the production and provision of services, are oriented towards energy savings, waste minimisation and minimising environmental charges and fines for environmental pollution.

Since VUB Bank is not a manufacturing company and its activities do not result in products for which it would be necessary to purchase input, the report does not deal in detail with used materials or used recycled input materials. For more information, see the Environment chapter.

In 2016, VUB Bank cooperated with 1,067 suppliers from various fields. In contrast to the previous year, the highest share was accounted for by suppliers from marketing and other categories.

Number of suppliers 2015

Type of commodity	Number of suppliers
IT HW/SW/Services	177
Energy	120
Real estate - administration, leases	454
Marketing and other categories	380
Total	1 131

*Number of suppliers 2016*

Type of commodity	Number of suppliers
IT HW/SW/Services	153
Energy	76
Real estate - administration, leases	395
Marketing and other categories	443
Total	1 067

**OBJECTIVES AND RULES IN RELATION TO SUPPLIERS**

- transparent selection of suppliers of quality goods and services at good prices,
- Close cooperation with suppliers, open communication, jointly setting up process efficiency,
- Responsible partnership, including regular and timely payments,
- selection of friendly technologies, products and materials,
- cost-effectiveness in the procurement process,
- standardisation of purchases.

LEGISLATIVE REGULATION OF THE PROCUREMENT PROCESS IN THE REPUBLIC OF SRPSKA AND ITS IMPACT ON THE ACTIVITIES OF THE VUB BANK

The selection of suppliers in VUB Bank is not subject to the Public Procurement Act. During 2016, no fines were imposed on VUB Bank for non-compliance with any laws and regulations relating to procurement and purchase of goods and services. Internally, VUB Bank has sufficiently strong and multiple control mechanisms in place - internal control system, transaction controls from the parent bank and internal audit.

Under the Employment Services Act, every employer in the Slovak who employs more than 20 employees is obliged to employ citizens with . The second option is to use substitute performance and to award a contract or take over products and services from a sheltered workshop that employs people with , from a citizen with severe disabilities or from an employer whose employees are citizens with severe . In view of the above-mentioned legal obligations, VUB Bank awards part of its contracts to sheltered workshops, despite the fact that the prices they provide are higher and the delivery times longer than those of regular suppliers.

Volume of purchases from sheltered workshops

year	Amount in EUR
2016	53 200
2015	62 600
2014	47 000

See the Community chapter for more information.

APPLYING CORPORATE SOCIAL RESPONSIBILITY RULES TO SUPPLIERS

VUB Bank further transfers the principles of corporate responsibility to its suppliers. We strive to cooperate principally with companies that respect and uphold the values of our company and the Group. We create open and strong partnerships across the entire supplier portfolio. We make cooperation with a prospective business partner conditional on its commitment to protecting and improving the living conditions of its employees, local communities and other specific social groups.

	2016
Percentage of suppliers that have been screened for impact on society.	100 %
Significant actual and potential negative impacts in the area of impact on society in the upstream chain and activities to eliminate them.	(0) (%)

Already in the tendering process, we require suppliers to declare their compliance with the principles by signing an *Affidavit of Compliance with the Principles of Corporate Social Responsibility*. This document has become an integral part of the relationship between VUB Bank and suppliers and is one of the obligatory annexes to tender procedures. By signing it, the candidate for business cooperation confirms that he/she conducts his/her business activities in accordance with the principles of ethics, transparency, morality, decency and that he/she complies with the legal order of the Slovak . It further confirms that it rejects and punishes all forms of corruption, including extortion and bribery, and promotes fair competition. It declares that it does not participate in human rights abuses, observes and respects inter- national human rights in the field of business. The applicant respects the right to freedom of association and collective bargaining and recognises the rights of employees under collective agreements, while respecting the international prohibition of forced and child labour in any form.

PRINCIPLES IN SUPPLIER-CUSTOMER RELATIONS

- adherence to the principles of the Code of Conduct, in particular as regards transparency and fairness in supplier selection processes, adherence to the Group's internal code of conduct,
- Compliance with regulations on confidentiality and privacy, social and environmental sustainability, occupational safety, industrial property protection and ,
- separation of executive and control functions to avoid conflicts of interest in procurement,
- timely reporting and management/management of anomalies,
- the use of contractual provisions and control instruments that protect the Group from risks associated with partner-client liability.

All processes are harmonised with the standards of the parent bank. Compliance with these rules is checked to ensure transparency and equal opportunities.

Transparency and equal opportunities

Transparency and equality of opportunity are attributes that apply to the selection of suppliers, but also to the definition of internal supplier processes and relationships. In our view, these are the *attributes of VUB Bank's responsible approach to suppliers*. VUB Bank's suppliers are significantly affected by compliance with *the Code of Conduct*. VUB Bank believes in fair play and transparency in its relations with suppliers. In order to create and build an open partnership across the entire supplier portfolio, VUB Bank strives to work principally with those suppliers who respect and uphold these values. For existing suppliers, this is a challenge to continuously improve the quality of their products and services in order to be a valuable partner for the future; for new suppliers, it is a support in their ambition to become a business partner of VUB Bank.

VUB Bank works primarily with suppliers from the Slovak Republic, but within the framework of equal opportunities, it also has supplier-customer relationships with suppliers from abroad, whether from Italy, where the parent company is based, or from other countries around the world.

Supplier's registered office	Volume in EUR	Number of suppliers
Slovakia	87 498 481	955
Italy	2 508 018	18
Europe	3 784 202	88
North America	162 589	6
South America	0	0
Asia	0	0
Other	0	0
Total	93 953 290	1 067

Whistle-blowing policy

VUB Bank has adopted a Policy for dealing with anonymous complaints. It has established an e-mail address to which business partners can contact if, during the procurement process or during the execution of a contract, a supplier that any employee of the Bank or any other person related to the Bank has violated the law or the Bank's internal regulations in connection with a contract or otherwise (e.g., misuse of information in business dealings, fraud, extortion, embezzlement, bribery). The Supplier has the possibility to contact VUB Bank with a complaint to investigate the matter via e-mail. [v](#).

Portals of Fornitori

The way of purchasing goods and services at VUB Bank has since 2014. The supplier portal - Portale Fornitori - is actively used for more efficient communication with suppliers and for the implementation of procurement processes. The portal is used to register invited suppliers and through it supplier tenders are also conducted. [v](#).

Electronic auctions

VUB Bank also uses electronic auctions via *Access Point* [v](#). for tenders. Suppliers submit their bids electronically at the same time in one place. In this way, VUB Bank speeds up and streamlines the process of supplier selection as well as fair price negotiation in a transparent way. Electronic auction is a form of "open" negotiation that ensures equal opportunities and fair play in the process of supplier selection when procuring goods and services. VUB Bank uses the electronic auction to the maximum extent applicable.

Environmental management of suppliers

VUB Bank is neither a manufacturing company nor a direct polluter of the environment, but is committed to reducing its negative impact on the environment as much as possible. The company is looking for optimal solutions beyond legislation, and one of the solutions is to give preference to environmentally friendly products. In particular, we give preference to those suppliers who take measures to minimise the negative environmental impact of their activities.

Percentage of suppliers that have been verified for compliance with environmental criteria.	100 %
Significant actual and potential negative environmental impacts in the supply chain and activities to them.	(0) (%)

Human rights and their protection by suppliers

Percentage of suppliers that have been screened for human rights.	100 %
Identified activities and suppliers where the right to freedom of association is significantly undermined and collective bargaining and the measures implemented to promote these rights.	(0) (%)
Identified activities and suppliers where there is a significant risk of child labour incidents and measures implemented to promote the elimination of child labour.	(0) (%)
Identified activities and suppliers where there is a significant risk of forced or compulsory work and measures implemented to promote the elimination of forced or compulsory labour.	(0) (%)
Significant actual and potential negative human rights impacts in the supply chain and activities to them.	(0) (%)

Environment environment

STRATEGY IN RELATION TO THE ENVIRONMENT

VUB Bank is neither a manufacturing company nor a direct polluter of the environment, and therefore the environmental impact of our business is minimal.

However, we consider environmental protection and sustainable development to be a natural part of our operations in the market and in the country, and we are therefore committed to reducing our negative impact on the environment as much as possible. We take action both internally and externally to our company. We monitor environmental risks and threats and try to prevent them through various measures.

Not only do we strive to consistently meet our obligations, but at the same time we voluntarily commit to mitigate the negative impacts of our business. We look for solutions beyond legislation, we are interested in our active and passive environmental performance, we map relevant environmental indicators and we are constantly looking for new ways in the Bank's approach to the .

ENVIRONMENTAL RESPONSIBILITY

The company's and our employees' commitment to sustainability is reflected in a number of activities: the use of reduced-weight office paper, the use of office supplies whose disposal is environmentally friendly, the reduction and sorting of office waste, cooperation with suppliers who hold certificates confirming compliance with environmental standards, the sleep mode of personal computers, which automatically switch to a mode with minimal power consumption after 30 minutes of inactivity, and many others.

Measures to reduce the environmental impact, both direct (from our activities) and indirect (from clients and suppliers), are enshrined in *the VUB Group Environmental Policy*. As part of an international banking group, we are guided by *Equator Principles* and the *UN Global Compact*. We have well-defined internal rules and take social and environmental risks into account in our investment and lending decisions.

VUB Bank's main activities in the field of environmental protection in 2016 were based on:

1. the current *Environmental Policy* aimed at:
 - support for investment projects saving and renewable energy,
 - cost-saving measures to reduce energy and consumption,
 - waste separation and measures to reduce waste production,
 - Raising the environmental awareness of employees.
2. *Environmental Sustainability Action Plan* with priorities for energy savings ():
 - replacing old electrical appliances with new ones with the highest environmental performance,
 - Comprehensive introduction of LED technologies,
 - optimisation of heating systems,
 - replacement of measurement and control systems and technologies.

ENVIRONMENTAL POLICY

It is VUB Bank's fundamental document and the basis for the implementation of our environmental concept. It sets out the mission and objectives in the field environmental protection, sustainable development and comprehensive environmental management. It defines the principles and guidelines for direct and indirect environmental impacts in relation to our partners, addresses resource use (water, heat, energy, gas), procurement, mobility. Last but not least, it enables

communicate intentions and objectives to staff and other partners. In addition to the Environmental Policy, we followed other internal policies in 2016:

1. organising social events and in-house training courses,
2. purchase and use of office ,
3. integrated enviro and energy management system.

AND GLOBAL COMPACT

VUB Bank is committed to acting in accordance with the *UN Global Compact*, an international standard to which it signed up in . It includes principles aimed at protecting the environment, which we strive to comply with as as possible.

EQUATOR PRINCIPLES

We take a responsible approach to project financing and lending. As a manager of large amounts of funds, we have a significant influence on capital flows. It is therefore to us that the projects we choose to finance do not have a negative impact on the environment in which we live. Our voluntary adherence to the *Equator Principles* and the rigorous implementation of the Principles applied to all phases of the lending policy is a confirmation of this commitment.

MANAGERIAL APPROACH

The aim is to encourage employees - the building users - to adopt efficient solutions that take into account optimal working conditions.

Current components of our environmental management are:

- Department of Building Management,
- Internal Department,
- Procurement Department,
- external suppliers of products and services,
- Risk Management Section,
- regular inspections and checks in both branch and head office buildings to reduce energy consumption and look for possible savings,
- internal rules and notices,
- internal communication - employee awareness.

INTEGRATED ENVIRO AND ENERGY MANAGEMENT SYSTEM

It addresses prevention, management and, where possible, reduction of the direct and indirect impacts of our activities. Direct impacts are defined as the negative impacts of our activities or the direct impact on the environment of the Bank's actions as a whole (e.g. use, management of hazardous substances and waste, waste reduction, energy efficiency). Our management system clearly defines the rules and processes relating to the implementation of environmental policy.

Although VUB Bank is not a major polluter of the environment, our impact can be divided into indirect and direct.

We are trying to regulate the indirect impact:

- we comply with international and national protocols on protection,
- we support projects with high environmental value (loans),
- incorporating environmental standards and the *Equator Principles* into the credit system.

We try to minimize the direct impact:

- energy saving measures,
- implementing and complying with internal rules and notices relating to e.g.
 - efficient use of electricity in offices,
 - air conditioning (principles of its use),
 - cooling and heating (adjusting the indoor temperatures in cold and warm periods),

- regular collection and environmentally friendly disposal of broken phones, accessories and batteries,
- collection and disposal of waste classified as hazardous (toners, fluorescent lamps),
- videoconferencing instead of business trips,
- shutting down PCs after working hours, on weekends and on days off.

Environmental management indicators

Number of staff whose job description includes direct implementation of environmental policy	1
Number of internal specialists	0
Number of external specialists	2
Percentage of employees informed about the implementation of environmental policy	100

Costs related to environmental management and waste disposal

Year	2015	2014	2013
in EUR	16 508	16 633	17 781

DIRECT IMPACTS

PAPER

- We prefer black and white and double-sided printing, printing multiple pages on one sheet, etc,
- electronic instead of hard copy documents are used in the Bank’s management meetings, and we use more environmentally friendly envelopes made of purely natural materials and marked with the certified Green Energy logo,
- we use reusable envelopes made of recycled paper for internal purposes,
- paper invitations to events organised by the Bank have been replaced by electronic ones,
- we have introduced digital specification of purchase request between the department. Building Management and Procurement department,
- Attendance, medical and private passes, other interruptions of working time and leave planning are recorded via the EGJE electronic system.

Subscriptions to newspapers and magazines in print versus electronic form



The reason for the increase is the fact that some newly contracted professional economic and economic media do not exist in electronic versions.

PAPER CONSUMPTION

In 2016, office paper consumption fell by .



Paper consumption by type (kg)

Year		2016	2015	2014
Certified paper	100% recycled	99	2 806	901
	FSC	50 464	60 110	47 702
	ECF/TCF	297 411	322 011	333 217
	FSC and ECF/TCF	133 165	121 127	104 591
Non-certified paper		4 188	4 394	4 172
Total		485 327	510 448	490 583

The significant decrease in office paper consumption is the result of effective measures such :

- computerisation of contractual documents with clients,
- offering services and products in a modern, electronic form (e.g. online loan sales via the internet and mobile banking).

Paperless loan

VUB Bank's clients can now arrange a loan much faster and without a single piece of paper. The whole process has been moved from paper forms and contracts to a tablet display at the branch and a digital signature is sufficient at the end. In 2016, we were able to save 408 trees as a result.

Online loan sales grew at a significant pace in 2016 and the results gave us some interesting facts:

- clients most often take out a loan on Fridays,
- borrow 20% more online than through the mobile banking app,
- one in three online loans are taken out by people on their mobile phones.

Sale of credit before - in the classic form:

- 10's of thousands of pages of paper per year printed for the client,
- loan processing takes approx. 35 min.

Selling credit then - online:

- 100% of documentation available at the branch, in 24-hour banking and on mobile devices,
- we save our clients time - it takes 14 to process a loan.

ENERGY

VUB Bank continuously strives to reduce energy consumption.

ENERGY CONSUMPTION AND EFFICIENCY

In 2016, energy audits of all buildings in which VUB Bank has its headquarters or its branches were carried out in accordance with the applicable Slovak legislation. The result is a description of the current situation and proposals for solutions to reduce energy consumption and later to implement and use them efficiently.

As in the previous period, we emphasized on economical heating and cooling of our premises and on the selection of energy-saving light sources. VUB Bank requires two primary sources of energy to operate - electricity and gas.

Electricity consumption fell again in 2016. This decrease is the result of

- a continuous effort to guide employees towards efficient use,
- purchases of high-efficiency equipment,
- continuous supervision and regulation of the technology used,
- climate .

Direct energy consumption

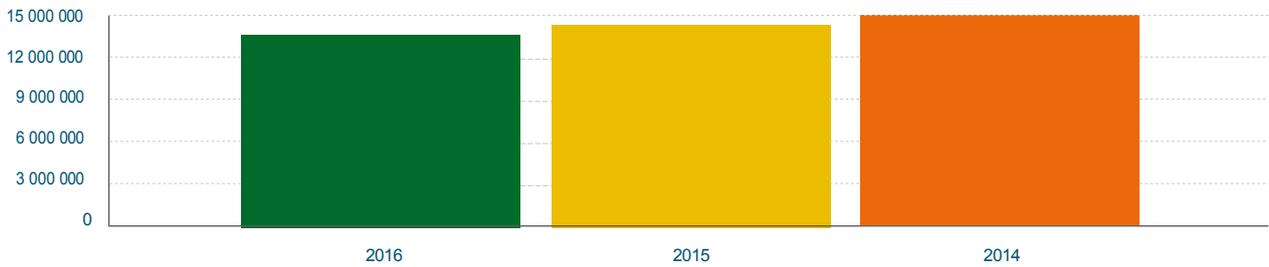
Year	Electricity	Thermal energy	Gas	Total	
	kWh	kWh	m ³	kWh	kWh
2016	13 747 045	5 781 445	922 599	8 672 431	28 200 921
2015	14 404 261	5 450 163	957 709	9 002 468	28 856 892
2014	14 644 944	5 068 619	887 337	8 340 974	28 054 537

Notes:

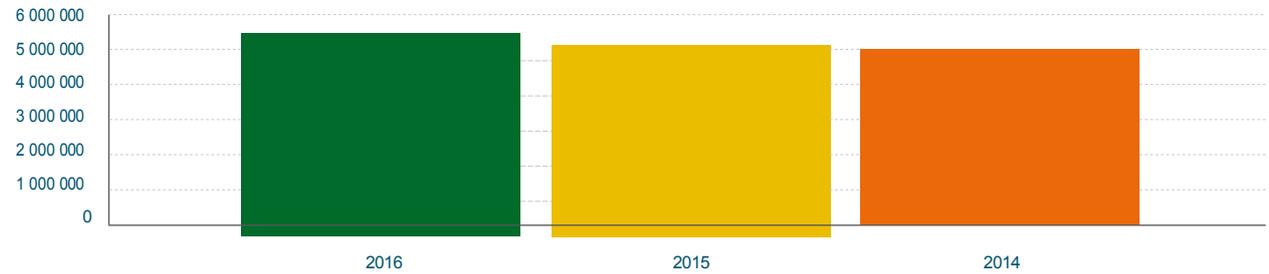
1) 1 m³= 9.4 kWh

(2) the data have been obtained from the readings of the contractor

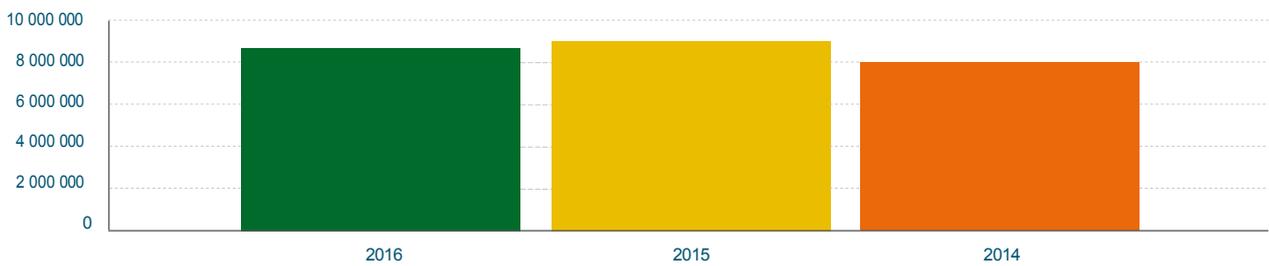
Electricity



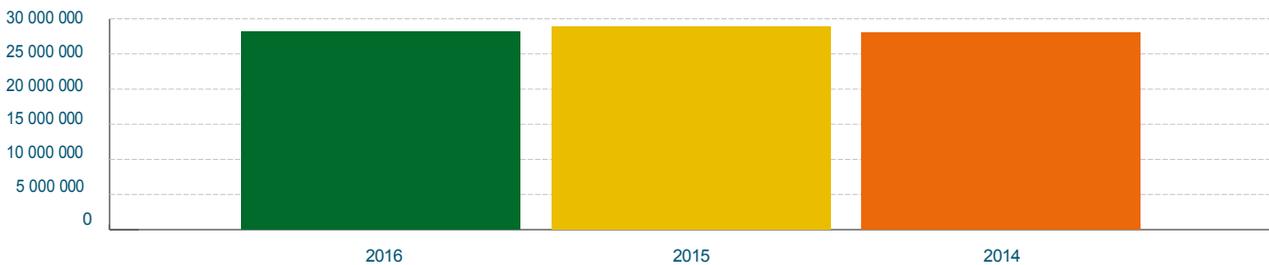
Thermal energy



Gas



Total



Total energy consumption has stabilised at around 28.2 GW. In addition to the human factor, local outdoor temperature and the thermal resistance of the envelope also influence the consumption of heat and gas.

EMISSIONS CO₂

VUB Bank did not monitor the production of issues in 2016 either, as this figure is insignificant given the bank's activities. CO₂ is only emitted by company cars, the number of which is small given the size of the company, its presence in the regions and the number of managers. In addition, bicycle racks have been installed in the garage area of the bank's head office and in front of some branches. The aim is to motivate employees to use this mode of transport to work as well.

RENEWABLE RESOURCES

The gas is purchased from a local supplier, which is the Slovak Gas Industry. VUB Bank's electricity suppliers are the largest local suppliers (ZSE, VSE and SSE), which guarantee that at least 15% of the energy they supply is produced from renewable sources. In accordance with the relevant provisions of Act No. 656/2004, electricity suppliers in the Slovak Republic are required to inform their customers of the share of each type of primary energy source in the energy produced and supplied, including the supply of electricity produced in other EU Member States and in third , but it is not within our power to influence these shares in any way. Also in 2016, the share of primary energy sources in the generation of electricity supplied by our suppliers (based on data provided by them) was as follows:

■ renewable (hydro, wind, solar)	15 %
■ gas	13 %
■ coal	20 %
■ core	52 %

AUSTERITY MEASURES

Energy-saving measures and modernisation of facilities are another contribution of VUB Bank to protection. In 2016, we continued our energy measures:

- offices
 - insulation and heat leakage barriers - reconstruction of facades, roofs, replacement of windows,
 - continuous renewal of standard office equipment with new equipment,
- building equipment
 - modernisation of equipment with higher operating efficiency (, air handling units, boilers, pumps, etc.),
 - heating (reconstructions, hydraulic balancing and other related optimisation processes),
- measurement and control - limiting of cooling devices in the service menu (i.e. it is not possible to set very low temperatures),
- HVAC equipment reductions with R22 - replacement of refrigeration equipment operating with R22 refrigerant, which depletes the ozone layer,
- installation of modern lighting systems,
- LED technology,
- installation of energy-saving faucet aerators in the headquarters building.

In addition, we permanently supervise the correct settings of the measuring and control systems that control cooling and heating, and at the same time we explain to our employees the basic principles of economical operation. We have also introduced other measures:

- internal regulations (e.g. economical use of electricity in offices, air-conditioning use policy, cooling and heating - adjusting indoor temperatures in cold and warm seasons),
- mandatory shutdown of PCs after working hours, on weekends and on days off,
- sending electronic invitations instead of paper ones,
- video conferencing instead of business trips.

WATER

Water is supplied to all VUB Bank branches throughout the Slovak Republic by local water companies. We do not take water directly from the water source, but from water companies in the regions, or

from small local suppliers. We do not receive or require data on water sources and recycled water use from our suppliers. Water consumption fell by in 2016. The average daily water consumption was 101.7 m³, an average of 29 litres per employee per day.

Total water consumption (in m³)



Average daily water consumption

Year	2016	2015	2014
For the whole bank (in m ³)	102	116	133
Per 1 employee (litres)	29	32	38

VUB Bank does not consume a significant amount of water in the course of its business activities, thus it does not particularly affect local water resources.

We use water efficiently, for personal hygiene and in minimal quantities for the operation of equipment (heating, cooling circuits, etc.) and irrigation.

Saving water thanks to pearlors

During 2016, faucets with a water saver, called a perlator, were installed in the VUB Bank headquarters building on a pilot basis. Although this is the beginning of the project and the number of perlators was only 94 phase 1, the savings achieved amount to 493 l/min. Thus, 4.95 m³ of water was saved per day and 1 237 m³ per year. The real savings in drinking water are even greater considering the energy savings needed to heat the water (an estimated 40% of the water saved is hot).

WASTE

Waste management aims to remove or treat waste in ways that are acceptable. Employee education and training also play an important role in the path to waste minimisation. A process is in place to make waste separation mandatory for all employees. Its wording is available on the intranet site and employees have been informed about it several times during the year through personal emails and educational material. We separate only paper in facilities across the country. In the head office building of VUB Bank in Bratislava, we sort waste as follows:

- paper waste (cardboard),
- plastics,
- metals,
- Glass,
- mixed municipal waste,
- hazardous waste.

In 2016, we recycled 33,850 kg of paper, representing 575 trees saved.

Waste - separated paper (kg)



Types of waste disposed of (kg)

Year	2016	2015	2014
Metal packaging contaminated with pollutants	0	0	0
Plastics - payment cards	220	1 200	60
Absorbents, other filter materials	0	0	0
Packaging containing dangerous substances	0	0	0
Waste toner from printers	1 320	330	487
Bulky waste	8 650	43 160	3 507
Lead acid batteries	0	0	0
Plastics and rubber	0	0	0
Discarded equipment (fluorescent lamps)	100	0	75
Discarded refrigerators (containing hazardous substances)	0	0	0
Discarded equipment (other)	820	5 340	468
Polystyrene	0	0	0
Discarded equipment containing hazardous substances	1 050	1 747	0
Decommissioned transformers in pcs	0	0	0

Note: possible statistical deviations

Hazardous waste makes up a negligible part of the total waste.

Hazardous waste containing residues of hazardous substances

Year	2016	2015	2014
kg	2 370	5 574	135

All refrigeration equipment containing R22 refrigerant shall be replaced on an ongoing basis, taking into account the strategic importance of the space in which it is located. Thanks to the higher efficiency of the new machines, the electricity consumption during the cooling season has been significantly reduced by almost 80 %.

Total amount of R22 refrigerants

Year	2016	2015	2014
kg	381,4	1 900,0	2 100,0

INDIRECT IMPACTS

VUB Bank does not limit itself to reducing the negative impact of its business on the environment, but also promotes ecological thinking and behaviour of its employees and clients, which also affects the surrounding environment.

EMPLOYEES

In 2016, there was no change compared to other years, which means that the guidelines and advice we have set for building users (how to use the facilities efficiently and how to ensure an optimal microclimate in the building) did not need to be updated. Employees are, however, continuously informed about them and can also be reminded of them at any time, as these documents, which define our guidelines, are stored and available on the VUB intranet.

All employees are encouraged throughout the year through awareness raising and internal announcements to:

- saving paper and ,
- shutting down PCs after working hours and on days off,
- waste separation,
- reducing water consumption and reporting any leaks,
- energy efficiency (focusing on cooling equipment in summer, use of daylight, switching off lights when leaving the workplace, etc.).

We are fully aware of our responsibility towards climate change and its impact on the . Energy consumption worldwide is rising and will continue to rise, so it is important that everyone starts with themselves. Without energy-consuming technologies, it would probably be difficult for us to survive today, so we cannot exclude them from our private and working lives. We can, however, think about what kind of device we choose with what consumption and efficiency. At the same time, we are living in the so-called age of SMART solutions, so let us try to be smart ourselves and think whether it makes sense to have cooling and an open window at the same time, or whether we need to have the lights on if we have plenty of .

Eco friendly offices - stickers

In all interiors of the headquarters building there are advertising and information stickers which aim to:

- to highlight and raise awareness on saving light and energy,
- how to effectively ventilate, cool,
- what to do if a water leak is detected.

In addition, manuals were distributed for the control of cooling and heating equipment in the headquarters building. Don't

cover me - don't cover window sills and ceiling outlets

Turn me off - turn off the lights when you leave the room and make the most of the .

CLIENTS

VUB Bank successfully replaces paper account statements with electronic ones. Not only because the electronic statement is more possible and easily accessible at any time in one , but it is also a manifestation of our responsibility towards the environment. Currently, all VUB Bank customers with access to Internet Banking have access to their electronic statement for current and term accounts, as well as for credit cards, loans and share certificates.

Go to e-statements

In November 2016, VUB Bank motivated its clients to switch to electronic statements. With the motto "Switch to e-statements, they will make your life easier", it addressed all its clients, as well as its employees, to change the way of delivering paper statements to electronic ones. With witty, apt images and slogans, she appealed to all account holders to join in and save space and nature and protect their personal data with e-statements. The bank highlighted the ease of change and the benefits of electronic PDF with an instructional video, aiming to motivate customers to switch as much as possible to help reduce negative environmental impacts as as possible.

SUPPLIERS

When selecting suppliers, we give preference to those who are environmentally conscious - using recycled materials, saving energy and reducing their negative impact on the . We require suppliers to declare that they implement preventive measures in relation to environmental protection and that they strive to reduce their negative impact on the environment when conducting their business. The supplier declares to VUB Bank by his signature that he will take steps towards greater responsibility for the environment, promote the use of environmentally friendly technologies or seek new and effective solutions beneficial to the . Thanks to these established procedures, there was no environmental contamination in 2016 in VUB's area of responsibility.

In the area of building management and maintenance, reconstruction, redesign and construction works, VUB Bank cooperates with companies that systematically approach environmental protection in all aspects of their activities.

business. The same applies to cleaning contractors, suppliers of OHS, OSH and CO services, as well as suppliers of interior, lighting fixtures or exterior signage (illuminated logos on buildings and ATMs), whose activities are oriented towards energy savings and waste minimization in addition to production and service provision. Our major suppliers, like VUB Bank, incorporate all environmental standards and are committed to a responsible approach to the environment.

MATERIALS

Among the environmental aspects are the consumption of office paper, the consumption of toner for copiers and printers, the collection and disposal of used packaging, and cooperation in the area of facility management with companies that are ISO 14001 certified. The purchase of office paper is limited to chlorine-free paper (TCF/ECF) and recycled paper. We purchase office paper from certified manufacturers and with a origin label as a matter of principle.

The internal policy sets out the principles for the purchase of paper with the aim of:

- use 100% recycled paper as as possible,
- use environmentally certified paper,
- reduce the consumption of uncertified paper as much as possible,
- prefer to buy paper from certified producers with FSC, CSA or PEFC paper origin labels,
- buy and use ECF (Elemental Chlorine Free) or TCF (Totally Chlorine Free) bleached paper.

By giving preference to the purchase of FSC raw materials, we contribute to the improvement of forest management in the world. In doing so, we prevent the destruction as well as illegal logging of forests.

We also do not avoid the issue of bleaching of used wood , and therefore we buy and use ECF (Elemental Chlorine Free - which means that chlorine gas was used in its production, but not chlorine derivatives such as chlorine dioxide) or TCF (Totally Chlorine Free) paper as much as possible.

We use eco-friendly envelopes made of purely natural materials, which are marked with the certified Green Energy logo, for all mailings to our clients. The envelopes with the *Green Letters* logo, in which we send statements to our clients, carry VUB Bank's message as an friendly company.



zelené listy 100% RECYKLOVANÉ

BIODIVERSITY

None of VUB Bank's activities affect biodiversity. We do not carry out activities that would directly disturb the environment and therefore biodiversity indicators are not relevant for us. VUB does not own any property or lease any premises that encroach on a protected area or are located in a protected area.

For 2016, we do not record any environmental contamination in the vicinity of our facilities. As we are not a manufacturing company, we have not caused any water pollution. We are not the owner of any premises from which sewage is discharged into the countryside and threatens the biodiversity of water bodies. The water is discharged as standard into sewerage systems and further treated in treatment plants.

ENVIRONMENT AND CREDIT POLICY

We also contribute to environmental protection by managing accounts and providing credit and loans to companies and that are active in environmental .

Environmental sustainability is one of the cornerstones of our responsibility strategy. Not only do we want to work with partners who are committed to environmental protection and sustainability, but we want to participate in sustainable development ourselves.

VUB Bank has embedded environmental standards in one of its core activities, . The bank does not provide resources to finance certain activities, which from an environmental point of view include:

- trade in wild game and wild game products,
- the release of genetically modified organisms into the natural environment,
- production, distribution and use of banned pesticides, herbicides, chemicals and ,
- fishing with floating nets,
- radioactive substances, including radioactive waste.

If the client knowingly engages in areas of risk, the bank requires due diligence to manage the client's environmental risk. Examples of such risky activities and areas of business include:

- hazardous waste storage, treatment and disposal,
- manufacture or trade in equipment and appliances containing Freons,
- manufacture or trading of electrical equipment containing polychlorinated biphenyls (PCBs),
- manufacture or trade in products containing asbestos,
- foreign trade in waste and waste products.

As part of our lending policy, we only finance companies that comply with environmental legislation. We support companies that comply with the environmental protection requirements of the legislation of the Slovak Republic or the European Union. We also provide corporate finance loans to clients in sectors where environmental risks can be expected, but we examine these in detail.

From a green energy perspective, we offer products that contribute to sustainability. We have paid particular attention to the following areas:

- Agriculture,
- self-government,
- ,
- energy efficiency.

Funded projects contribute to environmental protection - reducing CO₂ production and thus improving the environment, protecting human health and natural resources, reducing air pollution and reducing energy consumption.

ENVIRO PRODUCTS OF VÚB BANK

- loans for investment projects in energy saving and renewable energy,
- "green energy" projects of Slovak companies,
- loans for energy savings and alternative energy production (hydropower plants, biogas plants, biomass plants and photovoltaic plants),
- investment loans to support the development of energy efficiency infrastructure and renewable energy sources in towns and municipalities in Slovakia,
- Loans to apartment owners' associations and owners of apartment buildings managed by the administrator for energy efficiency projects.

GREEN ENERGY AND ENERGY EFFICIENCY PROJECTS

In 2016, we granted loans for 8 renewable energy and energy efficiency projects for a total amount of EUR 1 704 563. These projects were financed by the European Bank for Reconstruction and Development.

INVESTMENT LOANS FROM EBRD SLOVSEFF SOURCES III. TO SUPPORT THE DEVELOPMENT OF ENERGY EFFICIENCY AND RENEWABLE ENERGY SOURCES IN SLOVAKIA (SLOVSEFF PROGRAMME III.)

In 2016, VUB Bank obtained new resources to finance projects that reduce greenhouse emissions. It signed a EUR 15 million SlovSEFF III credit line with the European Bank for Reconstruction and Development, thus extending the original credit agreement from December . Projects in the fields of industry, renewable energy and energy efficiency in residential housing had the chance to receive financial support. Private companies, ESCOs (private companies providing services in the energy), homeowners' associations and managers were eligible to apply for the funds. The amount of the possible loan ranged from EUR 20 000 to EUR 10 million, depending on the type of project. In 2016, loans amounting to EUR 1 704 563 were granted.

EIB - VÚB CONVERGENCE AND MID-CAP LOANS II-B

The content of the support included projects for the reconstruction of production halls, local roads and the purchase of modern printing equipment. Loans worth 5 572 000 were granted.

Renewable energy loans

Type of project	2016		2015		2014	
	Number	Investment volume in million euro	Number of	Investment volume in million euro	Number of	Investment volume in million euro
Photovoltaics	1	5	2	3,5	3	17,88
Hydropower	-	-	2	13,5	1	10,00*
Combined production electricity/heat	-	-	-	-	-	-
Biogas	1	12	-	-	-	-

* Financed by the EIB.

INVESTMENT LOANS FOR OWNERS OF FLATS AND NON-RESIDENTIAL PREMISES UNDER THE MANAGEMENT OF THE ADMINISTRATOR OR COMMUNITIES OF FLAT OWNERS (SVB)

In order to be as close as possible to the needs of our clients, we upgraded the product in 2016, allowing better access to financing for energy efficiency projects. Our clients again have the possibility to obtain a non-refundable grant of 10-15% of the loan volume if the loan is financed or co-financed by a credit line from the European Bank for Reconstruction and Development (EBRD). The condition is that the implementation of the project must result in a saving of at least 30 % of the energy consumed compared to the baseline situation. In 2016, 43 clients benefited from this investment loan with a total investment value of EUR 6.1 million, of which 2 loans worth EUR 249,063 were financed from the EBRD line.

Loans for SVB

Year	2016	2015	2014
Number of loans	43	28	24
EUR million	6,1	4,6	6,5

VUB Bank has been cooperating with the European Bank for Reconstruction and Development since and has successfully participated in previous SloVSEFF I, SloVSEFF II and MUNSEFF programmes. Through these programmes, it has provided loans to its clients in the total amount of almost EUR 50 million. All of them financed activities aimed at energy savings in industry, the acquisition of energy from renewable sources and projects in the housing , as well as the promotion of energy efficiency in the municipal sector.

OTHER INITIATIVES TO REDUCE THE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES

ORGANIZING CORPORATE EVENTS AND INTERNAL TRAINING COURSES

The policy addresses issues of paper consumption, use of office equipment, transport, accommodation and refreshments when organising corporate and educational events. For example, in order to reduce paper consumption, we have stopped using printed invitations and use online registration forms as a matter of principle. We no longer provide study materials in printed , but only send them electronically, and when printing of documents is , recycled or certified paper printed on both sides is used. We use recycled and recyclable materials; note pads, pens and other stationery are fundamentally "eco-friendly". Events take place to a significant extent in energy-efficient buildings and in locations that are easily accessible by public transport (bypassing car journeys reduces CO₂), and eco-friendly suppliers are preferred for accommodation and catering.

We monitor environmental criteria when organising all types of events and strive to improve them.

ENVIRONMENTAL INITIATIVES AND EVENTS

In view of the theme announced by the United Nations (trade in wild African and South American animals, their rescue and protection in their natural habitat) and the global slogan *Go Wild for Life*, VUB Bank decided not to implement a major internal campaign in 2016 as part of the *International Environment Day* (World Environment Day, held annually on 5 June). However, employees were encouraged through internal channels to do something for the on this day. We are aware that even something as small as the right choice of means of transport contributes to maintaining and even improving the environment around all. That is why, in the spirit of the slogan *'Bike to work'*, employees have been motivated to use this environmentally friendly of transport.

European Mobility Week (European Mobility Week, the second week of September each year) took place on 16 - 22 September 2016. The aim of the Sustainable Urban Mobility Campaign, supported by the European Commission, was to encourage people to use alternatives to private car transport (the motto was *Smart and Sustainable Mobility*) and to offer guidance on how smart mobility can benefit the economy, health or improve unemployment problems. VUB Bank decided to participate in the project with its own activities and a campaign with the motto *Give yourself a break in your relationship with your "pet"!* We have prepared a varied campaign for employees, including a competition for an alternative means of transport.

Give yourself a break in your relationship with your "sweetheart"!

The campaign informed employees about smart and sustainable mobility by using an interesting video, and through apt branding in car parks, encouraged colleagues to give their "pets" - their cars - a break this week and use other, more environmentally friendly modes of transport. VUB Bank also emphasised the importance of protecting the environment by saving energy to its employees through targeted messages - stickers by the lifts, which motivated them to use an alternative way of moving around the building - by walking up the stairs. The campaign included a scooter competition, in which employees entered by sending in the most creative photo demonstrating the use of an alternative mobility option. By winning the prize, VUB Bank supported the winning employee in protecting the environment after the European Mobility Week.

PAPER SAVING INITIATIVES

SIGNATURE AUTHORISATIONS AND SIGNATURE PATTERNS WITHOUT PAPERS

At the end of 2015, the functionality and approval workflow for processing the signature authorization request and signature template started to be tested on a selected group of departments in the bank. The change from the previous method occurred in 2016 and is the complete elimination of the paper form, as well as the simple and quick selection from a matrix of signature authorizations tied to a given .

SIGNATURES IN ELECTRONIC COMMUNICATION

Every e-mail message leaving VUB Bank's computers ends with the words *Before printing the e-mail, please consider the environmental impact.*

PAPERLESS INTERNAL RULES

In the area of regulations, VUB Bank has moved to a qualitatively higher level in the way internal documents are approved, approved and issued, thanks to the processing of this process in the IT application environment. All internal documents, regulations, policies and other documents are now completely "paperless". The entire lifecycle takes place at Share-point, where documents are processed from draft, through commenting, to finalization and publication.



MEAL CARDS

We replaced paper meal vouchers with TR cards in 2016. The TR card is an electronic form of paper meal vouchers and is intended for the purchase of meals via payment terminals or without the use of a POS terminal via SMS at the contractors' outlets. By abolishing paper meal vouchers and the associated personalised delivery of vouchers in envelopes, we saved more trees.

COMMUNITY AND ENVIRONMENTAL PROTECTION

OUR CITY

In 2016, the volunteer environmental activities of VUB Bank employees became part of the nationwide event *Our Town*. In June, on the occasion of the International Day, the employees joined the event with the aim to beautify, clean and improve the city they live in. Activities took place in 10 Slovak cities, the most important of which, organised especially for VUB, was the Cleaning of the Little Danube.

In cooperation with the NGO *Tree of Life*, our colleagues in boats cleaned the riverbed of the Little Danube from the garbage that is washed in from our capital city. Bratislava, as a big city, produces a lot of litter, but it is sad that a lot of it ends up in the Danube and floats down river. The Little Danube, as an arm of the Danube, picks up this rubbish and it continues to float in its bed. Volunteers were tasked with pulling litter out of the water and picking it up from branches on the riverbank.

GRANTS FOR ENVIRONMENTAL PROJECTS

Through the VÚB Foundation, we have also supported several environmental projects and events organized by non-governmental organizations.

In 2016, the VUB Foundation contributed to the implementation of 18 projects of NGOs, employees and local governments, which it supported with 68 400. The projects were focused on environmental education and environmental protection, such as *School Recycles*, *Creation of an Eco-Classroom*, *Creation of a School Garden with Flower and Vegetable Growing*, *Green Class*, *Neleň pro zeleniň - planting greenery in the city*, *Creation of a Basic Beekeeping School*, *Biocesta - educational boards and tree planting*, *Eco Patrol in Action*, *Revitalisation of Former Illegal Dumps and their Transformation into a Sports Centre*, etc.

Grant support for environmental projects

The Leisure Time Centre Včielka implemented the project *Bees connect generations*, in which it managed to overcome the intergenerational gap and develop cooperation between the young and older generation, to participate in the preservation of beekeeping, to provide seniors with the opportunity for self-realization and to bring a sense of usefulness and necessity into their lives. The project included the production of candles and beeswax ornaments, the creation of ornaments for the beekeeping museum, the planting of bee-loving plants and a talk on bee products.

A devastated, unused weapons warehouse in Martin has been transformed into an oasis of rest and sport - the *Vital Park* relaxation area, thanks to the enthusiastic volunteers from the fire brigade. The only firefighting museum in Slovakia, an agro-farm, gazebos and fireplaces with barbecues, a volleyball and petanque playground and a bicycle pumptrack track have been created here. Vital park is a space for sports activities for families, with benches, bike racks and lots of greenery.

ECOLOGICAL PARTNERSHIPS

DUNAI FUND

The Danube Fund coordinates financial and other resources to support public benefit development activities that are implemented along the entire Danube River in Slovakia. The grant programme, financed by the VUB Foundation in with the Central European Foundation, provides an opportunity for cooperation between municipalities along the Danube, as well as non-governmental organisations and various interest associations and the professional public. The Fund supports projects that seek solutions for a better and closer connection between the river and the urban environment, the protection of natural values and resources, opportunities for movement along and across the river, as well as links between urban centres, nations and cultures living on the banks of the Danube, and other activities that bring life to the river.

In 2016, on the occasion of World Environment Day, the results of the 1st grant scheme were announced and the environmental projects that received a grant from the VUB Foundation were announced. Among the supported and implemented projects are, for example, the improvement of access to water and the construction of a slalom course in Karloveska Bay in Bratislava, the construction of a raft and a nature trail for the rafting of the Little Danube, the erection of a memorial for the victims of the Holocaust on the waterfront in Komárno, the elaboration of possible urban solutions for the Danube waterfront in Bratislava and their presentation to the public using 3D virtual applications, and the development of sports and recreational activities for the public in the form of rowing courses and organised rafting on the Danube.

DUNAJSKÝ FOND

V SPOJENÍ S RIEKOU - RIEKOU SPOJENÍ

SOLSTICE ON THE DANUBE

On the occasion of World Environment Day, the VUB Foundation, in cooperation with organisations supported by the Danube Fund grant programme, has prepared an experiential ecological programme for the month of June under the title *Sunrise on the Danube*. Activities included, for example, Children's Day on the Danube - short cruises for children, *the opening of the From Mill to Mill Nature Trail* - a set of technical monuments - water mills, *rafting on the Danube on wooden rafts* - many species of water were seen in the beautiful natural scenery, sunning frogs, river otters, many fish, *open day at the bird observatory*, *Green patrol in the floodplain forests* - collection of waste and disposal of black dumps located in the protected floodplain forests along the Danube River.

MFF ECOTOPFILM - ENVIROFILM 2016

In 2016, the VUB Foundation again financially supported the *International Film Festival Ekotopfilm - Envirofilm*. The festival helps to spread the message of protection, to inform people about diverse environmental issues and to discuss them at lectures. Most guests came to hear a lecture by renowned primate biologist Dr. Jane Goodall, who talked about her message, life among chimpanzees, and also about her environmental project Roots & Shoots, which she is spreading around the world.

Junior festival

Thanks to the VUB Foundation, the Ekotopfilm festival is also dedicated to the education of primary and secondary school pupils and students through the Junior Festival every year. Schools were shown a film programme tailored to their age group, followed by an engaging accompanying programme with various games, activities, competitions and lectures on environmental education. This year we welcomed over 6 000 children to the festival over 5 days. Thanks to the VUB Foundation, all children were admitted free of charge.

Community

STRATEGY IN RELATION TO COMMUNITIES

VUB Bank feels responsible for the society in which it operates and which it influences through its business activities. In 2016, the bank continued to help the community where our clients, employees and other partners live and work. Identification of community needs is ensured through meetings with representatives of communities, the third sector, education and other entities, which is carried out by the Social Responsibility Department.

VUB Bank supports projects and activities in identical areas as the VUB Foundation in order to achieve synergistic effects. These are in the areas of art, charity, education and community.

Within the field **of art**, we have a long-standing focus on the preservation of cultural heritage and the promotion of contemporary art, with an emphasis on the visual arts. Last year, VÚB Bank, through the VÚB Foundation, enabled the preservation of several monuments and continued the restoration of the Banská Štiavnica Calvary. In 2016, VÚB Bank showed its interest in art by supporting the *Cirkul'art 2016* festival, which is an international showcase of creative and genre-specific art productions focusing on contemporary theatre and modern circus from different parts of the world, and the *White Night* festival, which brought a piece of contemporary art to Bratislava and Košice in the form of visually interesting art installations, digital art, mapping, performance, concerts and dance, and *the Grape* festival, which annually brings to Slovakia world stars of the indie, pop/rock and electronic scene.

In the area of **charity**, we continued our multi-year *Good Angel* initiative. For the tenth year we have been supporting this humanitarian project through charity payment cards. VUB Bank is aware of the importance of inclusion of disabled citizens and therefore purchases products and services from sheltered workshops that employ people with disabilities. The disability inclusion project included an activity with the slogan "This coffee will be really good". Mr. Králiček visited the headquarters of VUB Bank with his coffee trolley and the employees contributed to the BIVIO educational and rehabilitation centre to help people with intellectual disabilities by purchasing it. People from this also tried the sale and service. As part of its charitable activities, VUB Bank organises the VUB Blood Drop several times a year in cooperation with the Slovak Red Cross, and in 2016 employees could also participate in the SČK collection directly at the reception desk of the head office.

VUB Bank is aware of the importance of financial education and raising financial literacy of different communities. Our employees visit primary and secondary schools, where they introduce students to financial concepts in an engaging way and thus promote their general understanding. **Education** is promoted annually through lectures given by Bank managers at secondary schools, colleges and universities of economic and financial studies. We provide know-how to start-ups, especially women entrepreneurs, through the *VUB Academy for Enterprising Women* project.

VUB Bank also supported start-ups through its foundation grant programme for **communities**, which for the first time rewarded projects in the field of community entrepreneurship. VUB Bank is very keen on its employees participating in volunteer activities. Through the Foundation, it has helped 21 organisations to implement projects involving VUB Group employees. They were also involved in volunteer activities during the year that helped various communities. In 2016, VUB Bank delighted the running community by supporting the *From the Tatras to the Danube* project, which is the largest relay race in Central . The 345 km long route from Jasná to Bratislava was covered by runners day and night.

FINANCIAL AND NON-FINANCIAL ASSISTANCE

VUB strives to help in various forms. The biggest financial help is a donation to the VUB Foundation, which further distributes it to various communities in the form of grants.

Overview of sponsorship funds provided

Year	2016	2015	2014
Total donations in euros	225 000	200 000	238 000

VUB Bank also tries to support organisations in a non-financial way. Within this type of assistance, it mainly sells discarded desktop computers for a symbolic 3 cents each to organisations that request it.

Number of donated IT devices

Year	2016	2015	2014
ks	117	93	72

In 2016, due to the modernisation of branches and office space, VUB Bank helped many non-profit organisations and schools with office space.

OTHER TYPES OF AID

Cooperation with the non-profit sector

At the end of 2016, there were more than 188,411 "good angels" in Slovakia, of which more than 45 thousand were VUB Bank clients thanks to the use of the unique charity payment . It is issued for the Good Angel by VÚB Bank. Half a percent of the payments made with the Good Angel card go to the account of the non-profit organisation, which helps cancer patients and families with seriously ill children. This money is not donated by the cardholder, but by VÚB Bank on his behalf. More than 7 739 families were beneficiaries of the system.

Year	2016	2015*	2014*
Number of Good Angel cards issued	45 830	40 267	36 797
Contribution from VUB in euros (0.5% of payments made with clients' cards)	306 757	383 573	315 981

* In 2014 and 2015, the contribution from VUB Bank was 1% of the made. In 2016, the contribution from VUB Bank was reduced to 0.5% of the payments made (based on Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-linked payment transactions).

In 2016, VUB Bank decided to provide the "good angels" with new opportunities to send financial contributions and also helped with a fundraising campaign. VUB Bank allows clients to:



for each payment made with the Maestro DOBRÝ ANJEL debit card, send 0.5% of the payment amount to the Good Angel; this amount is not paid by the cardholder, but by VUB Bank;



set up the FLEXISPORENIE service, thanks to which it is possible to request the rounding of payments to 1 whole euro to the Good account when paying with a debit card;



make a standing order for any amount to the account of the Good Angel;



make a one-off donation via VUB ATMs;



make a recurring or one-time online donation from a credit or debit card by entering a pre-route through Internet Banking to the Good Angel website;



Scan the QR code and enter the amount in Mobile Banking to help you anytime, anywhere.

In each case, the donor receives login credentials that allow them to track who their contribution has helped.

Cooperation with sheltered workshops

VUB Bank supports the functioning of sheltered workshops by purchasing their products and services. In 2016, we purchased goods and services with a total value of EUR 53,200.

This amount amounted to:

- catering for some events organised by VUB,
- the purchase of gift items for clients, employees or their family members,
- Printing services (bank logo on promotional items).

Invested finances are perceived as added value for the bank, clients and employees at the same time. It is an opportunity to link social responsibility and the bank's day-to-day business.

In December, the traditional Christmas market was held in the VUB Bank headquarters building, where employees could come with their children. Together they could enjoy the festive atmosphere and indulge in the pleasure of the products sold at the markets by 8 sheltered workshops from all over Slovakia. This year, VUB Bank decided to support the sheltered workshops by extending the time of their sales for two whole days. The products they sold were made by disabled people. This gave employees the opportunity to buy gifts for their loved ones and support a good cause at the same time.

Working with schools and supporting education

One of VUB Bank's priorities is education in the main area of our business - economics and finance. Our projects offer clever students the opportunity to promote original ideas and express their talents. Their aim is to improve the quality of research and higher education in finance and to develop economic science and research. At VUB Bank, we have long been developing cooperation with secondary and higher education institutions, especially in the of economics, mathematics and IT. In order to make education in finance, economics and banking more attractive:

- we provide consultancy services in the creation of diploma and year thesis,
- we give the opportunity to complete vocational, bachelor and diploma practice for high school and university students,
- we conduct professional thematic lectures at secondary and higher education institutions,
- we run an international science competition.

The activities for students are designed to introduce them to the functioning of the individual departments of the bank and to allow them to test their skills and knowledge from their studies through practical tasks. One of these activities is the *'Internship and Work'* programme for final year students at colleges and universities. The programme introduces the functioning of the bank and allows students to try out working in the bank for several months. By gaining real work experience during their studies, students will form an idea of banking, which will help them to better choose their direction after school. During the internship, they are involved in specific work tasks, have their own development plan, attend training sessions, work under the supervision of a mentor and receive feedback on their performance. The best performers are given the opportunity to apply for jobs at VUB Bank or stay on as part-time .

Employee involvement in community life

Also in 2016, the VUB Foundation supported the involvement of employees in activities beneficial to the communities in which they work and live. Their willingness and efforts to help were recognised through employee programmes, which are very among employees. Financial support was available to organisations in which VUB Group employees work. It does not necessarily have to be a long-term commitment of the employees, although this is most appreciated, but projects in which the employees are involved on a one-off basis were also supported. In this way, VUB Bank wants to ensure that employees discover how great it feels to help others and motivate them to continue their work. Projects in the field of charity, education and leisure activities for children and youth were supported, which could be submitted by , schools or local governments. It is a way to support ideas and projects that employees find meaningful and useful: working together to solve a problem in the community, supporting a public service activity or a civic association. In 2016, a total of 140 projects were submitted to the *Help Your Community* Employee Grant Programme and 21 organisations received support worth €29,985. The submitted projects were evaluated by a committee, which includes not only experts in their respective fields, but also Bank employees.

Support for staff projects

Year	2016	2015	2014
Number of registered projects	140	166	136
Number of supported projects	21	24	20
Grants awarded in euros	29 985	29 923	19 904

The number of submitted projects has decreased due to the fact that at the beginning of 2016, staff grants were awarded to projects from the School Entertains Us programme, which were selected in . Thus, in 2016 we were able to the results of the implementation of 45 projects from two programmes.

Volunteering

VUB Bank values the good heart of its employees and through the VUB Foundation supports and motivates them to participate in these activities. For all the teams that chose to spend time volunteering as part of the teambuilding, the Foundation donated a grant to support the organisation whose employees helped in this way. In 2016, the employees took part in the traditional brigade at the Banská Štiavnica Calvary with the participation of the CEO, or in the activities within the *Our Town* project, through which they cleaned the Little Danube.

It has become a tradition for employees to donate blood during the annual mobile blood drive. *The VUB Blood Drop* is organised in cooperation with the National Transfusion Service. In 2016, 108 donors took part in the collection and donated 54 litres of the life-saving fluid. Employee volunteering activities are also supported by the *Employee Grants* Foundation programme.

"We are equipped with a defibrillator"

As a bank, we recognise that life and saving it comes . That is why we are equipped with an automated external defibrillator (internationally designated as AED= automated external defibrillator). The VUB headquarters building is decorated with stickers of a big red heart with a lightning bolt in the middle, which alert employees, clients and passers-by that we are equipped with this simple yet extremely important device. Several bank employees have been trained on the AED and have been given a course under the guidance of a prominent paramedic. They all received a certificate of competency to handle and use the defibrillator in first . Although we have an AED at VUB Bank, we are also pleased that since its purchase we have not had any where we have had to actually use it. However, it is important to be prepared at all times.

ACTIVITIES OF THE VÚB FOUNDATION IN 2016

The VUB Foundation is an independent legal entity, but some of its activities and projects are carried out in close managerial and financial cooperation with VUB Bank, which is why we mention them in this report. All activities of the VUB Foundation in 2016 are comprehensively presented in the annual report published on the [v](#).

The VUB Foundation has been active in the field of philanthropy since . It is financed *by the tax allocation from the VUB Group*. VUB Bank supports its Foundation with staff, material and administrative support. In 2016, the VÚB Foundation contributed EUR 893 thousand to various public benefit projects, of which the majority of the funds went to support art and cultural heritage (44%) and charity (. Education received 16 % of the funds, as did the community.

Overview of grants awarded

Year	2016	2015	2014	2013	2012
Aid granted in euros	893 thousand	633-thousand.	547-thousand.	633-thousand.	640-thousand.
Number of supported projects	121	89	70	77	100

The VUB Foundation focuses on the following areas:

- Arts and Cultural Heritage– Foundation for the Arts,
- Education– Foundation for Education,
- Charity– Foundation for Hope,
- Active Communities– Foundation Program.

Foundation Programme **for Education**

The VUB Foundation's *Visiting Professor* Grant Programme enables colleges and universities of economics to invite experts from for a semester-long visit. In addition to the pedagogical work of prominent foreign experts at Slovak colleges and universities, the programme provides students with the opportunity to collaborate with a foreign professor on scientific work according to the methodology implemented by foreign universities. It also motivates economics students, PhD students and teachers to actively participate in economic science. During the winter semester of the 2016/2017 school year, Professor Roman Horváth, Ph.D. Assoc. was in Slovakia, where he introduced students at the University of Economics in Bratislava to the issues of monetary economics, applied econometrics and financial stability. Professor John Gilbert will also spend the summer semester 2016/2017 at the University of Economics in Bratislava, where he will model the Slovak economy with students. At the same time, two more foreign professors were selected for the 2017/2018 academic year - Professor Edward M. Bergman, PhD, who will spend the semester at the Faculty of National Economy at the University of Economics in Bratislava, and Professor Bill N. Schwartz, PhD, who will impart his expertise to students at the Faculty of Management at the Comenius University in Bratislava.

In order to support and develop economic science and research in Slovakia, with a special focus on the training of young economists and the increase of their publishing activity, the VUB Foundation annually announces the *Economicus* competition of scientific papers in the field of economic sciences. The competition is associated with an award for the best published scientific work in the field of economics and finance published in renowned foreign journals. The winner will be decided in 2017.

Foundation Programme **for the Arts**

The activities of the VUB Foundation focused on cultural heritage and fine arts are based on the tradition of enhancing the country's artistic and historical heritage, which is also shared by the Italian owner of VUB Bank, the Intesa Sanpaolo Banking Group.

Preserving cultural heritage

We work with local partners and experts to identify and select sites in need of assistance. In addition to restoration, our goal is to spread awareness of the richness of our country and the vulnerability of our national heritage. In 2016, the VUB Foundation contributed 391 thousand to the preservation of cultural heritage, which went towards the restoration of monuments and objects in various parts of Slovakia. Within the *Treasures of My Heart* competition in 2016, the restoration of frescoes in the Church of St. Martin the Bishop in Čerín and the fresco on the vault of the Holy Steps at the Prešov Calvary took place.

Since 2008, the VÚB Foundation has been supporting the restoration of the Banská Štiavnica Calvary, one of the most precious monuments in Slovakia. This national cultural monument under UNESCO protection has long been in a desolate state and in 2007 was listed among the 100 most endangered monuments in the world. In 2016, the VUB Foundation supported its restoration by extending the cooperation agreement and increasing the amount granted to EUR 100,000 per year for the next 3 years. Thanks to the support of the VUB Foundation, a Visitor was created in 2016, which attracted even more tourists, the restoration of the Ecce Homo Chapel was completed and the Calvary had the opportunity to present itself to the world. The three precious reliefs from the Calvary, which were restored thanks to a 51,000 euro contribution from the parent company Intesa Sanpaolo, were admired in Italy, in the renowned Gallerie D'Italia in Milan, at the exhibition of restored monuments, *La bellezza ritrovata*.

Promotion of contemporary visual arts

Following the example of its parent bank, VUB Bank is committed as a supporter of the arts. In cooperation with the VÚB Foundation, it organises the annual art competition *Painting - VÚB Foundation Prize for Painting for young artists* to support talent in the medium of painting. The winners of the competition, in addition to the recognition of the international jury, also receive a financial reward for the development of their talent. Each year, the competition is accompanied by an exhibition of the finalists, through which the Foundation strives to bring young Slovak art closer to the public. In 2016, the 11th year of the competition, the exhibition

took place in the Nedbalka Gallery and the entrance was free thanks to the VUB Foundation. The exhibition of the finalists of the competition was also incorporated into the *White Night* festival. Last year, the exhibition *10 Years of Painting*, which was created as part of the 10th anniversary of the Painting Competition, continued its journey across Slovakia. The entire exhibition collection of 30 young Slovak artists was also presented in Italy, in the famous Gallerie D'Italia in Milan. The talents from the Painting Competition are presented in a virtual gallery on the [v](#).

Foundation Programme *for Hope*

Within the framework of this programme, the VUB Foundation is mainly involved in the field of charity and health care. It helps disadvantaged individuals and groups to equalise their chances in life. It finances therapies for people with disabilities and intellectual disabilities and helps foster families. In the area of health care assistance, we have donated 219 thousand euros for medical therapies, the purchase of equipment and the equipping of hospital wards. The National Bone Marrow Donor Registry and the ADELI Rehabilitation Centre in Piešťany were the beneficiaries of the grants.

The VUB Foundation helps handicapped and sick people by providing grants to organizations dedicated to the treatment of these people in the form of art therapy and animotherapy. The grant programme is called *Art Heals* and *Touch Heals*. Art therapy is mainly used in the treatment of the mentally ill, promoting self-healing processes and the development of basic skills. Art helps patients to overcome barriers, improve communication, self-expression and offers aesthetic experience and joy of creation. Animotherapy is one of the most recognised therapeutic modalities, with canister therapy and hippotherapy being among its best-known forms. Canister therapy is most commonly used in the treatment of children with autism, and hippotherapy has positive effects on the health of patients with cerebral palsy, Down syndrome and various musculoskeletal disorders. In 2016, 131 projects were submitted to the grant programme and the VUB Foundation awarded grants to 25 organisations with a total value of EUR 33,878.

The starting fee for people with difficult fate was realized by the VUB Foundation together with the WellGiving civic association. Every year the Foundation receives dozens of requests for help from people whose life story is marked by serious illness, disability, pain or lack of means to survive. In an effort to help these people, we have formed a partnership with dakujeme.sk. The help was provided to the applicants in a non-traditional way - in the form of a "starter fee" for families with sick children. It was not about donating large amounts of , but about helping to start raising them. The uniqueness of this assistance lies in the fact that the donation of 200 euros is motivational, encourages the applicants and gives them the strength to continue to struggle and raise the missing funds, and thus actively address the difficult situation in which they find themselves. The starting fee encouraged visitors to the donation portal not to be indifferent and to contribute, because the interest of the VUB Foundation is a signal to the public and potential donors that there are people who really need help. In 2016, 20 children received a starting fee and thanks to it, families were able to raise an additional 33,267 euros from individual donors.

Foundation Programme *for the Community*

In 2016, the VUB Foundation again announced the *Community Grants* programme. The great interest of people in the environment in which they live once again confirmed that community projects need support. However, the participation of activists and volunteers who are willing to donate their time, experience, , know-how or talents for the benefit of others is essential for the implementation of these projects. The theme of this year's community projects was improving local life or building a more beautiful environment with the help of civic initiatives, and for the first time organisations could also apply with projects in the field of community business start-ups. A total of 222 community projects were submitted, of which 209 applications were in the area of community development and 13 applications were in the area of community entrepreneurship. In the first round of evaluation, the committee assessed the submitted projects and selected the 6 best projects from each of the 8 regions of Slovakia, which were included in the public vote. 3 projects with the highest number of votes in each region received a grant from the VUB Foundation worth a total of 68,470. Two projects selected by the committee received a special Impact HUB award from the Foundation in the amount of 4,000. A total of 76 470 EUR was distributed.



Attachments

Global Reporting Initiative Indicator Table

PROFILE

GRI	Description	Page
Strategy and analysis		
G4-1	A statement from the organisation's most senior manager (e.g. CEO, chairperson or equivalent senior position) on the relevance of the organisation's sustainability and its strategy in this area.	4 ✓
G4-2	Description of key impacts, risks and opportunities.	(4) (V) (,) (13) (V,) (23) (V,) 32 ✓
Organisation Profile		
G4-3	Name of the organisation.	114 ✓
G4-4	The most important types of goods, products and/or services.	11 ✓, 12 ✓, 14 ✓
G4-5	The seat of the organisation's management.	114 ✓
(G4-) (6) carried out.	Enter the number of countries and the names of the countries where the main or significant activity is carried out, or the activity is specifically linked to the sustainable development themes identified in the report.	11 ✓
G4-7	Type of ownership and legal form.	73 ✓, 74 ✓
G4-8	Markets (including geographic specification, sectors served, and types of customers/users).	13 - 14 ✓
G4-9	Size of reporting organisation including: <ul style="list-style-type: none"> • Number of employees • Number of establishments • Revenue (private) or turnover (public) • Total capital divided into liabilities and equity (for private organisations); and • Number of products and services 	11 ✓, 12 ✓, 14 ✓
G4-10	a. Total number of employees by type of employment and sex b. Total number of permanent staff by type of contract and sex c. Total workforce and workers as employees, by sex d. Total workforce by region and sex e. Indicate whether a significant amount of work is carried out by workers who are legally considered self-employed or workers who are not considered employees or self-employed, including workers of contractors who are not considered employees f. Please indicate any significant changes in the number of employees (e.g. seasonal changes in the tourism or agricultural sectors).	61 - 64 ✓
G4-11	Percentage of employees covered a collective agreement.	70 ✓
G4-12	Describe the company's supply chain.	78 - 82 ✓
G4-13	Significant changes during the reporting period in size, structure, ownership and supply chain.	12 ✓, 16 ✓, 73 ✓
G4-14	Explanation of whether and how the organization applies the preventive approach or principle.	34 ✓
G4-15	Externally developed economic, environmental and social statutes, principles or other initiatives to which the organisation agrees or subscribes.	26 ✓
G4-16	Membership of associations (e.g. industry associations) and/or national/international organisations which the organisation: <ul style="list-style-type: none"> • has positions on the governing bodies; • participates in projects or is a member of committees; • makes a significant financial contribution, in addition to membership fees; or • sees membership as strategic. 	16 ✓

GRI	Description	Page
Relevant aspects and scope of the report		
G4-17	a. A list of all establishments included in the consolidated financial report or similar documents. b. Indicate if any operations listed in the consolidated financial report or similar document are not included in this report.	a - 15 ✓, b - 28 ✓
G4-18	a. Explain the process for defining the content of the report and delineating aspects. b. Explain how you implemented the principles to define the content of the report.	a - 31 ✓, b - 32 ✓, 33 ✓
G4-19	List all relevant aspects identified in the process of defining the content of the report.	Included within the chapters
For each relevant aspect, report the definition of the aspect within the organization as follows:		
G4-20	a. Indicate whether the aspect is relevant within the organisation b. If an aspect is not relevant to all operations within the organization (as described in G4-17), select one of the following two approaches: – list all operations listed in G4-17 for which the aspect is not relevant – or list all operations listed in G4-17 for which the aspect is relevant Indicate any specific limitation of the definition of aspects within the organisation.	Included within chapters
For each relevant aspect, report the definition of the aspect outside the organization as follows:		
G4-21	• Indicate whether the aspect is relevant outside the organisation • If the aspect is relevant outside the organisation, identify any groups, organisations or elements to which the aspect is relevant. Please also indicate the geographical location where the aspect is relevant for the groups or organisations concerned. • Indicate any specific limitation on the definition of aspects outside the organisation.	Included within chapters
G4-22	Explanation of the impact of any change to information provided in previous reports and the reasons for the change to the information.	n/a
G4-23	Significant changes from the previous reporting period in the scope and definition of aspects.	n/a
Stakeholder involvement		
G4-24	A list of stakeholder groups working with the organisation.	30 ✓
G4-25	Provide the basics of stakeholder identification and selection for collaboration.	29 ✓, 30 ✓
G4-26	Please indicate approaches to engagement, including frequency of engagement by type and by stakeholder group, and specify whether stakeholder engagement was due to the preparation of this report.	31 ✓, 48 ✓, 69 ✓, 71 ✓
G4-27	The key themes and concerns that emerged from the engagement with stakeholders and how the organization responded to these key themes and concerns, including its reporting. Indicate which stakeholders raised which themes and interests.	32 ✓, 33 ✓
Report profile		
G4-28	Reporting period (e.g., fiscal/calendar year) for the information provided.	5 ✓
G4-29	Date of last sustainability report (if any).	5 ✓
G4-30	Reporting cycle (annual, biennial, etc.).	5 ✓
G4-31	Contact person for any questions about the report or its content.	5 ✓
G4-32	a. Indicate which 'in ' option you have chosen b. Publish the GRI Content Index according to the selected option c. Provide a reference to the external verification of the report if the report has been externally verified.	a - 5 ✓, 29 ✓ b - 106 ✓ c - 113 ✓
G4-33	a. State the firm's policy on current practice with respect to external assessment of the report b. If not specified in the Verification Report, please indicate the scope and nature of the external verification c. Indicate the organisation's relationship with the external verifier d. Indicate whether the highest governance body or senior managers are involved in external verification of the report.	29 ✓
G4-34	Structure of the organization's governing body, including committees under the highest governing body. Identify the bodies responsible for economic, environmental and social decisions.	18 - 21 ✓

GRI	Description	Page
Management		
G4-35	State the process for delegating authority and responsibility for economic, environmental and social issues from the highest governance body to senior directors and other staff.	27 ✓
G4-36	Indicate whether the organization has identified a position or positions at the executive - executive level with responsibility for economic, environmental and social issues and also whether these positions report directly to the organization's highest governance body.	27 ✓
G4-38	Indicate the composition of the supreme administrative authority and its committees according to: <ul style="list-style-type: none"> - executive or non-executive level - Independence - term of office in the institution - the number of other significant positions and commitments and the nature of those commitments - Gender - participation of under-represented social groups - competence in relation to economic, environmental and social issues - stakeholder representation 	18 - 21 ✓
G4-39 officer	Indicate whether the chairman of the supreme administrative authority is also the chief executive (and if so, what is his/her function in the management of the organisation and the reasons for his/her inclusion).	19 ✓
G4-40	Please indicate how the nomination and selection process for members of the supreme governing body and its committees is conducted and the criteria used to nominate and select members of this body, including whether: <ul style="list-style-type: none"> • diversity is assessed • independence is assessed • expertise in the economic, environmental and social fields is considered; and • how stakeholder groups (including shareholders) are included in the selection 	21 ✓
G4-41	Please indicate the processes in place to ensure that conflicts of interest are avoided in the highest administrative authority. Indicate whether conflicts of interest are disclosed to interested parties, especially if they are: <ul style="list-style-type: none"> • Membership of several governing bodies • Co-ownership by supplier companies and other stakeholders • the existence of a controlling shareholder • Related party disclosures 	22 ✓
G4-42	State the roles of the board of directors and senior directors in developing, approving and updating the company's goals, values and mission, strategies, policies and objectives in the economic, environmental and social areas.	27 ✓
G4-52	Specify the process that determines rewards. Indicate whether remuneration consultants are involved in the remuneration and whether they are independent of management. Indicate any other relationships these consultants have within the organisation.	20 ✓
G4-53	Indicate how stakeholder views are taken into account in remuneration, including voting results on remuneration policies and proposals (if applicable).	20 ✓
Ethics and Integrity		
G4-56	Describe the values, principles, standards and norms of conduct in the organization, such as a code of ethics or code of conduct.	34 - 40 ✓
G4-57	Indicate internal and external mechanisms for advising on ethical and legal issues and topics related to the integrity of the organisation, such as ethics or advice lines.	35 ✓
G4-58	Indicate the internal and external mechanisms for reporting suspected unethical or illegal conduct and issues related to the integrity of the organisation, such as escalation of such information down the management line, whistleblowing mechanisms and hotlines for reporting such conduct.	35 ✓

MANAGERIAL APPROACH

	Page
Economics	
Economic performance	
Market presence	11 ✓, 78 - 82 ✓
Practices in the supply chain	
Environment	
Materials	
Energy	
Water	
Biodiversity	
Sewage and waste	83 - 97 ✓
Products and services Total	
Supplier environmental assessment	
Product portfolio	
Social area	
Labour practices and decent working conditions	
Employment	
Worker/OSH management relations	59 - 72 ✓
Training and Education	
Diversity and Equal Opportunities	
Human Rights Non-discrimination	
Freedom of association and collective bargaining Child labour	39 ✓, 69 - 71 ✓, 80 - 82 ✓
Forced and compulsory labour	
Supplier evaluation in the field of human rights	
Sploločnosť	
Anti-corruption measures	(39) (✓), (40) (✓) (.)
Assessing suppliers' impact on society	78 - 82 ✓
Product liability	
Customer health and safety	
Labelling of products and services	
Customer privacy	46 ✓, 53 ✓
Compliance with legislation Local communities	

PERFORMANCE INDICATORS

GRI	Economics	Page
Economic performance		
G4-EC1	Direct economic values created and distributed.	(11) (✓) (, 14) (✓) (, 98 - 103) (✓)
Market presence		
G4-EC6	Proportion of senior managers recruited from local communities for significant local company activities.	63 (✓)
Practices in the supply chain		
G4-EC9	Expenditure ratio of local suppliers in major operations.	81 (✓)
GRI	Environment	Page
Materials		
G4-EN1	Materials used, indicating their weight or volume.	85 (✓)
G4-EN2	Percentage of recycled input used.	86 (✓)
Energy		
G4-EN3	Energy consumption in an organisation.	87 (✓)
G4-EN4	Energy consumption outside the organization.	87 (✓)
G4-EN6	Energy savings.	87 (✓)
Water		
G4-EN8	Total volume of water abstracted with source.	89 (✓)
Issues		
G4-EN15	Direct greenhouse emissions.	88 (✓)
Sewage and waste		
G4-EN23	Total weight of waste, indicating type and method of disposal.	89 (✓), 90 (✓)
G4-EN25	The mass of hazardous waste transported, imported, exported or treated as characterized under Basel Annex I, II, III, and VIII and the percentage of internationally transported waste.	90 (✓)
Products and services		
G4-EN27	Scope for minimising the environmental impact of products and services.	88 (✓), 92 - 96 (✓)
Total		
G4-EN31	Total expenditure and investment on environmental protection, indicating the type.	85 (✓)
Supplier environmental assessment		
G4-EN32	Percentage of new suppliers that have been screened for compliance with environmental criteria.	82 (✓)
G4-EN33	Significant current and potential negative environmental impacts in the supply chain and actions to address them.	82 (✓)
Product portfolio		
G4-FS8	The financial value of products and services designed to deliver environmental benefits to individual business lines, broken down by purpose.	93 (✓), 94 (✓)

GRI	Social - Working practices and conditions	Page
Employment		
G4-LA1	Total number and proportion of new hires and staff turnover by age, gender and region.	63 ✓, 64 ✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or employees, by major establishment.	66 ✓
Worker/management relations		
G4-LA4	Minimum notification period for significant operational changes, including specified in the collective agreement.	71 ✓
OHS		
G4-LA5	Percentage of the total workforce represented in formal health and safety committees at to help monitor and recommend occupational health and safety programmes.	70 ✓
G4-LA6	Type and number of occupational accidents and diseases, days missed and absenteeism and number of deaths as a result of work activity, by region.	70 ✓
G4-LA7	Workers with a large number or high risk of occupational diseases.	70 ✓
G4-LA8	Occupational health and safety topics covered in formal agreements with unions.	70 ✓
Training and education		
G4-LA9	Average number of hours of training per employee per year, by gender and employee category.	67 - 69 ✓
G4-LA10	Skills management and lifelong learning programmes that promote the continued employability of employees and assist them in exiting their careers.	65 ✓
G4-LA11	Percentage of staff receiving regular performance appraisals and career development, by gender and staff category.	66 ✓
Diversity and equal opportunities		
G4-LA12	Composition of governing bodies and categorisation of staff by gender, age group, minority group and other diversity indicators.	61 - 64 ✓

GRI	Social - Human Rights	Page
Non-discrimination		
G4-HR3	Total number of discrimination cases and implemented.	69 ✓
Freedom of association and collective bargaining		
G4-HR4	Identified activities and suppliers where the right to freedom of association and collective bargaining is significantly undermined and implemented measures to promote these rights.	82 ✓
Child labour		
G4-HR5	Identified activities and contractors where there is a significant risk of child labour incidents and implemented measures to promote the elimination of child .	82 ✓
Forced and compulsory labour		
G4-HR6	Identified activities and suppliers at significant risk of forced or compulsory labour and implemented measures to support the elimination of forced or compulsory labour.	82 ✓
Supplier evaluation in the field of human rights		
G4-HR10	Composition of governing bodies and categorization of staff by gender, age group, minority group and other diversity indicators.	82 ✓
G4-HR11	Significant current and potential negative human rights impacts in the supply chain and actions to address them.	82 ✓

GRI	Social - Society	Page
Anti-corruption measures		
G4-SO3	Percentage and total number of operations that have been analyzed for corruption risk and significant risks identified.	38 ✓, 39 ✓ G4-SO4
	Communication and training on anti-corruption policy and processes.	38 ✓, 39 ✓
Assessment of suppliers' impact on society		
G4-SO9	Percentage of new suppliers that have been vetted for impact on society.	80 ✓
G4-SO10	Significant current and potential negative impacts on society in the supply chain and actions to address them.	80 ✓

GRI	Social - Product Responsibility	Page
Customer health and safety		
G4-PR1	Percentage of major product and service categories that are assessed for improvements in their impact on health and safety.	46 ✓
Labelling of products and services		
G4-PR5	Results of satisfaction surveys.	47 ✓, 48 ✓
Compliance with legislation		
G4-PR9	Monetary value of serious fines for non-compliance with laws and regulations relating to the procurement and use of products and services.	79 ✓
Local communities		
G4-FS13	Service access points in areas of low population density or financial disadvantage.	16 ✓
G4-FS14	Initiatives to improve access to financial services for disadvantaged groups.	53 ✓, 54 ✓

Statement of the external verifier



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Opinion on the Corporate Responsibility Report of Všeobecná úverová banka, a.s. for 2016

Všeobecná úverová banka, a.s. (VÚB banka) issued its tenth Corporate Responsibility Report prepared in accordance with the Global Reporting Initiative (GRI G4 Guidelines). Pontis Foundation was commissioned by VÚB banka to verify the application level of the GRI G4 Guidelines in this report. The report was prepared by VUB Bank, which is fully responsible for the accuracy of the data contained therein.

The report, in our opinion, fully covers all the sections required by the GRI Guidelines. With this report, VUB Bank fulfils all the requirements of the application level "basic".

The report prepared according to the GRI Guidelines can be easily compared with previous years and also with other entities with similar activities. The report clearly shows the changes (both positive and negative) in the company's performance in the monitored areas. The report is written in appropriate language that can be understood by the company's partners (stakeholders).

We very much appreciate the fact that the company has used the latest version of the GRI Guidelines - version 4 - in the preparation of the report, and has also used the sector supplement designed for financial services firms. Furthermore, we highlight the precise selection of relevant topics for the report using the relevance matrix. VUB Bank is an example in corporate responsibility reporting not only for the banking sector, but for all companies in Slovakia.

We recommend that the report be prepared in the future in an interactive online version available on the company's website or on a dedicated web portal designed to inform the public about the company's responsibility activities.

Bratislava, 26 June 2017

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