



We are
partners

2006

Corporate Social Responsibility Report



: „The future of the company is closely associated with the ever changing needs of the society. Corporate social responsibility issues are therefore part of our everyday strategic decision-making. Finding and offering solutions to the society's needs is our business interest.“

Pavel Kavánek, Chairman of the Board of Directors and CEO



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1 We are partners ...

Ladies and Gentlemen,

thank you for reading the 2006 Corporate Social Responsibility Report of ČSOB and Postal Savings Bank. We have proved again that we are sound, dynamic and - in many respects - growing faster than the market. Our objective, however, is not limited to profit alone. We are part of society and we have a great number of interests closely associated with the common future. Our long-term business strategy responds to the ever changing needs of the society. We actively search for opportunities and we find solutions. For example our socially responsible investment funds offer investors not only socially responsible investments but often a higher than usual yield. Through our services, we achieve harmony between business objectives and needs of the society.

ČSOB and Postal Savings Bank are perceived as successful, modern and innovative service providers. We are currently making effort to broaden our perception among the stakeholders: we want to be a partner who acknowledges the close link between business and civil society and we want our activities to contribute towards the positive growth of society.

Thanks to everyone who contributed towards our success so far,

Pavel Kavánek

Chairman of the Board of Directors and CEO

2 ...we offer you
a solution



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2 ...we offer you a solution

: „Corporate responsibility is continuous long-term investment into our successful and sustainable future.“

P. Kavánek, Chairman of the Board of Directors and CEO

Corporate social responsibility or CSR is difficult to define because there are no standard parameters outlining responsible corporate behaviour. Most agree that CSR is a company's voluntary pledge to act responsibly towards its stakeholders - clients and employees, domestic and foreign business partners and the community within which we conduct our business activities.



HOME IS HOME / Jiří Muric, 3. class



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Development of events in the first half of 2007

2.1 Our priorities

We carefully observe what is happening around us and respond actively. At present, we identify significant phenomena in society, both positive and negative, and address them through our responsible behaviour.

True and fair information
Simplifying access to services
Equal opportunities
Environmental care
Education
Social exclusion
Youth
Large-scale catastrophes
Professionalism of the non-profit sector

True and fair information

Internet and mass media flood us with an enormous quantity of information every day, which does not always have to be a good thing. An excess of information may frequently cause confusion and ambiguity.

We are a company building client relationships based on trust and provision of true and unbiased information.

Simplifying access to services

Progress ushers in infinite possibilities for making choices. Consumers, however, are caught in a sort of a trap when they are unable to make choices based on the information available. When a choice is made, consumers are often confronted with difficult procedures and practices.

We believe that availability, speed of processing, simplicity and reliability constitute important attributes of a strong bank/client relationship.

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2.1 Our priorities

Equal opportunities

One of the fundamental values recognised in Europe is the belief of equality of individuals regardless of race, gender, faith or opinion.

We support equal opportunities in all areas: race, gender, availability of education, job offers and career growth.

Enviromental care

It is known that progress brings not only benefits but also may have a negative impact on the enviroment.

Being enviromentaly friendly begins at home, and we do our best to make environmentally responsible behaviour an integral part of who we are.

Education

Education is the greatest investment in the future of individuals and society as a whole.

We actively support education on a long-term basis and support universities and financial institutions as well as individuals.



HOME IS HOME / Aumcham Thanachote, Thailand, 5 years



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2.1 Our priorities

HOME IS HOME / Josefina Kočová, 7 years

Social exclusion

Some people are excluded from society due to poverty, discrimination, and various other social factors.

We offer socially excluded individuals opportunities and resources necessary for their full economic, social and cultural participation in society.



Youth

In every era and everywhere, youth are an engine for change.

We identify custom-made products for youth, arrange internships for young people and support the most successful students and young scientists in realizing their potential.

Professionalism in the non-profit sector

The activities of non-profit organisations strengthen society but NGOs often encounter difficulties with financing, project management or fundraising.

In the non-profit sector, we form a stable link between those in need of help and those able to provide assistance.

Large-scale catastrophes

Global warming and other phenomena lead to enormous problems and humanitarian catastrophe all over the planet every year.

We support people suffering from large-scale catastrophe, regardless of who they are and where they live..



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2.2 Corporate responsibility as part of our business strategy

While CSR is a relatively new concept it has found its place in company management in advanced economies. We are aware of our impact on society and wish to make a positive contribution towards its development. Therefore, on March 22, 2006, the Board of Directors approved the CSR policy for ČSOB as well as Postal Savings Bank and set out the basic principles of our CSR approach. The fields in which we want to be involved were defined within the CSR framework. The commitment of our employees is essential: we want them to spread the idea of corporate responsibility among themselves, share the same view and get involved in CSR itself. Our focus is not on the amount of money invested but rather on the results achieved and the partners with whom such progress is realised.

We believe that ...

- strategically built CSR has positive impact on company market value in the long term
- CSR is a competitive advantage and improves company reputation
- CSR works as a strengthening link between the community and company and fosters the loyalty of internal and external customers
- strategically built CSR means primarily good co-ordination inside the bank, selection of projects in accordance with the bank's core business, an active approach towards projects and employee involvement



We have determined our CSR objectives and are focused on four main areas in the long term: professional business ethics (Chapter 3), employees and their families (Chapter 4),

relationship to the environment (Chapter 5), and relationship to the community (Chapter 6). All four areas are related to the support of education and innovation.



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2.3 Development of events in the first half of 2007

We faced and overcame challenges in CSR in the first half of 2007. These will be described in greater detail in the 2007 report to be issued along with the ČSOB Group Annual Report in April 2008.

It is important that all employees identify with CSR. We have created **efficient internal management structures for corporate responsibility** to ensure internal co-ordination. Through our products and services or social marketing, we **involve our clients** more and more in CSR. Through the **regional support program**, we have actively involved inhabitants of regions in our philanthropic support for the first time. The Board of Directors approved the **Code of Ethics** of the Group employees emphasising professional conduct in relation to clients.

Our **SRI funds** offer investors not only socially responsible investments but often a higher than usual yield. At the beginning of 2007, we finished the construction of our new headquarters or NHQ to which more than 2,000 employees were moved. From its very inception, NHQ was conceptualized with the environment, community and employee in mind. In 2007, we joined and also implemented the KBC Equator principles which the banking sector uses to determine, evaluate and manage social and environmental risks in **project financing**. The standards were established by the World Bank and ensure that only projects in line with socially responsible activity and not posing environmental risks are financed.

HOME IS HOME / Magdalena Talandová, 7 years
HOME IS HOME / Martin Hrbata, 9 years



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What do we bring 3 to our clients?

customer service area



advisory services for customers



Business ethics is a must nowadays. We are a bank that always finances responsibly. We actively prevent money laundering and funding terrorism. We do not fund illegal, criminal or socially unacceptable activities such as gaming bars, lotteries, activities related to drugs, prostitution, trafficking, and so on. On principle, we do not finance any trade associated with weapons. The Bank also provides loans only to clients doing business in ethical manner. We require our clients to strictly adhere to the law and do not provide loans to companies or entrepreneurs who fail to respect social laws or human rights agreements. We do not finance companies that fail to observe legal regulations associated with the environment. We carefully consider whether to finance projects which might pose an ecological risk. Each front-office employee is duly informed of the characteristic features of suspicious deals and transactions.



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What do we bring 3 to our clients?

How do we ensure quality in the branch network and at business points?

The ČSOB branch network involves 2,800 employees who serve our clients at 190 branches. Each employee undergoes a one-day training course. Each manager is trained in client satisfaction management. Moreover, we make surveys of service quality every month which reflect client satisfaction and ČSOB staff competence. The so-called quality barometer or “service quality index” forms a part of the front-office worker motivation system.

Postal Savings Bank serves its clients at 3,386 business points. To implement quality management, the Postal Savings Bank lecturer team trained and tested 11,377 Czech Post employees in PSB products and, at the same time, trained financial centre client workers. PSB as well as Czech Post employees have a good quality motivation system in place and there is regular mystery-shopping.

*As of December 12, 2006

Clients play the key role in our decision making and are the proverbial ‘number one’ for us. Advice given to our clients is always based on fair and accurate information about products, services, contracts and transactions and both pluses and minuses are communicated to clients. In 2006, we implemented *service quality standards for the retail and SME branch network*.

Innovation simplifies often complex and expensive processes and saves time for both parties. New products are custom-made according to need. For instance the implementation of electronic banking has spelled time savings for account holders and simplified account operations. CashBack is another practical example.

advisory services for customers



4 What do we give to our employees?



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4 What do we give to our employees?

Employees are key to us – they are the backbone of our bank. We create an environment for our employees to feel good not only within the framework of their work duties but also outside of work.

Equal opportunities

We provide equal opportunities to everyone and respect each individual regardless of race, gender, belief and opinion. All recruitment processes are in compliance with these principles.

We realise that women face difficulties in the labour market. Women constitute 70% of our employees. For them and, simply, for everyone who works in ČSOB, we actively work to achieve the best conditions possible to harmonise professional and personal life, such as flexible working hours, part-time jobs, or the possibility to work from home.

Another area where we actively pursue equal opportunity is education. All employees, regardless of gender, have equal access to education and talent programs. For example, 50 per cent of attendees of talent management development programs over the past two years have been women and the share is rising steadily.

Support of education

We believe that educated employees are the driving force of each company. We want to participate in our employees' education and, therefore, we offer a wide range of courses and training sessions to be chosen from according to goals and needs. In 2006 alone, 70,000 mandays were used in various courses for training 6.800 employees. We invested more than CZK 100,000,000 in employee care.

*Within the framework of employee education support it is worth mentioning the **Leadership Academy** which has become a sought-after form of management potential development in our bank and the entire KBC Group. It was intended in year 2006 only for educating top managers – completion of Leadership Academy taught top managers to understand the changes in the bank and help deal with those changes.*

education programs for employees



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4 What do we give to our employees?

Employee benefits

We provide high number of employee benefits to our employees. Our bank is perceived as one of the most sought-after and prestigious employers in the market. This is proven not only by excellent results in the competition for the most desirable employer.

We *think of the future* of our colleagues and offer life insurance contributions and pension insurance with state contributions. In addition, popular bank and financial group products with favourable conditions are provided to employees. We organise various company events and outings to maintain and improve good relationships among our employees.

We also provide free-time benefits to our employees – one week of vacation in addition to that stipulated in the Labour Code and contributions to sports, culture and recreation. Our employees are also entitled to two sick days per year, essentially time off work when they receive their pay but do not have to provide a doctor's letter.

Outplacement in ČSOB

We realise that unpopular activities such as employee termination are an important part of employee care. We make employee dismissal a dignified matter. We offer help in the search for a new job and try to minimise the negative impact of job loss by offering a survey of jobs available, financial compensation and a practical manual, the Labour Market Orientation Guide.

education programs for employees



Who do you meet in the bank?

Approximately 6,700 employees work in the bank (4,500 women and 2,200 men). 697 are managers (245 women and 452 men).

The youngest and oldest managers are both women (26 and 62).

The average bank employee age is 39. The oldest employee is 78 and the youngest is 19.

The average employment duration is 8.7 years, the longest period of service until now is 44 years.

Typical employee portrait: Middle-aged woman, non-manager, secondary school graduate with 8.5 years of experience in the bank.

*As of December 12, 2006.

How do we care for 5 the environment?



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How do we care for the environment?

It is not enough to minimise negative environmental impact. **Environmental care is not only a part of day-to-day business but also** an important element of philanthropic projects.

Since 2003 we have had containers located in the workplace for **recycling** paper, glass, plastic and residual unsorted waste. Besides recycling, we also separate used consumables from printers, fax machines, copiers, typewriters, calculator batteries and so on. We make an effort through our activities to **support ecological thinking among our employees, our clients and the public**. Such was the case with the Ekofilm festival of environmental documentaries. For the second year in a row we have also supported the construction of bike trails in South Bohemia.

Within the framework of our **credit policy** we do not finance companies that fail to observe environmental legal regulations. We do not finance companies that do not fulfil the environmental protection requirements set out in CR/SR or EU legislation or in conflict with EBRD/IFC requirements.

Within the framework of corporate financing we provide loans to clients in fields where environmental risks are to be expected only if the company has had an environmental audit performed, holds an ISO certificate of environmental care, has decontamination projects, looks after the rectification of past damage to the environment and harmonises its activities with the existing environmental standards.

Renewable resource financing

	Installed performance (MW)	Project costs (CZK million)	Bank financing in CZK million
Wind power	6	188	152
Biomass	1,63	142	103
Solar power	0,06	9	6
TOTAL	7,69	339	261

In the field of water management, we were involved in financing the Pure Radbuza and the Upstream Morava River Water Improvement in 2006.

6 How do we support
those in need?



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6.3 Support of educations

6 How do we support those in need?

Maintaining a good relationship with society is a priority of the ČSOB and Postal Savings Bank long-term strategy. We realise that support provided must be aimed not at personal profit but immaterial profit for society as a whole.

In 2006 we joined the *London Benchmarking Group (LBG)* methodology created by the Czech Donors Forum. The methodology defines the costs of donations and measures their impact. It also allows us to transparently report our activities in the field of philanthropy.



lectors of People in Need with children



Standard
Odpovědná
Firma

Good Will Committee scholars



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6.1 Civil assistance in overcoming social and health inequalities

We appreciate fully our responsibility in contributing to the development of the society in which we work. We have decided to make long-term contributions to education supporting projects that help unite ethnic and social groups, generations and genders.

We help build bridges between socially and physically disadvantaged groups and the rest of society

*Our umbrella project, **Education against social exclusion**, consists of three specific projects focusing on support of education. Through the support of the education fund of the Good Will Committee Olga Havlova Foundation, we focus on financial assistance for physically and socially challenged young students of secondary schools and universities. In co-operation with the social association Život 90 we have been making education accessible to senior citizens by means of the Internet for Seniors project. With our support, the People in Need help children and young people out of the vicious circle of social exclusion.*

ČSOB co-operation with Good Will Committee Olga Havlova Foundation

In co-operation with Olga Havlova's Good Will Committee we support young, talented students in difficult circumstances and enable them to do what would otherwise be inaccessible to them.

Dušan was at the care institution in Brno where his younger brother was also placed. His distinct talent for guitar led to his enrolment at the conservatory. He successfully completed his studies with support of ČSOB and found a job with a music school. This, however, is not the end of his story. Dušan got married and he and his wife had a baby girl. He has maintained contact with Good Will Committee to inform them of his achievements although he no longer needs financial help.

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6.1 Civil assistance in overcoming social and health inequalities

Within the framework of the Zlín film festival we also supported the international visual art competition for visually impaired children under the title of *Joy of Creating*. The competition is held by the Zlín Film Festival Foundation. The objective is showing children and adults what visually impaired children are able to create and introducing specific features of their visual art to the public.

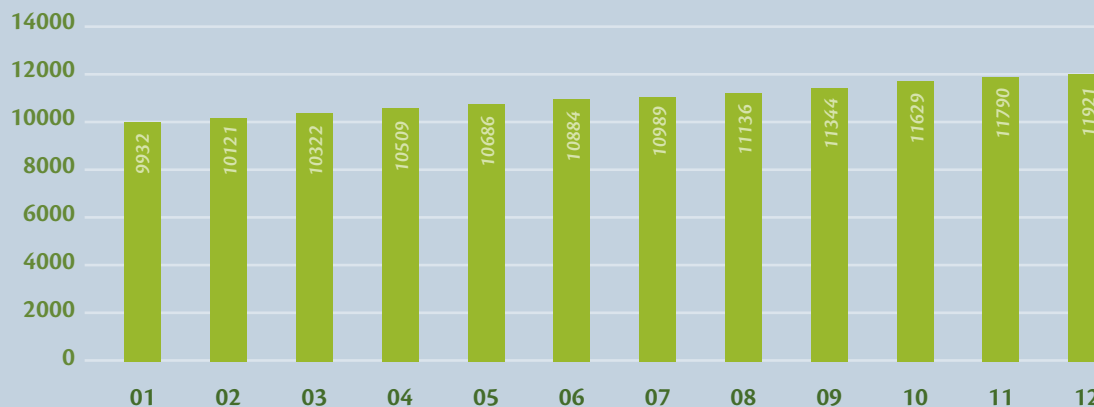
Our red brand, *Postal Savings Bank*, provides the *Handicap* account. This is the only account on the market for physically disabled individuals and it won a silver crown award in the Gold Crown 2006 competition. All Postal Savings Bank ATMs are adapted to the needs of visually impaired individuals. Moreover, 2,200 post offices where PSB clients are served have barrier-free access.

Since 2004, Postal Savings Bank has been a partner of the *Ergotep* disabled people's co-op, which was established in 2003 by disabled people to help the group overcome everyday obstacles. Ergotep is gradually becoming a marketing partner of Postal Savings Bank and the creation of the banking *Handicap* product is one of the results of co-operation.

The Handicap Account

We help the socially and physically disadvantaged by co-operating with NGOs on various activities and projects. We also offer services and bank products that make the people's lives easier. Such products include the *Postžiro Handicap* offered by Postal Savings Bank. The physically challenged certificate holder may establish the account at any post office or financial centre. Moreover, Postal Savings Bank offers a number of free services such as issuance of the *Maxkarta* or establishing or maintaining accounts, including statements and electronic banking.

Development of PZU – the Handicap program numbers



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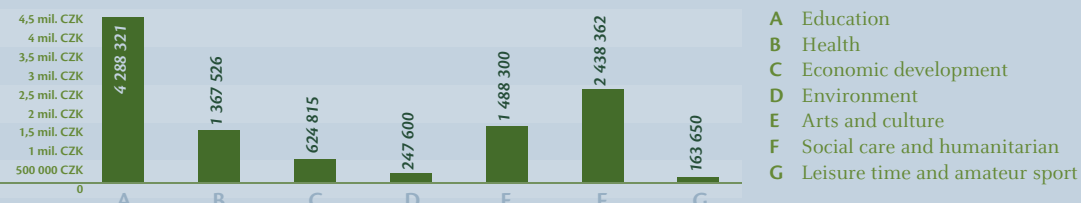
6.3 Support of educations

6.2 Support of the non-profit sector

We co-operate with several trustworthy NGOs with a long-term focus as part of our support of the non-profit sector.

In 2006 we supported the following NGOs: Good Will Committee, Education Fund of Olga Havlova Foundation; Ekofilm, o.s.; Adra, o.s.; NGO Information centre o.p.s. (ICN); Návrat do života, o.s.; Křižovatka Foundation; Zlín Film Festival Foundation; People in Need, o.p.s.; ROSA–Information and advice centre for women-victims of domestic violence; CEROS, Centre for complex neurorehabilitation care of patients with disseminated sclerosis, o.p.s.; Life 90, o.s.; Comenius, o.s.; Czech Tennis Association of the Disabled; Dům dětí a mládeže hl.m. Prahy; White Circle of Safety, o.s.; Association to help physically disabled children in Pilsen – Help me; Fund of Children in Need, o.s.

Supported areas



There is always a shortage of information related to the non-profit sector. Therefore, we are a partner of the NGO information centre and we also supported the ninth year of the 30 days for the non-profit sector project this year, the goal of which is to boost the number of individual and corporate donors.

We also support the non-profit sector through the offer of our banking products. ČSOB offers a custom-made account for NGOs in need of a simple, easy-to-check and economically accessible bank account. The NGO account targets all NGOs and is advantageous in its versatility and, simultaneously, in its specific targeting of clients' particular needs. Postal Savings Bank welcomes NGOs as well with the offer of the Postkonto for nonprofit sector.

lectors of People in Need with children



seniors in the training caravan, Life 90

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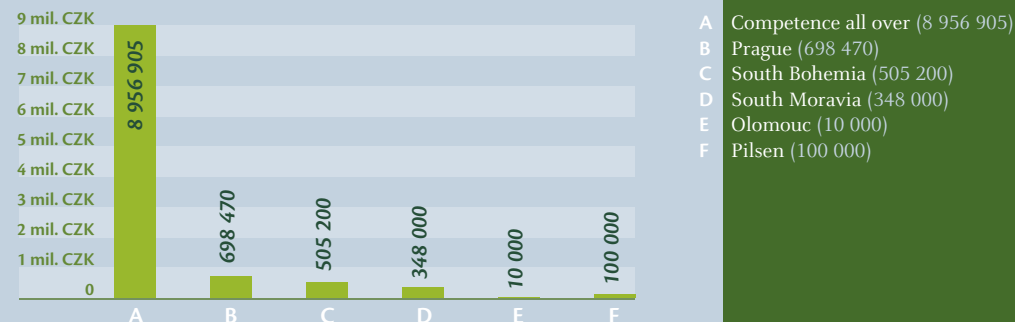
In addition to our support for the education of socially and physically excluded members of society, we have partnership with economic universities and institutions as well as specialist discussions.

*Our co-operation with the **Institute of Economic Studies** at the Faculty of Social Sciences of the Charles University in Prague has long-term foundations. In 2003 the Faculty of Social Science started the ČSOB Chair in Banking program focused on the exchange of information between the banking sector and young economists.*

Besides larger partners, we also support smaller projects in the field of education and value their contribution.

*In 2006, for instance, we supported the organisation of economics seminars by FONTES RERUM, the organisation of a specialist conference **Competition and Competitiveness** (organised by the Business and Economic Chamber in Brno) and were partner of the **Successors' European Youth Summit 2006** conference organised by the European Institute for Socially Economic Development.*

Support scope from geographic perspective



7 About ČSOB and Postal Savings Bank



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Československá obchodní banka, a. s. has had a strong presence in the Czech and Slovak markets since 1964. As a **universal bank** we offer a full range of banking services for natural entities and companies.

A significant milestone in our **history** was our privatisation by KBC Bank of Belgium in June 1999. KBC, a member of the KBC Group, became our majority holder at that time. KBC is one of the top three banking and insurance companies in the Belgian market and is one of the largest financial groups in Central Europe, a region that Group regards as its secondary domestic market. Another milestone in our history was the takeover of Investiční a Poštovní banka, a. s., in June 2000. Today, our **business profile** is made up of retail clientele (natural entities), small and medium enterprises, corporate clientele and non-banking financial institutions, financial markets and private banking segments. In accordance with the KBC Group strategy, ČSOB develops services for small clientele and small and medium enterprises along with the bankassurance concept.

In **retail banking**, we work under two brands – ČSOB and Postal Savings Bank, which uses the extensive Czech Post network for its activities.

As of December 31, 2006, ČSOB had:

- **approx. 3.2 million clients (total for the Czech and Slovak Republic) served at:**
214 branches in the Czech Republic (excluding the Postal Savings Bank business points)
105 branches for Retail and SMEs in the Slovak Republic
through various direct banking services
- **rating:**
long-term Moody's rating A1, Fitch A +

As of December 31, 2006 the **ČSOB Group** held a property share in fifty legal entities and the consolidation unit included forty one companies. Financial services were offered by fourteen subsidiaries and were complemented by three affiliated companies. The Group offers its clients services in the following fields: bank services, housing savings plans and mortgages, pension insurance, leasing, factoring, asset management, collective investments, securities trading and insurance.

CSR 8 glossary



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8 CSR glossary

Code of Ethics

basic behaviour principles and rules for work determined by the company (or a professional organisation).

Corporate Philanthropy

helps building a good image and involves various forms of donation and investment in the community.

Corporate Culture

a summary of approaches and values that employees have internalised at work to share and pass on to newly recruited colleagues.

Ethics in Business

an effort to incorporate ethical standards in all areas of company activities.

Non-governmental organisation

as opposed to state agencies, NGOs are independent and unlike commercial organisations do not focus on profit

Stakeholder

in the broad sense an entity in direct or indirect contact with the company.

Shareholder

a shareholder or owner, person with a financial interest in the company's success.

Corporate social responsibility

CSR is a company's voluntary undertaking to act responsibly towards its surroundings.

Corporate responsibility strategy

the internal policy of a company. directly related to areas where support is provided.



HOME IS HOME / Janette Štípská, 7 years

: „There is an essential link between the business and society. We therefore care for longterm synergy between our economic and social aims.“