



JUBMES BANKA AD BEOGRAD

UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS

March, 2010



Executive Board

Belgrade: March, 22, 2010

STATEMENT OF CONTINUOUS SUPPORT

By joining the UN Global Compact JUBMES banka a.d. Beograd took the obligation to recognize and support 10 principles proposed by this voluntary association, related to protection of human and labour rights, protection of environment and resistance to corruption. We are convinced that Bank's stable and competitive position on the market is significantly determined by its positive attitude regarding socially responsible operating i.e. corporative social responsibility.

As a new member of the UN Global Compact we are rendering our continuous support, according to our potentials, to activities on local, national (within Global Compact Serbia network) and global level, in order to promote universal principle of corporative social responsibility, i.e. responsible business values.

JUBMES banka is during many years active both on local and national level, in supporting various projects of humanitarian/social and developmental nature. The Bank is a founder and the major shareholder of the "Child's Heart", foundation promoting cooperation between profitable and non-profitable sectors, focused on humanitarian issues. We support activities of the "Naša Srbija" (Our Serbia) Humanitarian Foundation, a non-governmental organisation engaged in rendering assistance to displaced people and refugees from the territory of the former SFR Yugoslavia and Autonomous Province of Kosovo and Metohija.

We support various projects of the local community, scientific and educational, cultural, health and sport institutions, especially Water-polo Federation of Serbia. JUBMES banka donated purchase of a mammography device under organization of the B92 Fund and contributed to creating of financial preconditions for the nomination of "Zlatni beočug" awards of Cultural and Educational Community, Belgrade for special contributions for



the promotion of Serbian national culture in the world. With aim to preserve national and cultural identity of the Serbian community in Australia, the Bank supported building of the “Saint Sava” College in Sydney. In line with our potentials we support global project of disabled people engagement under various segments of the social environment etc.

Within the scope of celebration of the 60th Anniversary of the Universal Declaration of Human Rights, JUBMES banka signed and financially supported the advertising of CEO Declaration, published in the Financial Times at the end of 2008, thereby taking participation in promotion of this document's values and principles as pillars of the modern civilization.

JUBMES banka, promptly replied the appeal of the UN Global Compact Office and gave our donations to countries struck by catastrophic natural disasters (Myanmar, China and Haiti).

The Bank is also a general sponsor of the “Building character against violence” action, launched by the Ministry of Youth and Sport of the Republic of Serbia together with Water-polo Federation of Serbia. In October 2007 they signed Memorandum of Understanding having fight against violence as target. Due to importance of this problem and necessity for comprehensive prevention attitude, a priority importance and long-term character were given to this action, requesting common activity of all Ministries of the Government of Serbia.

Since establishment in 1979 JUBMES banka is addicted to development of employment policy and professional education of employees. Employees' qualification structure is continuously improving and young, mostly highly educated persons are being employed, who are ready to apply new knowledge and offer innovative banking solutions, with focus at improvement of labour standards and procedures and practice in resistance to corruption. The Bank highly appreciates creativity in work and responsible, ethical and transparent operating, paying special attention to improvement of working and technical conditions, as well as to preservation of human environment. The Bank adopted an enactment for the appraisal of risk at labour location and in labour environment, drafted by an institute specialized in fire protection, labour safety and health and environment protection. It is targeted to identify, mitigate and eliminate all risk factors endangering life and health of employees, as well as to provide for healthy and safe working conditions. In conformity with generally accepted civilization requirements, regulations and its enactments, JUBMES banka observes principles of operational



transparency and provides regularly significant business information to public, clients and employees.

Strategic development targets of JUBMES banka are as follows:

Further development of the profile of a competitive, universal commercial bank ready to render wide pallet of banking services and meet challenges of modern and dynamic banking sector, while maintaining a long-term addiction to the basic principles of corporative social responsibility. The global economic crisis consequences show the importance of strategic attitude towards the concept of responsible business as well as the permanent addiction to basic principles of the UN Global Compact, as a corrective and preventive attitude to modern business operations on a banking market.

In expectation of our further productive cooperation, please accept the expression of our deepest respect.

Yours faithfully,

Milan Stefanović, President



Executive Board

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COMMUNICATION OF PROGRESS

An overview of the Bank's activities for implementation of UN Global Compact fundamental principles, including achieved results and future plans

I

With joining UN Global Compact JUBMES banka took the responsibility to actively promote its principles. Therefore, in our first Communication of progress (CoP) we present you an overview of the Bank's main activities oriented at affirmation of the concept of corporative social responsibility (CSR), including partnership with the non-profitable sector.

In our CoP we are focused primarily on pointing out Bank's activities supporting the first UN Global Compact's principle – human rights support and protection, being also the fundamental principle of the contemporary international community, second principle – making sure that Bank's activities are not complicit in human rights abuses, as well as the tenth principle – anti-corruption combat.

As a member of UN Global Compact Network and especially within the CSR working group in banking and financing, JUBMES banka takes active participation in execution of activities of Global Compact Network Serbia coordinated by the National Secretariat with Cabinet of the Governor of the National Bank of Serbia – NBS (for example Banking Officer project, analyses of EU regulative related to CSR in banking, financing etc). Since joining the Global Compact Network Serbia, JUBMES banka has improved knowledge and practice in application of the main principles of social responsibility, thereby fostering its position and recognizable profile in competitive environment of the banking sector in Serbia.

Although joining Global Compact is not required by regulatory authorities, nor it is a mandatory standard for socially responsible business, we consider that good practice and exchanging experiences with others, permanent communication with public sector and civil society and realization of mutual actions and partnership projects organized by Global Compact Network Serbia, would all stimulate process of integration of this network existing principles into business activities of JUBMES banka and affirm its relation to responsible business values.

Principle I of the Global Compact – Companies should support and respect the protection of internationally proclaimed human rights

In all phases of its operations JUBMES banka a.d. Beograd has confirmed its affirmative attitude to the issue of human rights protection at all levels. In our opinion all members of the business community in the Republic of Serbia should not only observe the regulations governing human rights protection, but also creatively and operationally improve systems for the human rights protection (for example health protection and safety at work system and monitoring the observation of the system principles).



a) At the occasion of 60th anniversary of Universal Human Rights Declaration Jubilee, at the end of 2008 UN Global Compact published in the Financial Times the CEO Statement – declaration made by chief executive managers of companies – Global Compact members.

On behalf of JUBMES banka the Statement was signed by Mr Milan Stefanović, president of the Executive Board. UN member countries were thereby requested to fully execute their obligations with respect to human rights. The Statement also pointed out the devotion of the business world leaders to admiration and support to human rights implementation.

We are proud to be the only bank from Serbia which joined this Global Compact initiative, because responsible society, i.e. responsible community is based on all forms of support and protection of human rights in conformity with the Universal Declaration, conventions in force, protocols and other regulatory instruments of international law or national legislation, standards, procedures etc.

b) The Bank's employees are engaged in process of constant professional improvement and learning of labour law and labour protection regulations. The trainings are organized by expert institutions and scientific associations. The Bank adopted an enactment for the appraisal of risk at labour location and in labour environment, drafted by an institute specialized in fire protection, labour safety and health and environment protection. It is targeted to identify, mitigate and eliminate all risk factors endangering life and health of employees, as well as to provide for healthy and safe working conditions. The Bank provided for free systematic medical examinations and medical experts service under preferable conditions for all Bank's employees and their family members. The Bank has also provided for the additional pension insurance for all its employees, with an authorized insurer.

Since establishment JUBMES banka is addicted to development of employment policy and professional education of employees. Employees' qualification structure is continuously improving and young, mostly highly educated persons are being employed, who are ready to apply new knowledge and offer innovative banking solutions. Some of them passed professional training in some of the leading European banks. Majority of 118 employees are highly educated. The Bank introduced the corporate social responsibility concept also in its human resources management policy, stimulating employees to additional education, permanent vocational trainings and skill improvements related to financial operations, new information technology achievements etc. The Bank also highly appreciates creativity in work and responsible, ethical and transparent operating, paying special attention to improvement of working and technical conditions, as well as to preservation of human environment.

c) JUBMES banka supports various projects organized by local communities, as well as those carried out by various humanitarian, religious, scientific and educational, cultural and sport institutions.

The Bank is a donor of a Cultural and Educational Community, Belgrade, which affirms authentic cultural values and for almost four decades has awarded outstanding individuals and institutions engaged in arts and culture, for permanent contribution to the culture of Belgrade ("Zlatni beočug" award), as well as the yearly acknowledgements for the promotion of Serbian national culture in the world.



While establishing business cooperation with the representatives of the Serbian Community in Australia, the Bank got acquainted with their educational and cultural activities, aiming to preserve national identity of Serbs in Australia. Highly estimating their efforts, the Bank decided to financially support building of the St Sava Orthodox College in Sydney, Australia. At the occasion of the foundation stone laying ceremony, JUBMES banka, as a sponsor, was awarded the honorary title of College Godfather. Building of the College is a great project of the Serbian Orthodox Church and the Serbian Community in Australia. It will not only be the first Serbian educational institution in Australia, but the first Serbian educational institution of such nature out of Serbia. Start of the College activities has been scheduled for 2012. In order to support this project of high importance for Serbian Community in Australia and for the promotion of Serbian language and Serbian culture, JUBMES banka opened an account in the name of the College for collecting funds necessary for the building.

d) In previous years JUBMES banka has supported the activities of “Naša Srbija”, humanitarian foundation established in the beginning of the year 2000 with purpose to provide aid to children suffering loss of one or both parents in wars during the last decade of the previous century. The Foundation’s everyday activities are focused at rendering financial and psycho-social aid to children as well as at improvement of children’s living conditions in Serbia. It emphasizes the significance of special activities helping children in isolated ethnic enclaves of Kosovo and Metohija, as well as of assistance to children in socially endangered families and to gifted children and students. Activities of the Foundation are made possible by the contributions of donors from Serbia and abroad - companies, government institutions, diplomatic representative offices and individual donors - people of good will.

The Bank also gave donations to specific activities of the Foundation, such as musical concerts within the “School of Friendship” summer program, (gathering together children sponsored by the aid program and children living in Serbian enclaves on Kosovo and Metohija), and “Parks of Friendship” activity (building school playgrounds in less developed regions of Serbia). The Foundation issued the New Year / Christmas greeting cards designed by children, which JUBMES banka bought-up in order to congratulate the holidays to its business partners.

We specially point out the Bank’s engagement in “Znanjem za sutra” (*Diplomatic Open Heart Action*) project, aimed to improve the capability of the most endangered citizens for application of modern technologies. In this manner they are enabled to be efficiently engaged in working and social environment.

Principle II of the Global Compact – Companies should make sure that they are not complicit in human rights abuses.

Together with permanent education of employees on necessity of human rights protection, as a pre-condition for positive attitude to CSR, JUBMES banka supports projects which maintain basic Global Compact principles (especially principle of human rights protection) and affirms concept on sustainable development. Thereby, the Bank shall not support



client's and partner's requests which may enable abuse or diminishing human rights, standards of International Labour Organisation etc. The Bank pays special respect to particular cultural and historic conditions in countries where it is engaged or the client's country. Having in mind our previous experience gathered while operating as an export-credit agency and current experience of a high rated local commercial bank, JUBMES banka pays special attention not only to its activities' profitability, but also to how they would affect sustainable development.

The Bank also supports projects for healthy society, human rights, solidarity, responsible population, inclusion of disabled people into society, sportsman spirit etc. In this manner a satisfactory framework for human rights prevention has been established at all operational and decision making levels in the Bank.

At the occasion of celebration of 30 years of activities of JUBMES banka, the Bank's management decided to take the role of the general sponsor for supporting very important action entitled "Building character against violence" during 2009/2010 years. The action was initiated by the Ministry of Youth and Sport of the Republic of Serbia together with Water-Polo Federation of Serbia. In October 2007 they signed Memorandum of Understanding having fight against violence as a priority and a long-term target. The Memorandum invites all Government Ministries as well as institutions, organizations and media in Serbia to put their efforts with aim of violence prevention in our society. The Action is mainly targeted at improvement of the character and education of the youth in their families, schools and sport environment as well as at the development of six basic moral values: trust, respect, responsibility, fair behaviour, care for other people and citizenship - in order to be better citizen and neighbour. Initiation of this action was also supported by the Faculty of Dramatic Arts, while the Faculty of Applied Arts and Faculty of Fine Arts carried out the graphic design and promotion of the Action.

JUBMES banka, as the official sponsor, traditionally supports activities of Water-Polo Federation of Serbia and all its national teams presenting the Serbian sport and Serbia worldwide in the best manner. The Bank regularly contributes to financial support aimed to improvement and development of water-polo and to preparations of the A Selection for international competition as well as to the appearance of Serbian veterans on international contests. The Bank established traditional Cadet Memorial Cup, which is organized annually and sponsored exclusively by the Bank. The tournament is named after the late Mr Darko Čukić, former president of the Bank's Executive Board, water-polo fan and former player.

JUBMES banka has made a PC equipment donation to a sole national centre for accommodation of autistic children - Autistic Children Institute, which provides successful working therapy to young disabled people and enables thereby their inclusion in the society. The Bank decided to carry on with providing the necessary equipment to this Institute.



“Naša Srbija”(Our Serbia) Humanitarian Foundation



“St. Sava” Serbian Orthodox College, Sydney, Australia-under construction

Principle X of the Global Compact – Companies should work against corruption in all its forms, at all levels, including extortion and bribery

Since anti-corruption combat is permanent issue of its business policy, JUBMES banka puts a lot of efforts to corruption prevention, in conformity with the regulations of Republic of Serbia in force (harmonized with EU laws), international standards and rules (UN conventions etc).

The key role for implementation of this principle is conferred to Compliance Department which maintains the control of the Bank's operations, including combat against various forms of corruption that may cause a reputation risk.

This risk may cause greater damages than other risks (sanction risk and financial loss risk). Plans for management and control of the compliance risk include primarily the following:

- Prevention of Banks interests and property. All Bank's employees shall execute their assignments in a manner that protects Bank's interests and property;
- Prevention of Bank's clients' interests and property. All Bank's employees shall execute their assignments in a manner that protects client's interests and property and in conformity with Bank's business policy and enactments;



This principle is implemented at all Bank's management levels, with all operational units engaged, with special responsibility of the Managing Board and the Executive Board.

Disclosing business or bankers secrets, conflict of interest, market or privileged information abuse, participation in internal frauds, internal frauds not reporting, procurement of goods without previous bidding organized, not reporting of dubious transactions are some of the forms of corruption which may cause reputation risk and consequences for the Bank. Therefore the management pays attention to observe Bank's procedures and employee's operative manner.

Special attention shall be paid to data contained in international country lists related to corruption on all levels and in all industries, as well as to such information published in media etc.

If reputation risk occurs in any of cases mentioned and such information is published in media, it will cause an adequate reaction of publicity and control authorities. In order to avoid this risk, improvement of the practice and internal enactments for corruption prevention is essential.

II

Cooperation of JUBMES banka with non-profitable sector with the purpose of corporative social responsibility affirmation

JUBMES banka maintains a long-term cooperation with "Child's Heart" Humanitarian Foundation. The Bank participated in establishment of the Foundation, on initiative of Paediatric Cardiothoracic Team of "Dr Vukan Čupić" Mother and Child Health Institute of Republic of Serbia. The Bank has been a major donor up to the present.

The aim of the Foundation is to obtain aid for the improvement of conditions for the surgical treatment and rehabilitation of children suffering from congenital heart defects. Foundation's mission has been accomplished by continuous activities on raising funds for creating better conditions for the surgical treatment and rehabilitation and social adaptation of the youngest patients suffering from congenital heart defects and their families through:

- supply of necessary medical equipment and devices;
- rendering assistance necessary for providing education of future experts in paediatric cardiothoracic surgery and other medical disciplines, and
- supporting prevention programs and medical explorations related to congenital heart defects in children etc.

a) Description of the partnership and activities

Long-term cooperation of the Foundation with the paediatric cardiothoracic team of the Institute is implemented through execution of activities regulated by Foundation's Articles of Association, through direct financial donations and giving the impetus to other legal entities and individuals to invest funds for the support of the Foundation. Many respectable humanitarian organizations from Serbia and abroad, together with other institutions and individuals – friends of the Foundation, provided their contributions for the financing of



valuable medical equipment. Although participation of many respected organizations is invaluable (for example "Princess Jelisaveta" – the Foundation of Princess Jelisaveta Karadjordjević), we have to specially point out outstanding contribution of "Child's Clinic" Foundation established by two Netherland's citizens.

JUBMES banka actively promotes Foundation's targets striving to increase number of Foundation's friends – through its contacts with respectable clients and authorities of local municipalities, as well as with companies situated on the territory of New Belgrade municipality and Belgrade city. Let it also be mentioned that in some larger shopping centres and other public places people can find special cash boxes for their contributions. Foundation does not raise funds permanently - but only for the certain purpose defined by Institute.

JUBMES banka is also engaged in promotion of the Foundation's targets abroad (especially with Serbian community in Australia) and in financial support of the professional education of experts of the Paediatric Cardiothoracic Team.

JUBMES banka also carry's out for free wide range of various expert/technical operations in favour of the Foundation, including bookkeeping and payment operations. The Bank finds out the most efficient instruments (usually investments) aimed to preserve value and provide growth of the Foundation's free funds.

During the whole period of the partnership, since Foundation's establishment on December 07, 1992, JUBMES banka provided especially for the necessary equipment for open and closed heart surgery in children. This partnership has significantly contributed to implementation of targets and mission of the Foundation as well as of the Paediatric Cardiothoracic Team of the Institute, primarily by creating necessary conditions – through procurement of equipment for young patient's medical treatment.

Owing to the Bank's major sponsorship as well as to contributions of the Foundation's friends and other humanitarian foundations, in more than 15 years the Foundation provided for very important medical equipment and supplies. We point out the procurement of the following:

- anaesthetic device;
- 32 sets of oxygenators;
- various types of monitors, linear infusion pumps and syringe pumps;
- intra-surgical blood salvage device, enabling more efficient and prompt surgical treatment depending on volume of blood reserves;
- extra-corporal blood circulation device, breathing device, sterilisers;
- new bed sheets;
- EKG device and chirurgical magnifying glasses;
- new surgery reflectors, etc.

b) Partnership results and expectations

Thereby, normal conditions have been provided for the surgical interventions and cardiothoracic treatment in children, age 0-18 years. Let's mention as a first rate curiosity that an open heart surgical intervention was performed on a newborn baby which weighed only 1.700 gramms, and a closed heart surgery on a baby of 900 gramms. Many of

activities were carried out under very aggravated conditions. In the first year of Foundation's activity donations raised reached total of DEM 1,000,000 and various equipment and supplies were procured in the similar value.

This partnership belongs to the most recognizable activities of JUBMES banka, stemming from the Bank's efforts to promote concept of corporate social responsibility and corporate philanthropy. Bank's care for the youngest population health and its support to programs of elite institutions of the health sector, are the key targets determining long-term partnership of the Bank with the "Child's Heart" Foundation and the Pediatric Cardiothoracic Team of "Dr Vukan Čupić" Mother and Child Health Institute of Republic of Serbia.



"Dr Vukan Čupić" Institute, Novi Beograd-Pediatric Cardiothoracic
Department-Intensive Care Unit

III

Two years results of corporate social responsibility activities

We hereby present the summary of the principal results of corporate social responsibility activities:

- JUBMES banka was the only commercial bank from Republic of Serbia to join the CEO Statement in occasion of 60th anniversary of Universal Human Rights Declaration Jubilee. The Bank gave donations to regions struck by natural disasters in Myanmar, China and Haiti.



- Over 40% of all Bank's employees (118) has been engaged in permanent education and improvement in banking operations, as in workshops organized by NBS, Serbian Association of Banks, scientific institutions and others dealing with corporative social responsibility, especially with issues related to prevention of money laundering and terrorism financing and anti-corruption combat;
- The Bank provided for free systematic medical examinations and medical experts service under preferable conditions for all Bank's employees and their family members. The Bank has also provided for the additional pension insurance for all its employees, with an authorized insurer;
- The Bank earned high reputation in local environment, especially related to projects of local municipalities, cooperation with non-profitable sector ("Child's Heart" Foundation) and support to respectable sport organisations in Serbia;
- In Serbia the Bank is a leading donor of actions coordinated by non-governmental sector or a general sponsor of actions organized by governmental authorities and other associations (for example "Building character against violence");
- The Bank gave donation of 20 PC configurations with printers to non-governmental sector, to Serbian monasteries and institutions for autistic children rehabilitation;
- The Bank was one of the first in Serbia to sign a contract on recycling of computer equipment with respectable Serbian company, nominated by the Government to implement the project of establishment of Centre for computer equipment recycling. In previous two years equipment of 861 kg weight (over 7 kg per Bank's employee) was recycled;
- Such Bank's orientation has affected the improvement of the business climate and Bank's results, business volume growth as well as Bank's capital growth. According to standard operation efficiency indicators, the Bank recorded results much over the Serbian banking sector average. In the banking sector of Serbia, the Bank achieved absolutely highest value of the following profitability indicators: 1/ return on engaged funds, 2/ return on equity, and 3/ net income arising from interest against balance assets.

IV

Future orientation and plans with aim of further promotion of corporative social responsibility principles

In conformity with the Development Strategy of JUBMES banka in the next three years period, the Bank shall continue to develop a profile of universal commercial bank offering a wide range of various traditional and modern banking products. The Bank shall permanently confirm its competitive and sustainable position of a modern institution on local and regional financial services market. At the same time the Bank shall contribute to implementation of development targets of Republic of Serbia through promotion of corporative social responsibility principle of sustainable development.



Having in mind the strategic targets, JUBMES banka shall keep on with improvement of its business practice and enactments related to observation of 10 principles of the Global Compact.

The Bank shall continue to support all mutually planned activities of the Global Compact Network of Serbia related to implementation of principles of the Global Compact, as well as activities of this non-profitable association on a global level, according to Bank's potentials and capabilities.

Milan Stefanović, President

Jasna Čupić-Popović, Executive Director