PATRIA FINANCE GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT AUDITORS

31 DECEMBER 2006

ERNST & YOUNG

Independent Auditor's Report to the Board of Directors of Patria Finance, a.s.

We have audited the accompanying consolidated financial statements of Patria Finance, a.s. ("the Company"), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details on Patria Finance, a.s., see Note 1 to the consolidated financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Patria Finance, a.s. as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young

Ernst & Young Audit & Advisory, s.r.o., člen koncernu
License No. 401
Represented by

D. Burnham

Douglas Burnham
Partner

Michaela Kubýová

Michaela Kubýová
Auditor, License No. 1810

20 April 2007
Prague, Czech Republic

PATRIA FINANCE GROUP

CONSOLIDATED INCOME STATEMENT

31 DECEMBER 2006

	Notes	Year ended 31 December 2006 CZK'000	2005 CZK'000 (Restated)
Interest and similar income	6	54,195	34,701
Interest and similar expense	6	(11,522)	(7,592)
Net interest income		**42,673**	**27,109**
Fees and commission income	7	170,221	150,403
Fees and commission expense	7	(33,721)	(33,292)
Net fees and commission income		**136,500**	**117,111**
Dividend income	8	3,248	10,853
Net trading income	9	268,903	255,804
Net gain or loss on financial investments	10	-	4,505
Other operating income	11	13,482	13,129
Net operating income		**464,806**	**428,511**
Personnel expenses	12	(184,313)	(159,598)
Depreciation of property and equipment	22	(4,307)	(2,793)
Amortization of intangible assets	23	(2,696)	(3,276)
Other operating expenses	13	(78,424)	(77,589)
Total operating expenses		**(269,740)**	**(243,256)**
Operating profit		**195,066**	**185,255**
Share of net profit of associate	19	125,695	111,080
Profit before income tax		**320,761**	**296,335**
Income tax expense	14	(69,534)	(55,643)
PROFIT FOR THE YEAR		**251,227**	**240,692**
Attributable to equity holders of the parent		251,227	240,692

These financial statements have been approved for issue by the Board of Directors on 20 April 2007.

PATRIA FINANCE GROUP

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2006

	Notes	2006	2005
		As at 31 December	
		CZK'000	CZK'000 (Restated)
ASSETS			
Cash and short-term balances due from banks	15	318,948	195,793
Reverse repurchase agreements	16	143,023	190,244
Financial assets held for trading	17	137,097	127,026
Entrusted funds	20	3,359,612	2,464,544
Loans and receivables	21	471,942	581,213
Investments in associates	19	489,575	391,710
Property and equipment	22	31,515	23,380
Intangible assets	23	10,889	8,142
Deferred income tax assets	30	1,856	2,510
Current income tax assets		69	3,173
Other assets	24	31,393	41,863
Total assets		**4,995,919**	**4,029,598**
LIABILITIES			
Short-term borrowings	25	184,714	466,250
Repurchase agreements	16	52,300	3,643
Financial liabilities held for trading	17	83,120	33,892
Payables to clients from entrusted funds	26	3,359,612	2,464,544
Trade liabilities	27	22,497	37,916
Other liabilities	28	140,286	116,738
Provisions	29	7,982	4,896
Current income tax liabilities		33,475	43,396
Deferred income tax liabilities	30	798	572
Total liabilities		**3,884,784**	**3,171,847**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued Capital	31	100,000	100,000
Share premium		3,443	3,443
Statutory reserves		28,059	25,326
Other reserves		4,000	4,000
Capital contribution		30,321	30,321
Retained earnings		945,312	694,661
Total equity		**1,111,135**	**857,751**
Total equity and liabilities		**4,995,919**	**4,029,598**

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Jaroslav Motyčka
Managing Director

Tomáš Klápště
Member of the Board of Directors

PATRIA FINANCE GROUP

CONSOLIDATED CASH FLOW STATEMENT

31 DECEMBER 2006

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
		CZK'000	CZK'000
CASH FLOW FROM OPERATING ACTIVITIES			
Fees and commissions and other income received		149,982	130,240
Interest received		54,195	34,701
Interest paid		(11,522)	(7,592)
Dividend received		3,248	10,853
Net trading income		268,902	255,804
Cash payments to employees and suppliers		(256,422)	(235,088)
Income taxes paid		(75,471)	(21,830)
OPERATING CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		132,912	167,088
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Purchase of financial assets held for trading		(10,071)	(85,667)
Increase in entrusted funds and loans and receivables		(785,797)	(2,153,696)
(Increase) / decrease in other assets		10,470	(20,592)
Increase in payables to clients		928,877	1,797,060
Increase in other liabilities and provisions		26,634	59,002
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		303,025	(236,805)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates		29,988	-
Proceeds from sale of investment securities		-	15,219
Purchase of property and equipment		(24,420)	(26,848)
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		5,788	(11,629)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term borrowings		-	(13,053)
NET CASH USED IN FINANCING ACTIVITIES		-	(13,053)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		308,813	(261,487)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33	(83,856)	177,631
CASH AND CASH EQUIVALENTS, END OF YEAR	33	224,957	(83,856)

PATRIA FINANCE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2006

	Attributable the equity holders of the parent						
	Issued capital	Share premium	Statutory reserves	Other reserves	Capital contribution	Retained earnings	Total equity
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
At 1 January 2005	**100,000**	**3,443**	**23,921**	**4,000**	**30,321**	**449,160**	**610,845**
Group's share of changes recognized in associate's equity	-	-	-	-	-	6,214	6,214
Profit for the year	-	-	-	-	-	240,692	240,692
Total recognized income for 2005	-	-	-	-	-	246,906	246,906
Additions to statutory reserves	-	-	1,405	-	-	(1,405)	-
At 31 December 2005 (Restated)	**100,000**	**3,443**	**25,326**	**4,000**	**30,321**	**694,661**	**857,751**
Group's share of changes recognized in associate's equity	-	-	-	-	-	2,157	2,157
Profit for the year	-	-	-	-	-	251,227	251,227
Total recognized income for 2006	-	-	-	-	-	253,384	253,384
Additions to statutory reserves	-	-	2,733	-	-	(2,733)	-
At 31 December 2006	**100,000**	**3,443**	**28,059**	**4,000**	**30,321**	**945,312**	**1,111,135**

1 INTRODUCTION

The Patria Group ("the Group") provides trading and brokerage activities, investment banking, corporate finance and investment advisory services.

The parent company of the Group is Patria Finance, a.s. ("the Company") which was incorporated as a joint stock company under the laws of the Czech Republic in 1994. The Company is headquartered at Jungmannova 24, Prague 1. The Company is a member of and a shareholder in the Prague Stock Exchange.

The ultimate parent company is KBC Group N.V. ("KBC Group"), which is headquartered in Belgium (Note 31).

2 ACCOUNTING POLICIES

2.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") under the historical cost convention as modified by the revaluation of available for sale investment securities, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts. The consolidated financial statements are presented in the Czech koruna ("CZK"), and all values are rounded to the nearest CZK thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are all entities over which the Group has a significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company is consolidated with the following Czech subsidiaries and equity accounts for the following Czech associates:

Subsidiaries	Principal activity	Share on issued capital %
Patria Finance CF, a.s.	Corporate finance, investment advisory	100.00
Patria Online, a.s.	Online provider of investment information	100.00
Patria Direct, a.s.	Online brokerage services	100.00
Associates		
ČSOB Asset Management, a.s., člen skupiny ČSOB ("ČSOB AM")	Asset management	79.41
ČSOB Investiční společnost, a.s. ("ČSOB IS")	*Open-ended mutual funds management*	*11.57*
Burza cenných papírů Praha, a.s. ("PSE")	Stock exchange	24.85
UNIVYC, a.s.	*Settlement centre for securities trading*	*100.00*
Centrální depositář, a.s.	*Depositary for securities, service company for PSE*	*100.00*

All subsidiaries are headquartered at Jungmannova 24, Prague 1.

Based on a Controlling agreement between the Company and Československá obchodní banka a.s. ("ČSOB", a member of KBC Group), the Company owns 20% of the voting rights of ČSOB AM, maintaining a significant influence and thus treats ČSOB AM as an associate.

2.2 Changes in accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IFRIC 4 - Determining whether an arrangement contains a lease
- IAS 39 (Amendment) - The Fair Value Option
- IAS 39 (Amendment) - Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 and IFRS 4 (Amendment) - Financial Guarantee Contracts
- IAS 19 (Amendment) - Employee Benefits
- IAS 21 (Amendment) - Net Investment in a Foreign Operation
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRS 1 (Amendment) - First-time Adoption of International Financial Reporting Standards
- IFRS 6 (Amendment) - Exploration for and Evaluation of Mineral Resources
- IFRIC 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group.

2.3 Summary of significant accounting policies

(a) Foreign currencies translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Czech koruna ("CZK"), which is the Company's functional and presentation currency. None of the Group entities have a functional currency different from the presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day 1.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

None of derivative financial instruments of the Group qualify for hedge accounting, therefore changes in the fair value of any derivative instrument are recognised immediately in the income statement.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and their net amount is reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(e) Dividend income

Dividends income is recognised in the income statement when the right to receive payment is established.

(f) Fees and commission income and expense

Fees and commissions are generally recognised on an accrual basis when the services have been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party (e.g. acquisition of shares or other securities or the purchase or sale of businesses) are recognised in the form of retainer and success fees. Retainer fees are recognised on an accrual basis, whilst success fees are recognised upon completion of the underlying transaction when the income arising therefrom is certain and can be reliably measured. All fees and commissions arising from proprietary trading activities are reported within net trading income.

(g) Reverse repurchase and repurchase agreements

Securities sold subject to repurchase agreements ("repos") are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in repurchase agreements or payables to clients, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as reverse repurchase agreements. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a financial liability held for trading.

(h) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. The Group is not allowed to classify any financial assets as held-to-maturity until 1 January 2007 (Note 18). Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group does not have any financial assets designated at fair value through profit or loss at inception.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on the settlement date. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(i) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available-for-sale is impaired. In the case of equity investments classified as available-for-sale, a significant or extended decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(j) Intangible assets

The Group's intangible assets comprise of software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (two to three years). Amortisation is calculated using the straight-line method. Amortisation expense is recognised in the income statement in the line Amortisation of intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specification is recognised as a capital improvement and added to the original cost of the software. Other expenditures such as maintenance costs are expensed when incurred.

(k) Property and equipment

Buildings comprise mainly leasehold improvements in rented offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method. The cost of each asset is written down to its residual value over its estimated useful life as follows:

	Depreciation period (years)
IT equipment	4
Office equipment	6
Furniture and fittings	8 to 10
Leasehold improvements	over the lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise balances with original maturity of 3 months or less from the date of acquisition and include: cash, current accounts and term deposits with banks and loans provided within reverse repo operations with original maturity of 3 months or less decreased by short-term borrowings with original maturity of 3 months or less.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(n) Employee benefits

The Group operates defined contribution schemes for its employees in the Czech Republic and pays contributions to insurance plans. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in personnel expenses. In addition, regular contributions are made to the state to fund the national pension plan.

The Group established a defined employees' benefit plan, which is an insurance plan in the event of death or losing ability to continue working. The defined benefit plan covers substantially all of the Group's employees. The Group recorded a provision for the purpose of the defined benefit plan. The plan provision is measured on an actuarial basis based on the probability of death. The defined benefit plan provision is calculated for 5 years as the projected average period of employee contract (in Patria Group) is 5 years. The liability is discounted using rates equivalent to the average market yield of government bonds in current year. The liability arising from this programme is included in payables to employees (Note 28).

(o) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(p) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from the depreciation of property and equipment, provisions and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits is recognised as an expense in the period in which profits arise.

(q) Operating leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

2.4 Changes in the presentation compared to the prior year

In 2006, the Group changed the presentation of the income statement line of Share of profit of associate, which is currently presented as the Group's share of net profit of associate, whereas in 2005 the Group presented the share of gross profit of associate and included its share of associates' income tax in the Income tax expense line. As a result the 2005 balances were adjusted for the reclassification of Group's share on associates' income taxes of CZK 37,235 thousand between Share of profit of associate and Income tax expense.

2.5 Correction of prior year error

In 2006, the Group corrected the value of Investment in associate as reported in its issued consolidated financial statements as of 31 December 2005. As of 31 December 2005, the Investment in associate did not include the Group's share of the equity of ČSOB IS, a subsidiary of ČSOB AM (Note 2.1). This correction resulted in the following adjustments to the comparative balances:

- increase in the value of Investment in associate as of 31 December 2005 by CZK 51,075 thousand (from CZK 340,635 thousand to CZK 391,710 thousand),
- increase in the opening balance of Retained earnings as of 1 January 2005 by CZK 41,875 thousand (Adjustment 1), and
- increase in the Share of profit of associates by CZK 9,200 thousand (Adjustment 2).

Reconciliation of the comparative balances as of 31 December 2005 (issued vs. restated):

	Issued capital	Share premium	Statutory reserves	Other reserves	Capital contribution	Retained earnings	Total Equity
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
At 1 January 2005 issued	**100,000**	**3,443**	**23,921**	**4,000**	**30,321**	**407,285**	**568,970**
Adjustment 1	-	-	-	-	-	41,875	41,875
Group's share of changes recognized in associate's equity	-	-	-	-	-	6,214	6,214
Profit for the year	-	-	-	-	-	231,492	231,492
Adjustment 2	-	-	-	-	-	9,200	9,200
Total recognized income for 2005	-	-	-	-	-	246,906	246,906
Additions to statutory reserves	-	-	1,405	-	-	(1,405)	-
At 31 December 2005 restated	**100,000**	**3,443**	**25,326**	**4,000**	**30,321**	**694,661**	**857,751**

2.6 Future changes in accounting policies

Certain new standards, amendments and interpretations have been published that are mandatory for preparing the Group's financial statements for accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not adopted early. The Group is expecting to adopt them in accordance with the effective date of the standards:

IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduces new disclosures to improve the information about financial instruments. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its financial statements.

Other new standards, amendments or interpretations, which the Group has not early adopted:

- IFRIC 7 - Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007);
- IFRIC 8 - Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007);
- IFRIC 9 - Reassessment of Embedded Derivatives (effective for periods beginning on or after 1 June 2006, that is from 1 January 2007);
- IFRIC 10 - Interim Reporting and Impairment (effective on or after 1 November 2006, that is from 1 January 2007).

The new standards, amendments and interpretations are not expected to significantly affect the Group's financial statements.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and receivables

The Group reviews its loans and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables before the decrease can be identified with an individual loan or receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group.

Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Income taxes

The Group is subject to income taxes in the Czech Republic. Certain estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred income tax assets are recognised for tax losses carry-forward only to the extent that realisation of the related tax benefit is probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Employee benefits

The cost of the defined employee benefit plan is determined using the actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates, etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Note 2.3 (n) for the assumptions used.

4 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By its nature, the Group's activities are principally related to the use of financial instruments, including derivatives.

The Group trades in financial instruments, where it takes positions in traded and over-the-counter instruments including derivatives, to take advantage of short-term market movements in equity, currency and interest rates. The Board of Directors places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

(b) Credit risk

The Group holds equity securities of only a selected number of the highest-grade corporate entities located in Central Europe. The main credit risk borne by the Group is the risk of counterparty or client default, when the price of a security or derivative moves in favour of the Group between the trade and the settlement date. The Group mitigates this risk by conducting business only with a selected group of counterparties that meet the Group's acceptance criteria. Alternatively, the Group requires delivery of funds or securities from clients and other counterparties prior to the acceptance of an order.

As a member of the Prague Stock Exchange ("PSE"), the Group is required to settle all trades in securities traded on these markets over a recognised exchange (in the Czech Republic, either the Prague Stock Exchange or the RM-System, the latter being an organised over-the-counter market). Both the Prague Stock Exchange and the RM-System operate on a delivery versus payment basis. Where delivery versus payment is not available, such as for a transaction involving securities not traded on the Prague Stock Exchange or RM-System, the Group requires delivery before receipt of counter value, with an exception for its highest rated counterparties.

Credit risk arising from reverse repurchase agreements is minimized by provisory transfer of rights to underlying instruments. Margin trading loans to clients are hedged by property rights to bought securities and collateral, the amount and type of which depends on an assessment of the credit risk of the counterparty. Management monitors the market value of securities and collateral and requests additional collateral in accordance with the underlying agreement.

Derivatives

The Group is actively trading in derivatives (e.g. equity futures). However, the Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts, in both amount and term) which are thus limited.

(c) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors sets limits on the value of risk that may be accepted. This is monitored on a daily basis. The market risk limits established have been ratified by the KBC Group.

(d) Currency risk

Foreign currency risk is the risk that the value of the Group's monetary assets, liabilities, income and expense will fluctuate due to changes in foreign exchange rates. The Group's main foreign currency exposures are limited to financial instruments, corporate finance fee income and various payables and receivables. The Group has currency limits in place to manage its foreign currency exposure. The currency risk limits have been ratified by KBC Group. The vast majority of transactions are denominated in Czech koruna. As a result, there are no material net open foreign exchange positions.

(e) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. Given the relatively volatile nature of the markets in which the Group operates, the Group's strategy is to maintain the majority of its assets and liabilities as current, or with a maturity of less than 30 days. The Group monitors expected cash flows on a daily basis and places surplus funds on deposit with its depository bank or in a money market account, and conversely the Group seeks short term financing from these sources when necessary.

The table below analyses assets and liabilities of the Group into relevant maturity groupings, based on the remaining period at balance sheet date to the contractual maturity date.

Maturities of assets and liabilities

As at 31 December 2006

	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Cash and short term balances due from banks	318,948	-	-	-	-	318,948
Reverse repurchase agreements	-	143,023	-	-	-	143,023
Financial assets held for trading	-	-	-	-	137,097	137,097
Investments in associates	-	-	-	-	489,575	489,575
Entrusted funds	3,359,612	-	-	-	-	3,359,612
Loans and receivables	39,873	-	-	-	432,069	471,942
Property and equipment	-	-	-	-	31,515	31,515
Intangible assets	-	-	-	-	10,889	10,889
Deferred income tax assets	-	-	-	1,856	-	1,856
Other assets including current income tax	10,808	3,256	912	921	15,565	31,462
Total assets	3,729,241	146,279	912	2,777	1,116,710	4,995,919
Liabilities						
Short-term borrowings	184,714	-	-	-	-	184,714
Repurchase agreements	-	52,300	-	-	-	52,300
Financial liabilities held for trading	-	-	-	-	83,120	83,120
Payables to clients from entrusted funds	3,359,612	-	-	-	-	3,359,612
Trade liabilities	22,497	-	-	-	-	22,497
Deferred income tax liabilities	-	-	-	798	-	798
Other liabilities including provisions and current income tax	122,881	17,405	38,371	3,086	-	181,743
Total liabilities	3,689,704	69,705	64,382	3,884	83,120	3,884,784
Net liquidity gap	39,537	76,574	(37,459)	(1,107)	1,033,590	1,111,135

Maturities of assets and liabilities

As at 31 December 2005

	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Cash and short term balances due from banks	195,793	-	-	-	-	195,793
Reverse repurchase agreements	-	190,244	-	-	-	190,244
Financial assets held for trading	-	-	-	-	127,026	127,026
Investments in associates	-	-	-	-	391,710	391,710
Entrusted funds	2,464,544	-	-	-	-	2,464,544
Loans and receivables	98,193	-	-	-	483,020	581,213
Property and equipment	-	-	-	-	23,380	23,380
Intangible assets	-	-	-	-	8,142	8,142
Deferred income tax assets	-	-	-	2,510	-	2,510
Other assets including current income tax	31,597	4,434	1,981	-	7,024	45,036
Total assets	2,790,127	194,678	1,981	2,510	1,040,302	4,029,598
Liabilities						
Short-term borrowings	466,250	-	-	-	-	466,250
Repurchase agreements	-	3,643	-	-	-	3,643
Financial liabilities held for trading	-	-	-	-	33,892	33,892
Payables to clients from entrusted funds	2,464,544	-	-	-	-	2,464,544
Trade liabilities	37,916	-	-	-	-	37,916
Deferred income tax liabilities	-	-	-	572	-	572
Other liabilities including provisions and current income tax	116,738	-	43,396	-	4,896	165,030
Total liabilities	3,085,448	3,643	43,396	572	38,788	3,171,847
Net liquidity gap	(295,321)	191,035	(41,415)	1,938	1,001,514	857,751

(f) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. Similar to its management of liquidity risk, the Group's strategy in managing its interest rate risk is to maintain the majority of its assets and liabilities as current or of short-term maturity. The positions that the Group may take are restricted by internal trading limits, which are linked to the remaining period to settlement with higher intra-day limits than for overnight positions.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's interest bearing assets and liabilities at carrying amounts, categorised at the earlier of contractual reprising or maturity date.

As at 31 December 2006

	Up to 1 month	1 - 3 months	3 - 12 months	1-5 years	Total interest bearing	Non interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets							
Cash and short-term balances due from banks	318,948	-	-	-	318,948	-	318,948
Reverse repurchase agreements	-	143,023	-	-	143,023	-	143,023
Entrusted funds	3,337,100	-	-	-	3,337,100	22,512	3,359,612
Other assets	-	-	843	921	1,764	1,172,572	1,174,336
Total assets	3,656,048	143,023	843	921	3,800,835	1,195,084	4,995,919
Liabilities							
Short-term borrowings	184,714	-	-	-	184,714	-	184,714
Repurchase agreements	-	52,300	-	-	52,300	-	52,300
Payables to clients from entrusted funds	3,356,440	-	-	-	3,356,440	3,172	3,359,612
Other liabilities	-	-	-	-	-	288,158	288,158
Total liabilities	3,541,154	52,300	-	-	3,593,454	291,330	3,884,784
Interest sensitivity gap	114,894	90,723	843	921	207,381	903,754	1,111,135

As at 31 December 2005

	Up to 1 month	1 - 3 months	3 - 12 months	1-5 years	Total interest bearing	Non interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets							
Cash and short-term balances due from banks	195,793	-	-	-	195,793	-	195,793
Reverse repurchase agreements	-	190,244	-	-	190,244	-	190,244
Entrusted funds	2,911,836	-	-	-	2,911,836	133,921	3,045,757
Other assets	-	1,261	1,981	3,242	3,242	594,562	597,804
Total assets	3,107,629	191,505	1,981	3,242	3,301,115	728,483	4,029,598
Liabilities							
Short-term borrowings	466,250	-	-	-	466,250	-	466,250
Repurchase agreements	-	3,643	-	-	3,643	-	3,643
Payables to clients from entrusted funds	2,502,460	-	-	-	2,502,460	-	2,502,460
Other liabilities	-	-	-	-	-	199,494	199,494
Total liabilities	2,968,710	3,643	-	-	2,972,353	199,494	3,171,847
Interest sensitivity gap	138,919	187,862	1,981	3,242	328,762	528,989	857,751

The table below presents effective interest rates split by major classes of interest bearing assets and liabilities:

	2006	**2005**
	%	**%**
Assets		
Cash and short-term balances due from banks	2.35	1.85
Reverse repurchase agreements	4.41	6.02
Entrusted funds	1.97	0.61
Loans and receivables	7.48	7.46
Liabilities		
Short-term borrowings	2.97	2.75
Repurchase agreements	7.00	6.00
Payables to clients from entrusted funds	1.97	0.61

(g) Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not necessarily presented on the Group's balance sheet at fair value:

	Carrying value		Fair value	
	2006	2005	2006	2005
	CZK'000	CZK'000	CZK'000	CZK'000
Reverse repurchase agreements	143,023	190,244	143,023	190,244
Clients' assets	3,359,612	2,464,544	3,359,612	2,464,544
Loans and receivables	471,942	581,213	471,942	581,213
Other assets	31,393	41,863	31,393	41,863
Short-term borrowings	184,714	466,250	184,714	466,250
Repurchase agreements	52,300	3,643	52,300	3,643
Due to clients	3,359,612	2,464,544	3,359,612	2,464,544
Trade liabilities	22,497	37,916	22,497	37,916
Other liabilities and provisions	148,268	121,634	148,268	121,634

There are no material differences in the carrying amounts and the fair values of short-term receivables and payables as they are expected to be settled in the near future.

5 CAPITAL

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Czech National Bank in supervising the Group.

During the past year, the Group had complied in full with all its externally imposed capital requirements.

Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital

	Actual 2006	Required 2006	Actual 2005	Required 2005
	CZK'000	CZK'000	CZK'000	CZK'000
Tier 1 capital	519,592	-	560,802	-
Deductible items	(100,180)	-	(95,490)	-
Total capital	419,412	78,706	465,312	99,854

Total regulatory capital of the Group consists of Tier 1 capital and Deductible items of the fully consolidated entities. Tier 1 comprises issued capital, share premium, statutory reserves and retained earnings excluding current year profit. Deductible items comprise Investments in associates, Property and equipment and Receivables with maturity over 90 days.

6 NET INTEREST INCOME

	2006	2005
	CZK'000	CZK'000
Interest and similar income		
Cash and short term balances due from banks	3,678	2,933
Reverse repurchase agreements	10,501	6,609
Margin trading loans to clients	39,759	25,131
Other	257	28
	54,195	34,701
Interest and similar expense		
Short term borrowings	10,330	7,109
Repurchase agreements	944	467
Other	248	16
	11,522	7,592
Net interest income	42,673	27,109

7 NET FEES AND COMMISSION INCOME

	2006	2005
	CZK'000	CZK'000
Fees and commission income		
Commissions from brokerage activities	110,774	94,744
Corporate finance fees	59,367	54,445
Other	80	1,214
	170,221	150,403
Fees and commission expense		
Settlement fees and fees to intermediaries from brokerage activities	23,325	29,037
Corporate finance fees paid to subcontractors	9,131	875
Other	1,265	3,380
	33,721	33,292
Net fee and commission income	136,500	117,111

8 DIVIDEND INCOME

Dividend income represents dividends from trading securities.

9 NET TRADING INCOME

	2006	2005
	CZK'000	CZK'000
Trading result from equities	246,713	264,076
Trading result from derivatives	1,074	-
Net foreign exchange gains/(losses)	21,116	(8,272)
	268,903	255,804

10 NET GAIN OR LOSS FROM FINANCIAL INVESTMENTS

	2006	2005
	CZK'000	CZK'000
Realised gains less losses from investment securities	-	4,505
	-	4,505

11 OTHER OPERATING INCOME

	2006	2005
	CZK'000	CZK'000
Income from online advisory and advertising services	12,769	10,089
Other income	713	3,040
	13,482	13,129

12 PERSONNEL EXPENSES

	2006	2005
	CZK'000	CZK'000
Wages and salaries	154,926	120,520
Social security and health insurance	24,902	28,054
State pension contribution	196	177
Other social expenses	1,198	10,847
Social programme	3,091	-
	184,313	159,598

13 OTHER OPERATING EXPENSES

	2006	2005
	CZK'000	CZK'000
Hardware and software costs	4,488	3,244
Operating lease payments	10,610	11,034
Communication and data processing	19,551	15,039
Professional services	14,449	16,108
Marketing	7,559	6,230
Travel expenses	3,221	2,966
Impairment of trade receivables (Note 24)	307	725
Other expenses	21,460	22,243
	78,424	77,589

14 INCOME TAX EXPENSE

	2006	2005
	CZK'000	CZK'000
		(Restated)
Current tax	68,783	56,057
Adjustment of prior year tax expense	(129)	36
Deferred tax (Note 30)	880	(450)
Income tax expense	69,534	55,643

The reconciliation of expected tax expense at the statutory rate to actual tax expense for the years ended 31 December 2006 and 2005 is as follows:

	2006	2005
	CZK'000	CZK'000
Profit before taxation	195,066	185,255
Statutory rate of tax	24%	26%
Expected tax expense at statutory rate of 24% (2005: 26%)	46,816	48,166
Adjustment of prior year tax expense	(129)	36
Tax on dividends from abroad	334	-
Permanent non-deductible expenses	23,440	15,487
Permanent non-taxable income	(1,148)	(4,793)
Utilisation of previously unrecognised tax losses	623	(315)
Recognition of deferred tax from previously unrecognised tax losses (Note 30)	-	(2,712)
Impact of change of the tax rate	(402)	(226)
	69,534	55,643

The effective income tax rate for 2006 is 21.7% (2005: 18.8%).

15 CASH AND SHORT-TERM BALANCES DUE FROM BANKS

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Cash in hand	265	243
Current accounts and term deposits	318,683	195,550
Included in cash and cash equivalent (Note 33)	318,948	195,793

16 REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

Reverse repurchase and repurchase agreements generally mature within three months of origination. The securities underlying these transactions consist of equity securities issued by domestic commercial banks and other large domestic companies.

Information relating to reverse repurchase and repurchase agreements outstanding as at 31 December is as follows:

	Reverse repurchase agreements		Repurchase agreements	
	2006	2005	2006	2005
	CZK'000	CZK'000	CZK'000	CZK'000
Up to 3 months	143,023	190,244	52,300	3,643

The fair value of the securities underlying the reverse repurchase agreements was CZK 177,433 thousand (2005: CZK 258,793 thousand) out of which CZK 83,549 thousand (2005: CZK 34,759 thousand) was sold or repledged.

17 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts and equity instruments.

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2006	2006	2006	2005	2005	2005
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Equity futures	8	-	2,058	-	-	-
Equity instruments	137,089	83,120	n/a	127,026	33,892	n/a
	137,097	83,120	2,058	127,026	33,892	-

As at 31 December 2006 and 2005, all financial liabilities held for trading represent short sales with equity securities. As at 31 December 2006 and 2005, all trading securities and futures are listed equity instruments.

18 INVESTMENT SECURITIES AVAILABLE FOR SALE, HELD TO MATURITY

In 2005, the Group sold the entire available for sale portfolio of securities to another company in the KBC Group. The nominal value of the underlying shares was CZK 1,454 thousand.

The Company sold the entire held to maturity portfolio of securities before maturity in 2004. Therefore, the Group is prohibited from using the held to maturity portfolio for any financial assets within the two following accounting periods ending 31 December 2006.

19 INVESTMENT IN ASSOCIATES

	2006	2005
	CZK'000	CZK'000 (Restated)
At 1 January	391,710	274,416
Dividend received	(29,987)	-
Group's share of changes recognized directly in associate's equity included in the statement of changes in equity	2,157	6,214
Group's share of associates' profit	125,695	111,080
At 31 December	489,575	391,710

The Group's interest in its associates, which are unlisted, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit after tax	% interest held
		CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
2006						
PSE	Czech Republic	1,174,200	668,470	357,012	148,761	24.85
ČSOB AM	Czech Republic	1,638,285	100,980	620,899	231,405	79.41
		2,812,485	769,450	977,911	380,166	
2005						
PSE	Czech Republic	785,007	307,270	304,816	104,842	24.39
ČSOB AM	Czech Republic	1,439,882	133,982	584,517	183,830	79.41
		2,224,889	441,252	889,333	288,672	

The Company owns, based on a Controlling agreement between the Company and ČSOB, 20% of the voting rights of ČSOB AM, maintaining a significant influence and thus measures ČSOB AM using the equity method (Note 2.1).

In 2006 and 2005, the chairman of the Board of Directors of the Company was a member of the Board of Directors of PSE and thus the Group was able to exercise significant influence over PSE. As a result, the Group measures in both reported periods its investment in PSE using the equity method.

In 2006, PSE decreased its share capital by CZK 4,957 thousand (2005: by CZK 20,090 thousand) and the Group's shareholding in PSE increased by 0.4% to 24.8% (2005: by 1.9% from 22.5% to 24.4%). The Group's share of this change of CZK 2,157 thousand (2005: CZK 6,214 thousand) was recognized directly in the statement of changes in equity.

In 2006, the Group received a dividend from PSE in amount of CZK 29,987 thousand (2005: CZK 0).

20 ENTRUSTED FUNDS

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Current accounts	574,651	1,700,430
Term accounts	2,505,827	728,386
Advances for trading on foreign markets	256,622	32,952
Receivables from brokers and dealers	22,512	2,776
	3,359,612	2,464,544

Clients' current and term accounts represent placements of clients' money in bank accounts in the name of Patria.

The corresponding liability is recognised as Payables to clients (Note 26).

21 LOANS AND RECIEVABLES

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Receivables from brokers and dealers	49,873	98,193
Margin trading loans to clients	422,069	483,020
	471,942	581,213

Margin trading represents loans provided to clients, who have concluded brokerage contracts with the Group, for financing part of their securities investments.

22 PROPERTY AND EQUIPMENT

	Buildings	Equipment	Total
	CZK'000	CZK'000	CZK'000
Year ended December 2005			
Opening net book amount	-	4,791	4,791
Additions	15,952	13,720	29,672
Disposals	-	(8,289)	(8,289)
Depreciation charge	(498)	(2,296)	(2,794)
Closing net book amount	15,454	7,926	23,380
At 31 December 2005			
Cost	15,952	20,465	36,417
Accumulated depreciation	(498)	(12,539)	(13,037)
Net book amount	15,454	7,926	23,380
Year ended December 2006			
Opening net book amount	15,454	7,926	23,380
Additions	1,087	11,355	12,442
Disposals	-	-	-
Depreciation charge	(2,041)	(2,266)	(4,307)
Closing net book amount	14,500	17,015	31,515
At 31 December 2006			
Cost	17,039	31,820	48,859
Accumulated depreciation	(2,539)	(14,805)	(17,344)
Net book amount	14,500	17,015	31,515

The Group has no tangible assets held under finance lease arrangements or pledged as security.

23 INTANGIBLE ASSETS

The movements in intangible assets are as follows:

	Software
	CZK'000
Year ended December 2005	
Opening net book amount	8,052
Additions	3,366
Disposals	-
Amortisation charge	(3,276)
Closing net book amount	8,142
At 31 December 2005	
Cost	28,479
Accumulated amortisation	(20,337)
Net book amount	8,142
Year ended December 2006	
Opening net book amount	8,142
Additions	5,443
Disposals	-
Amortisation charge	(2,696)
Closing net book amount	10,889
At 31 December 2006	
Cost	33,921
Accumulated amortisation	(23,032)
Net book amount	10,889

24 OTHER ASSETS

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Guarantee fund deposit	15,565	7,024
Trade receivables, net	6,269	11,720
Operational advances paid	4,279	18,043
Receivables from employees	2,024	3,299
Other receivables	3,256	1,777
	31,393	41,863

As at 31 December 2006, trade receivables at nominal value of CZK 3,147 thousand (2005: CZK 2,840 thousand) were impaired and fully provided for.

Movements in the provisions for impairment of receivables were as follows:

	31 December 2006	31 December 2005
	CZK'000	CZK'000
At 1 January	2,840	2,115
Charge for the year	307	725
At 31 December	3,147	2,840

25 SHORT-TERM BORROWINGS

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Bank loans – up to 3 months	184,714	466,250
	184,714	466,250

26 PAYABLES TO CLIENTS FROM ENTRUSTED FUNDS

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Payables to brokers and dealers	3,172	3
Payables to clients	3,356,440	2,464,541
	3,359,612	2,464,544

27 TRADE LIABILITIES

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Payables to brokers and dealers	22,497	37,916
	22,497	37,916

28 OTHER LIABILITIES

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Payables to employees	61,542	38,680
Due to social security institutions	12,102	12,577
Accruals and deferred income	17,196	12,290
Trade liabilities	22,759	35,512
Other	26,687	17,679
	140,286	116,738

29 PROVISIONS

The movements in provisions are as follows:

	Legal case 2006	Unused vacation 2006	Total 2006
	CZK'000	CZK'000	CZK'000
At 1 January	4,896	-	4,896
Arising during the year	-	3,086	3,086
At 31 December	4,896	3,086	7,982

The legal case provision resulted from certain securities transactions in 2001, which were originated in the normal course of business. The management is convinced that the outcome of this legal proceeding will not have any further adverse impact on the Group.

The provisions are not discounted as the timing of the outcome is uncertain and effect of discounting is not significant.

30 DEFERRED TAX

Deferred income tax is calculated on all temporary differences using the full liability method at a tax rate of 24% (2005: 26%).

The movement on deferred income tax is as follows:

	2006	2005
	CZK'000	CZK'000
Balance at 1 January	1,938	1,488
Deferred income tax charge for the year	(880)	450
Balance as at 31 December	1,058	1,938

Deferred tax assets and liabilities are attributable to the following items:

	2006	2005
	CZK'000	CZK'000
Deferred income tax asset		
Tax losses carried forward	2,089	2,712
Provisions for unused vacation	741	-
	2,830	2,712
Deferred income tax liability		
Depreciation and amortisation of fixed assets	(1,772)	(774)
Net deferred income tax	1,058	1,938

Expiry date of tax losses carried forward:

	2006	2005
	CZK'000	CZK'000
31 December 2007	1,511	4,107
31 December 2008	8,285	8,285
31 December 2009	10,364	10,364
Total available tax losses carried forward	20,160	22,756
Tax losses carried forward expected to be utilised	8,705	11,300
Deferred tax asset at 24%	2,089	2,712

Deferred income tax assets are recognised for tax losses carried-forward only to the extent that realisation of the related tax benefit is probable. One Group subsidiary has tax losses of CZK 20,160 thousand (2005: CZK 22,756 thousand) to carry forward against future taxable income. In 2006, the Group recorded a deferred tax asset of CZK 2,089 thousand (2005: CZK 2,712 thousand) from tax loss carryforwards in the amount of CZK 8,705 thousand (2005: CZK 11,300 thousand).

A deferred tax asset/liability is reported on the balance sheet as a net figure for each company consolidated within the Group:

	2006	2005
	CZK'000	CZK'000
Net deferred tax asset		
Patria Direct, a.s.	157	-
Patria Online, a.s.	1,699	2,510
	1,856	2,510
Net deferred tax liability		
Patria Direct, a.s.	-	(28)
Patria Finance CF, a.s.	(469)	(284)
Patria Finance, a.s.	(329)	(260)
	(798)	(572)
	1,058	1,938

The deferred tax charge in the income statement is comprised of the following temporary differences:

	2006	2005
	CZK'000	CZK'000
Accelerated tax depreciation	(998)	(257)
Payment of health and social insurance on bonuses deferred to next year	-	(1,773)
Provisions for bad debts	-	(232)
Provisions for unused vacation	741	-
Tax losses carried forward	(623)	2,712
Income statement credit/(charge)	(880)	450

31 SHAREHOLDERS' EQUITY

The total authorised issued capital as at 31 December 2006 and 2005 was CZK 100 million consisting of 100,000 ordinary shares at a nominal value of CZK 1,000 each and is fully paid.

In February 2005, KBC Securities N.V. acquired additional 75% share in the Company and became the sole shareholder.

Issued capital and statutory reserves

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note. No dividends were declared for 2006 and 2005.

Under the Czech Commercial Code, each company is obliged to set aside a non-distributable statutory reserve fund which may only be used to cover future losses. A portion of net income determined by the decision of the Annual General Meeting, but not less than 5 percent of net income, is allocated annually to the statutory reserve fund until the balance equals 20 percent of registered share capital.

Other reserves and Capital contribution

The 1997 Annual General Meeting resolved to set aside a reserve of CZK 4 million for funding of loans to employees in accordance with Czech tax legislation. The purpose of these loans is limited to meet the housing needs of employees and cannot be used by directors or Supervisory Board members. This reserve is distributable to the extent that the loans are repaid.

The capital contribution of CZK 30.3 million resulted from the combination of Patria Asset Management, a.s. and OB Invest, a.s. in 2002 carried out in accordance with the integration plans of KBC Group's asset management activities in the Czech Republic.

32 CONTINGENCIES AND COMMITMENTS

(a) Assets under safe keeping

Assets under safe keeping arrangements held by the Group amounted to CZK 2,571,268 thousand as at 31 December 2006 (31 December 2005: CZK 937,470 thousand).

(b) Capital commitments

At 31 December 2006 and 2005, the Group had no capital commitments with respect to buildings and equipment purchases.

(c) Operating lease commitments

The future minimum lease payments entered into by the Group as at 31 December 2006 are as follows:

	Office space	
	31 December 2006	31 December 2005
	CZK'000	CZK'000
Current (within one year)	7,201	6,186
Due after one year but within five years	36,006	33,568
Due after five years	3,601	21,922
	46,808	61,676

33 CASH AND CASH EQUIVALENTS

For the purposes of cash flow statement, cash and cash equivalents are comprised of the following balances:

	31 December 2006	31 December 2005
	CZK'000	CZK'000
Cash and short-term balances due from banks	318,948	195,793
Reverse repurchase agreements	143,023	190,244
Short-term borrowings	(184,714)	(466,250)
Repurchase agreements	(52,300)	(3,643)
	224,957	(83,856)

34 RELATED PARTY TRANSACTIONS

The Group is under the control of KBC Group. All Group companies, associated undertakings and management of the Group are considered to be related parties. All related party transactions arose from the ordinary course of business and occur "at arm's length" terms. For the year ended 31 December 2006, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2005: CZK 0).

Balances arising from transactions with related parties include loans, deposits and other trade receivables and payables. The volume of related party transactions, outstanding balances at the year end, and related expenses and incomes for the year are as follows:

Related party	Parent		Associates		Directors and key management personnel		Other related parties	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Current and term accounts, clients' current and term accounts included	-	-	-	-	-	-	3,078,217	2,424,522
Advances for trading on foreign markets	256,622	5,875	-	-	-	-	7,110	-
Guarantee fund	-	-	15,565	7,024	-	-	-	-
Employees' loans	-	-	-	-	648	-	-	-
Other receivables	-	-	-	-	-	-	221	-
	256,622	5,875	15,565	7,024	648	-	3,085,548	2,424,522
Liabilities								
Bank loans	-	-	-	-	-	-	184,714	466,250
Management remuneration	-	-	-	-	49,043	41,909	-	-
Other payables	-	1,923	4,005	-	-	-	-	-
	-	1,923	4,005	-	49,043	41,909	184,714	466,250

Related party	Parent		Associates		Directors and key management personnel		Other related parties	
	2006	2005	2006	2005	2006	2005	2006	2005
Expense	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Interest expense	-	-	-	-	-	-	10,275	6,700
Bank commissions and fees	-	-	-	-	-	-	1,955	772
Settlement fees	-	-	53,671	32,558	-	-	-	-
Custody of foreign securities	-	-	-	-	-	-	6,683	6,406
Management remuneration	-	-	-	-	90,475	85,619	-	-
Intermediary cost	-	-	-	-	-	-	5,461	2,273
Other expense	72	-	-	-	-	-	9	18
Total expense	72	-	53,671	32,558	90,475	85,619	24,383	16,169
Income								
Interest income	-	-	-	-	-	-	2,112	3,036
Consultancy fees	4,200	5,055	-	-	-	-	-	1,508
Other income	-	-	-	-	-	-	550	-
Total income	4,200	5,055	-	-	-	-	2,662	4,544

Related party	Parent		Associates		Directors and key management personnel		Other related parties	
	2006	2005	2006	2005	2006	2005	2006	2005
Turnover of trading securities	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Volume of purchased securities	4,594,592	5,871,331	255,887	3,507	-	-	6,723,707	7,347,216
Volume of sold securities	4,621,647	4,961,106	215,514	14,175	-	-	7,565,360	5,813,465

Management remuneration comprises only short-term employee benefits.

Other related parties represent mainly transactions and balances with ČSOB.

35 SUBSEQUENT EVENTS

There have been no significant events that have occurred after the balance sheet date.

………………………………………	………………………………………
Jaroslav Motyčka	Tomáš Klápště
Managing Director	Member of the Board of Directors