CONCORDE

2008

CONCORDE SECURITIES LTD.

ANNUAL REPORT

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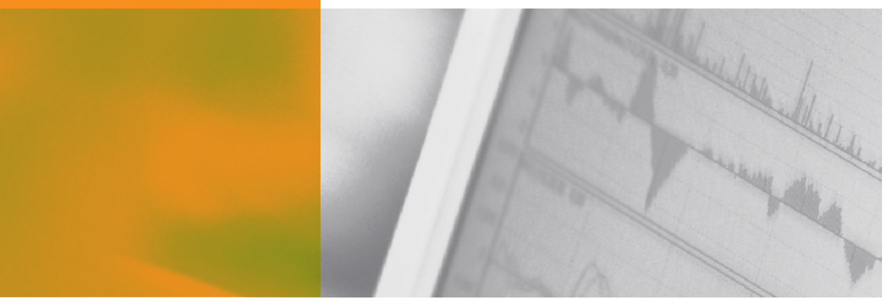

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COMPANY DESCRIPTION

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Concorde Securities Ltd. is Hungary's leading independent investment banking firm, offering integrated financial services in the areas of securities trading, research and analysis, corporate finance, capital market transactions, asset management and investment advice. The firm is run on a partnership basis, with managers – either through shares or stock options – owning one-third of the Company, and with these owner-managers responsible for the day-to-day operation of the Company as well as for strategic decision-making. Concorde is a member of the Budapest Stock Exchange, Frankfurt Stock Exchange, Warsaw Stock Exchange and the Association of Securities Dealers.

Concorde's activities and strategy are based on the following business philosophy:

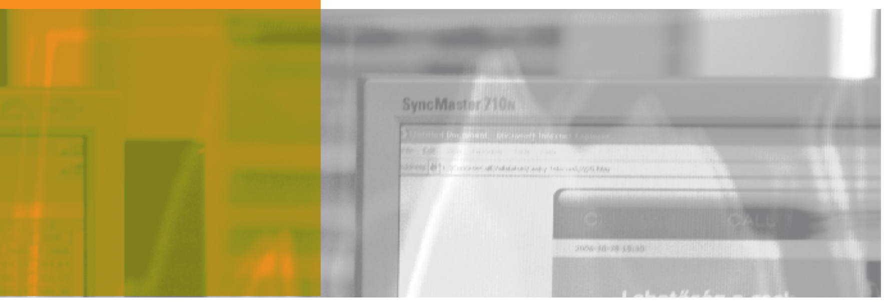
Concorde conducts its business activity within a clearly defined set of financial services, and thus its strategy is influenced by the development and growth of these markets. In line with its profile as an integrated service provider, Concorde's goal is to develop its business as an organic whole, with its various activities complementing and reinforcing one another. By the same token, it avoids entering into areas that do not fit with its core activities, regardless of the potential returns.

In terms of its turnover, Concorde – particularly when compared to traditional industrial, trading or service companies – is a relatively large concern. As such, it needs to have well-designed processes and mechanisms in place to ensure the security, efficiency and profitability of its operation. At the same time, we understand that our customers would prefer not to deal with impersonal corporate processes, but rather with people – and for this reason, we continue to operate as a "small shop" consisting of a modest number of highly skilled and dedicated "artisans".

Besides the Company's managers, Concorde's owners consist of Hungarian financial investors who do not take part in the actual running of the Company. This means that we do not enjoy the support of a multinational, or even a national, financial group. However, on the principle that a solitary sapling will, if properly nurtured, grow into a sturdy oak, we were determined from early on to turn this apparent handicap into a strength. Realising that we had nothing but ourselves to fall back on, we strove from the start to create a company that was self-reliant and strong in its own right – and one that attracts customers and does business with other market participants purely on the strength of its products and services.

We are well aware that to function as a large company without losing touch with one's clients, as well as to succeed as an independent company, present challenges that only an exceptionally motivated and dedicated team can meet. In order to achieve this level of commitment, Concorde is, itself, completely committed to its employees, providing them with every opportunity to develop their skills and knowledge, and thereby to realise their personal ambitions. While maintaining the utmost respect for the freedom of the individual, the ultimate aim is to maximise the performance of the team, since it is not only accomplished soloists that we need, but an orchestra playing in perfect harmony – a whole that is greater than the sum of its parts.

Another indication of Concorde's maturity is the fact that, whereas in the first decade the various social and cultural, welfare and healthcare programs that we regarded as worthy causes were supported not from the company's own money but from the private resources of the owners, in the last few years, in addition to the private support given by the owners, Concorde has also acted as a significant corporate patron and sponsor. Our philosophy is that we should always provide, first and foremost, support to the causes that are most in need of our help, but that we should at the same time establish connections, points of contact between the various programs we sponsor, and consequently we also set considerable store by the emergence of long-term collaborative relationships with the civil organisations operating in the supported areas.

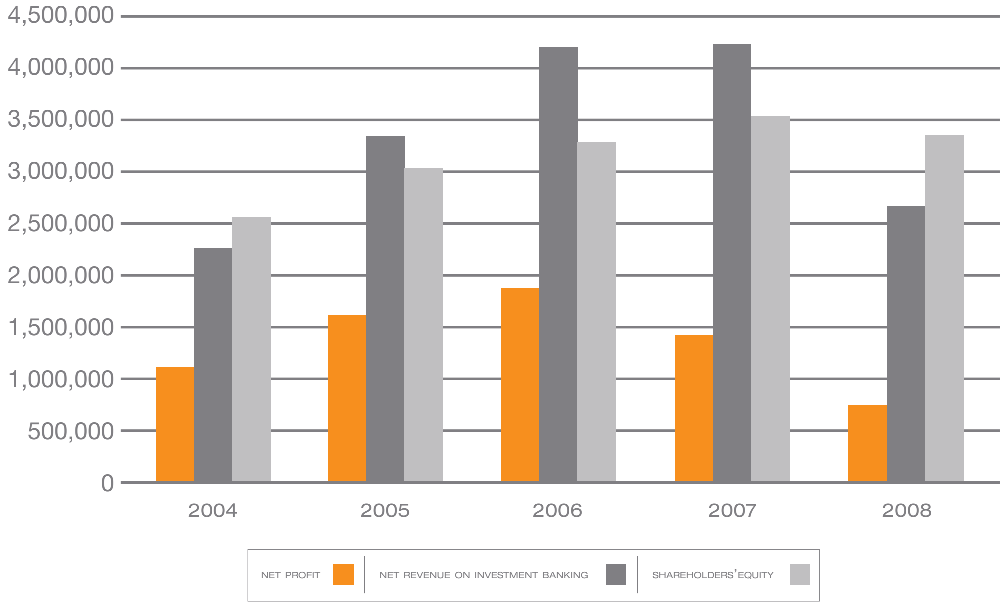


CONDENSED FINANCIAL INFORMATION

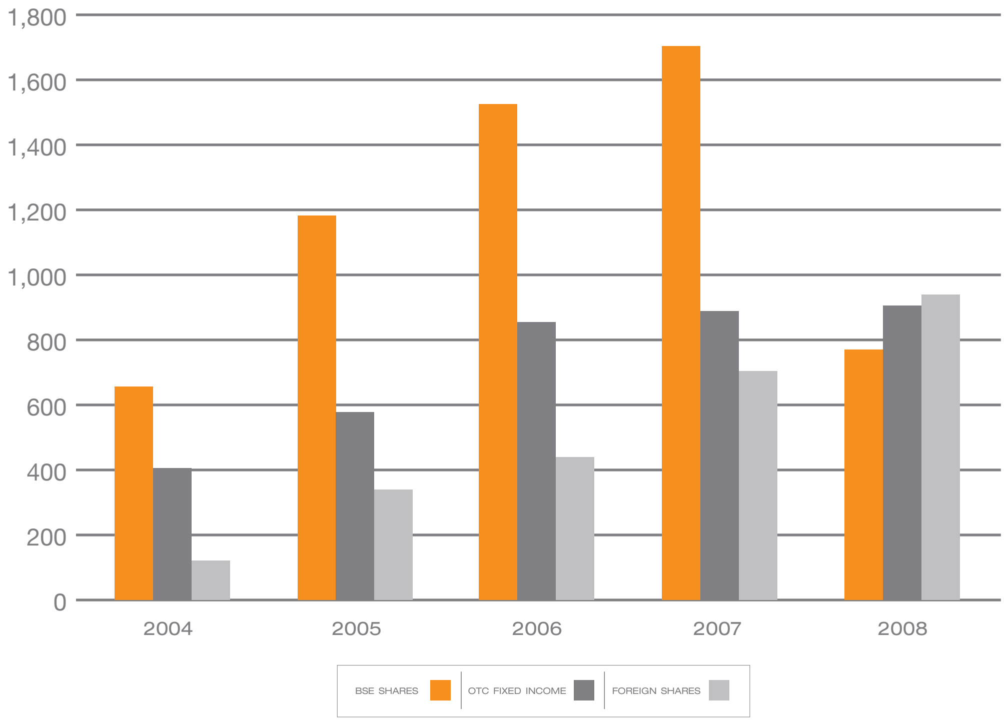
Condensed financial information (HUF thousand)

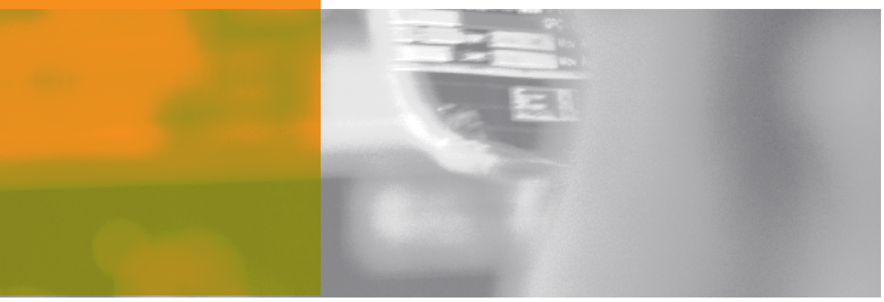
	2004	2005	2006	2007	2008
Total assets	4,874,555	8,357,093	14,379,475	13,455,771	11,226,304
Shareholders equity	2,556,207	3,019,789	3,284,618	3,526,579	3,355,042
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net revenue on investment banking services	2,264,533	3,349,123	4,199,348	4,220,943	2,667,782
Net profit	1,096,381	1,609,368	1,869,778	1,406,286	758,463
Turnover (HUF million)	1,213,423	2,139,214	2,842,093	3,296,025	2,681,066
Number of empoyees	70	87	99	103	100
Return on equity	53%	63%	62%	41%	22%

Financial figures (HUF thousand)



Turnover (HUF billion)





MANAGEMENT REPORT

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Swimming with the tide…

In 2008, its fifteenth full year of business, Concorde Securities Ltd. achieved total revenue from investment services of HUF 4,947 million (2007: HUF 6,089 million), on a securities trading volume of HUF 2,681 billion (2007: HUF 3,296 billion). Operating profit from investment services was HUF 2,668 million (2007: HUF 4,221 million), which, after deducting costs and expenses, resulted in HUF 819 million in pre-tax profit and HUF 758 million in after-tax profit (2007: HUF 1,504 million pre-tax and HUF 1,406 million after-tax, respectively). The company's equity – as a combined result of the above earnings and dividends paid - declined from HUF 3.53 billion to HUF 3.36 billion.

…as Armageddon approaches

In recent years we have spoken increasingly often of the approaching end of the latest economic upturn that began in 2002, and of the ever-growing danger of its materialization in the form of a severe financial and economic crisis. Well, the moment has arrived, surpassing even our wildest nightmares and afflicting first the financial and real estate sectors, before proceeding to lay waste to industrial production and bringing about a deep recession virtually the world over. This is no mere subprime problem, and not even a simple financial crisis (as some still have a penchant for saying these days), but a classic world economic crisis with all the attendant delights and tribulations. While "delights" is not necessarily to be understood in inverted commas, given that we continue to believe that the function of a crisis is to eliminate excess, break down unworkable structures, and cool off the exaggerated income or yield expectations and risk appetite of market players, at the same time this comes only at the cost of very serious sacrifices in the real economy. And on this occasion it appears that, not merely in depth but also in duration, the current crisis will be worse than any of the crises that have occurred in the decades since the Great Depression.

The three major components of the upswing that preceded the crisis were the expansions that occurred in credit, profits and consumption (the latter taking the form of growth in savings and investments in developing countries), and we suspect that the resulting adjustment not only applies to the excesses of the first decade of the new millennium, but signifies the end of a process that has been ongoing for two and a half decades. This process began in 1982 and resulted in the most significant boom and transformation in the world economy in modern history, if we discount wars. The process was fed by the following factors:

- The end of stagflation and the advent of new monetary policy. The appointment of Paul Volcker as chairman of the Federal Reserve in 1979 not only brought one of the people who fought hardest to bring the decade of stagflation to an end to the position of head of the

American central banking system, but at the same time heralded a new approach and a different set of tools in monetary policy. Volcker raised the federal funds rate to 20%, thus reducing inflation – which had peaked in 1981 at 13.5% - to 3.2% by 1983. With aggressive rate-setting measures replacing more direct influencing of the money supply, and through the reduced inflation and growing prosperity that came as a result, the Fed opened up new prospects for Wall Street by way of increasing volatility and the financial risk-management, speculative and financing demand thus created.

- Financial innovation and dramatic credit expansion. Wall Street investment bankers reacted to the new market prospects by exploiting the opportunities inherent in financial innovation and supportive regulatory changes. At the investment bank Salomon Brothers, the bond trader Lewis Ranieri, who had worked himself up from the mail room to become one of the firm's most important managers, revolutionized the market of refinancing mortgage loans through securitization and thus undeniably made his firm one of Wall Street's most significant dealers in investment-grade securities. At the same time, Michael Milken, as head of the junk-bond trading department of investment bank Drexel Burnham Lambert, dramatically transformed and expanded the market for these high-yield bonds and the leveraged buyouts (LBO) that they helped achieve, promoting his company to the market leader in such services. These developments resulted in a phenomenal growth in financial innovation and particularly in derivative instruments, raising the lending capacity of the financial system to unprecedented heights.

- Global expansion of liquidity and imbalances in the world economy. The credit expansion brought with it a new dimension in American consumption (later becoming typical of other developed countries as well), which took the form of a drastically increasing deficit in the balance of payments. The US current balance of payments went from a USD 5 billion surplus in 1981 to a deficit of USD 789 billion by 2006. At the same time, it resulted in significant trading surpluses in the case of America's major trading partners (mainly in Latin America and Southeast Asia), as well as a continuous expansion in domestic savings. By the middle of the first decade of the new century all this had led to a global imbalance watched with anxiety by economists, and conference after conference became occupied with how this process might be reversed: namely, how America's trading passivity – and the dynamism, huge international reserves and domestic savings of its partners (primarily China) – might be diminished. This process (albeit only on the level of wishful thinking) became known as decoupling in the global economy.

- The technological revolution and the new age of globalization. The revolution in information and communications technology has elevated the process of globalization to a new dimension, greatly accelerating the expansion of global trade and improving industrial and overall economic efficiency. In this way, it has contributed significantly to the convergence and restructuring of developing countries, the reduction of their debts and the substantial improvement of their financial equilibrium. All this has had positive repercussions on the disinflation process that began at the beginning of the 1980s by increasing the share of cheaper producers on the global market, while further enhancing the effects mentioned under the above points.

- Profit growth. Returns on capital and profit margins have dramatically improved by higher levels of debt through the effect of leveraging (where, by increasing the proportion of debt capital, we can increase the return on equity for as long as the rate of return on total capital is greater than the cost of debt capital), as well as by the enhanced efficiency that comes with technological innovation. As a consequence of the above, the volume of corporate profit also grew as a percentage of gross domestic product, which for a time justified an increase in share prices outstripping the rate of economic growth.

From the above it can be seen clearly how various individual factors have served to reinforce each other through positive mutual interaction. At the same time, human nature and the systems created by human beings dictate that these factors never operate in a state of equilibrium but always in fluctuation above or below it. Moreover, to the degree that a given process oscillates from the state of equilibrium, then so will it swing at least as far to the other side when the time comes to correct itself. Excessive growth in credit and consumption (and in savings and investments in developing economies), the critical size of the global disequilibriums, the unsustainably high level of corporate profits and the overpricing of investments (in real estate, equities and commodities market products) has led to the current crisis, for which the correction is destined to “overshoot”. And, inevitably, it will also shoot too low, meaning that the contraction in loans, the decline in consumption and profits, and the fall in the value of investments will far exceed the degree that the long-term economic fundamentals would justify.

They shoot the messenger, don’t they?

Concorde is indisputably one of the financial houses that, even on a global level, warned of a serious approaching crisis as early as the end of summer 2007. However, while staying two steps ahead of our profession in assessing the problem we continued to follow events from two steps behind, often for the simple psychological reason that even we did not believe in our own gloomy analyses and expert intuition foreseeing devastation on such a rarely experienced scale. This is to say that although in August 2007 we were already certain that a long and deep crisis was approaching, with a significant concomitant fall in prices on the stock market, we did not underweight risks in our portfolio allocations anywhere near as aggressively as our own convictions suggested we should, fearing that if we turned out to be wrong after all and were significantly out of sync with the market then we would not be able to make our clients understand. In other words, though ahead of the pack, we did not really try to stand out sufficiently. Added to all this, our turnover – thanks to the customary aggressive surge of our competitors at the end of the cycle – began a continuous decline from the beginning of last year more severe than the market as a whole, sowing the seeds for what was a very bad year in terms of our results. And when at last we might have revelled in the prospect of growing volatility in September at least increasing our turnover, the tragedy happened: the American financial authorities permitted Lehman Brothers to hit the wall, thereby leaving several hundred thousand financial transactions and positions hanging in the balance. The partial rescue of Lehman Brothers, or at least ensuring continuation of its banking operations, would have caused substantially less damage to the financial sector, while the salvation of other sagging players would have cost hundreds of billions of dollars less: in other words, it would have been worth almost anything. But this is not what happened, and partly as a result the world's largest financial service providers fell into de facto bankruptcy inside just a couple of weeks, and were saved de jure, and permitted to formally survive, only by mergers, buyouts and government or central bank rescue packages, as well as – in the case of Goldman and Morgan Stanley – by the most rapid bestowal of bank holding licenses in the history of the planet. Thanks to a strange quirk of fate we had no direct trading connection with Lehman Brothers as their risk analysis department adjudged our firm too risky (compared to the several hundred billion dollars' worth of financial junk filling Lehman's books). At the same time, the trading platforms permitting trade to be carried out on the London, Amsterdam and Zurich stock exchanges used Lehman as a broker, and thus a portion of the transactions we concluded in the given period have either never been cleared or settled only at considerable difficulty and cost.

In the meantime, our financial advisory business closed or completed the groundwork for several successful deals in recording its best performance of recent years, which certainly deserves recognition in such a difficult market climate. Among acquisitions of Hungarian internet firms the sale of online auction service provider Vatera is worth highlighting, while the sale of construction concern Hídépítő Zrt (where we acted as the sell-side advisor) qualifies as a similarly important transaction.

Our asset management division has functioned under enormous pressure in the past year, given that it had to manage the increasingly impenetrable risks in the global financial system all at once, at first having to justify our pessimism to clients and later having to justify why we were not even more pessimistic towards the end of the year. When a stock market collapse of this magnitude occurs, erosion of managed assets is a natural process, since there are the simultaneous effects of declining share prices and diversion of clients' investments elsewhere. Despite this, as a result of many years of hard work, Concorde Asset Management managed to win new mandates and thus to close last year with the volume of assets under its management essentially unchanged.

A changing company in a changing world

The Concorde group faces several simultaneous challenges going forward. The firm must prepare for the opportunities presented by the coming decade, and must transform accordingly in several respects, while continuing its successful work in crisis management. We must therefore simultaneously dismantle everything that has become obsolete and build a new structure that we believe will be viable entering the next decade. This is by no means evident, in so far as the strategic and tactical moves of the past 15 years could be qualified as evident, though things always appear less complicated in hindsight. The transformation of the company is likely to affect our business model and management structure, and – provided our shareholders accept our reasoning – the ownership structure as well. We hope we will be able to describe these changes in next year's annual report as facts, while at present we are still only at the stage of examining possible scenarios. However, what we can say now with certainty, as we have hinted above, is that the original character of Concorde as a primarily transaction-oriented investment bank is changing, and that asset management and private banking services will instead take centre stage while the firm's earlier specific functions as an investment bank will assume a useful, but only complementary role.

Sponsorship and non-profit programmes

Despite the crisis that could already be felt last year, we were able to sustain our earlier launched non-profit programmes and even initiate some new ones – albeit with reduced funding. Overall, with the decline in our profits the total value of non-profit expenditures also decreased, although private assistance provided by members of the Board of Directors partially compensated for this, as in previous years when the company's earnings were lower and enabled fewer donations.

We acted as main sponsors of the Hungarian Design Market (WAMP) and we created the "Fogadj be!" (Take us in!) programme with the Mosoly Otthon Foundation, whereby we simultaneously provided support for residential homes caring for handicapped youngsters and generated guaranteed income for young artists starting out on their careers. In addition, we provided special support for the series of exhibitions and events entitled "Na, mi van?" (What's up?), which addresses topical questions and trends in contemporary fine art. Our new programmes were also awarded with prizes: at the Maecenas Days established by the non-profit organization Summa Artium, our company was awarded with a special prize in recognition of our adopted policies and innovative implementation.

Through its increasingly aware and proactive corporate social responsibility (CSR) programmes, the Concorde group also aims to set an example to private enterprises in Hungary. Our programmes are now no longer merely about providing financial support and commitment in the form of community and voluntary work, but are increasingly non-profit projects devised and implemented by us. Of overriding importance in this is the integrative pursuit of better relationships between the so-called "healthy" and "handicapped" communities. As an example of such cooperation, we brought together two of our sponsored orchestras, the Budapest Festival Orchestra and the Parafónia Orchestra, for a performance at a charity auction evening of the aforementioned Fogadj be! programme together with the Tánceánia Ensemble comprised of young people with multiple disabilities. We are also making an increasingly conscious effort to broaden the connections between our social, health and cultural projects, as we believe that bringing our leading-edge cultural riches to the socially underprivileged and physically or mentally handicapped will mutually benefit the development of both groups.

Classic non-profit sponsorship in 2008:

- Programme aiding the social integration, living conditions, therapeutic care and training of young people living with assistance: HUF 10 million
- Cultural and arts programme: HUF 16 million
- Programme aimed at implementing social objectives: HUF 4 million

Besides the above, we provided HUF 8.4 million in vocational training contributions to support institutions caring for disabled or underprivileged children. Our film sponsorship amounted to HUF 28 million.

Best Equity House in Hungary

The excellence of Concorde's work is reflected not just in the company's financial results, but in the considerable acclaim and recognition it has received in the past years. Particularly worthy of note in this regard is that, based on a survey of several hundred international investment institutions, Euromoney named Concorde Best Equity House in Hungary in 1996, 1997, 1998 and 2000, as did the financial journal Emerging Markets Investor in 1997. Perhaps more important than international recognition, however, is the fact that the members of the Budapest Stock Exchange, its own financial community, awarded Concorde the title of Best Brokerage House every year from 1998 through to 2002. This view was supported by the Budapest Business Journal, which, based on an annual survey conducted among its readers, awarded our company the title of Best Equity House in 2003 and again in 2004. After an interval of two years, the professional community of the Budapest Stock Exchange once again awarded us the title of Best Investment Service Provider in 2005.

In recognition of the accuracy of his forecasts, our firm's senior economist and macroeconomic analyst, János Samu, won the title of Best Macroeconomic Analyst in 2005, awarded by the Hungarian financial daily Napi Gazdaság, while the Budapest Stock Exchange awarded the title of Stock Market Best-of-the-Best of 2005 to our analysts Attila Vágó and Mónika Tabányi.
The 2009 edition of the Austria and Central Europe Yearbook of the London-based AQ Research compares the recommendations of brokerage firms and individual analysts with the EPS average derived from all analysts' recommendations, as well as with actual earnings per share. In Hungary, Concorde's team of analysts was ranked third, while Attila Gyurcsik came in first among individual analysts.

Among the new awards launched by Mastercard in Hungary in 2006, the title of "Investment Fund Manager of the Year 2006" went to Concorde Asset Management based on the votes of a 72-member judging panel.

György Jaksity received the “Ernst & Young Businessperson of the Year 2007” award, which is generally regarded as the ultimate accolade in the business community. The reasons cited for awarding him the title included not only his considerable business and financial achievements, but also the type of responsibility that he has displayed towards his broader economic and social environment. This encompasses his professional work and social initiatives, and efforts to raise the general level of financial awareness among the public in Hungary, as well as the social, healthcare and other projects that have been launched through the various foundations established and funded by him and his business associates.

The fact that for years now we, the three most senior executives of Concorde, have personally undertaken an active role in the work of the stock exchange, as well as in educational, cultural and humanitarian initiatives, gives us at least as much satisfaction as receiving recognition for our management work. Furthermore, while we continue to be motivated by the conviction that our clients make the right decision in choosing the services of Concorde, we never forget that without their continued trust and confidence Concorde would not be able to achieve its own objectives. We would therefore like to take this opportunity to thank those who have contributed hard work and commitment to the fulfilment of these aims.

Borda Gábor	Jaksity György	Streitmann Norbert

REPORTS OF THE DIVISIONS

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Equity trading

The Budapest Stock Exchange – and thus, too, Concorde Securities Ltd. – experienced a significant decline in equity trading volume in the reporting year. The total trading volume of the Budapest Stock Exchange was down 39% on the previous year, while Concorde's equity trading turnover fell by 55%; with a 7.31% share of the market, the company was thus the fifth-ranked market player in terms of turnover. Turnover in foreign securities increased 34%.

Market share and ranking based on BSE trading volume

	2004	2005	2006	2007	2008
BSE equity turnover (HUF mln)	5,219,773	9,661,044	13,000,952	17,383,639	10,568,527
Concorde turnover (HUF mln)	655,653	1,189,112	1,532,623	1,704,403	773,104
Market share (%)	12.56%	12.31%	11.79%	9.80%	7.31%
Ranking	3	3	3	4	5

Alongside the above-mentioned change in trading figures, our revenues from commission-based activity declined 33.5%. Equities accounted for more than 93% of the turnover transacted on the Budapest Stock Exchange, and unlike last year the proportion of turnover in government securities and corporate bonds (mortgage bonds) was above 6%.

Turnover transacted on the Budapest Stock Exchange (HUF thousand)

	2004	2005	2006	2007	2008
Equities	655,653,868	1,189,111,947	1,532,623,432	1,704,402,627	773,104,902
Government securities	6,365,989	121,395	-	-	38,060,812
Corporate bonds	9,855,597	852,641	7,503,935	1,501,958	14,822,184
Other securities	7,727,128	14,416,943	1,236,091	2,922,615	3,454,841
Total	679,602,582	1,204,502,926	1,541,363,458	1,708,827,200	829,442,739

A growing proportion of Concorde's commission revenue is generated by commission-based trading on foreign stock exchanges. Similarly to previous years, our foreign securities trading operations posted a significant, 34% growth in turnover in 2008. The commission earned on transactions executed on foreign bourses rose by more than 13% in 2008.

Foreign securities trading volume (HUF thousand)

	2004	2005	2006	2007	2008
Equities	115,688,638	318,618,480	397,846,340	664,984,281	906,226,724
Government securities	5,134,076	24,338,039	39,171,906	31,580,669	16,156,974
Other securities	331,046	546,409	3,371,214	5,061,772	15,335,137
Total	121,153,760	343,502,928	440,389,461	701,626,722	937,718,835

Retail customers

The year 2008 did not leave the Retail Division unscathed either.
While the market shrank drastically and forcefully by as much as a half, our annual revenues and the total portfolio value of our clients declined only about one fourth.

In equity trading and the commission revenue derived from this, the weight of foreign trading and commissions continued to increase, and today we earn almost 10% more revenue from the trading of non-domestic equities.

For most of the year new client-account contracts were stable, but in the months of October and November we signed an extraordinarily high number of such contracts. This was enough to compensate for the departure of existing clients, and the number of our active clients fell by approximately 5% over the year as a whole.

In the middle of the year we successfully managed to switch over to the MiFID system demanded by the EU, which required considerable effort on the part of both Concorde and its clients. We had all our partners complete tests; having assessed these, we used them as a basis for classifying clients into risk groups, after which we informed them of the results. Although this project required a great deal of preparation, we completed it successfully.

Fixed-income business and treasury operations

The global financial crisis very much left its mark on fixed-income markets. Throughout the year the Hungarian government securities market was characterized by astonishing volatility, both in quantity and in yields. Yields soared from September onwards, all the way up to 13-14%, while for at least a week in October the market essentially ceased to function. For the rest of the year, trading in government securities continued in much smaller than usual lots, with much broader margins and with much greater difficulty. By the end of the year, yields had moderated somewhat to levels of around 9%-11%, but they still fell nowhere near the yield levels seen at the beginning of the year.

As a non-primary dealer, the main task of our fixed-income division is to serve, to a high standard, the company's (mainly domestic) institutional and retail clients, and to arrange the FX trades related to international securities trading and other capital market transactions. In the year 2008 we traded a total of HUF 825 billion worth of fixed-income products, mainly Hungarian government securities, and this turnover was some 13% higher than the previous year. The volume of our FX trading came to HUF 450 billion.

Derivative products

Unfortunately the global financial crisis that evolved last autumn and the declining tendency in turnover that had already begun earlier did not have a favourable effect on turnover on the Budapest Stock Exchange's futures market either. Trading volumes in derivative products on the BSE in 2008 decreased by some 40%. Unfortunately this decline was also typical of Concorde's futures turnover last year. Despite all this, we were able to increase our FX futures turnover by around 45% in 2008. Based on this, our commission revenues exceeded HUF 90 million, approximately 10% down on the preceding year.

The huge declines in exchange rates due to the crisis place considerable responsibility on this branch of our business. Maintaining margins was not easy, but with a great deal of concentration we managed to resolve the tasks that suddenly arose. We can thank the big swing in the forint exchange rate and the reappearance of hedging transactions for the growth in our FX turnover. A growing number of new clients opted for futures trading: the number of our clients increased by 10% in 2008.

Research

We can state categorically that in terms of research, 2008 was the most difficult year to date, as our analysts had to work in a continuously and often drastically deteriorating international and domestic economic environment. Events occurred in the second half of the year which only very few people expected as international money markets ceased to function after the bankruptcy of Lehman Brothers in September, and this fundamentally altered our already far from optimistic expectations regarding economic prospects. Growth in the world economy came to a halt in the last quarter of the year as developed economies faced a drastic downturn in many places, in excess of 5%, while a dire and massive double-digit fall in industrial production was witnessed almost everywhere. For its part, due to the narrowing of financing opportunities and in no small part as a consequence of the irresponsible economic policy decisions of the past few years, Hungary was forced to seek financial assistance from the IMF and the European Union.

In this environment, we further expanded the number of companies covered by our research team, turning toward other countries in the region in particular, and with the simultaneous goal of adopting an expert focus on Central Europe. Accordingly, we began to follow certain Polish and Czech blue chip companies in the course of the year – such as CEZ, KGHM and Telefónica O2, for example – and the list will further expand significantly in 2009.

In recognition of our professional work during the year, our analyst Attila Gyurcsik, who is responsible for covering regional telecommunications and certain Hungarian small-cap firms, was named the Hungarian analyst providing the most accurate estimates on the basis of a survey by the London-based AQ Research, while Concorde's research team placed third in the competition, beating out many notable rivals with international banking backgrounds.

In 2009, too, we will continue to provide services and forecasts to a number of international news agencies and companies that publish and collate market analysis. Among our important corporate partners are Bloomberg, S&P EMDB, Thomson Reuters, JCF and AQ Research, while Concorde's research can be downloaded from the subscriber pages of FactSet and Reuters.

Concorde Asset Management Ltd.

The assets managed by Concorde Asset Management Ltd. suffered a 5.7% drop in value, falling from HUF 176 billion at the start of the year to HUF 166 billion. The negative change was most significant in the investment fund segment of the business, while institutional asset management and the volume of privately managed assets grew. Thanks to new orders won last year and starting from 1 January 2009, the average change in managed assets will be much less severe this year, at around the Hungarian average.

Central-East European equity and bond markets closed a hideously bad year amid events on the international markets.

Managed portfolios showed an average performance over the entire year under the circumstances, while the yields they attained in 2008 were better than market yields. Three-quarters of the portfolios tracking institutional reference yields managed to outperform the benchmark yields. We thereby further strengthened our position in the independent pension funds market, as demonstrated by our significant acquisition of over HUF 20 billion in new assets.

The risk exposure of portfolios targeting an absolute yield fluctuated in a narrow band throughout the year. Due to the poor annual performance of Hungarian government bond portfolios and drastic negative returns on the equity markets, these portfolios, although their fall is incomparably modest compared to that of portfolios tracking the reference yield, did not attain a positive yield. In private asset management, meanwhile, we have managed in the past eleven years to develop a structure that has gained us a very good reputation on the private asset management (and private banking) market. As a result, the number of our clients has grown, even despite the high entry threshold and continuously deteriorating mood.

The number of managed funds increased further in 2008. We launched an equity fund focusing on Central European equity markets and a high-risk derivative investment fund, as well as two euro-denominated funds. These raised the total number of our investment funds to 24.

We maintain our goal of assuring our clients of favourable yields over the mid and long term while managing the attendant risks, and we are regarded as being among the best-performing companies in terms of managing portfolios. With an eye on preparing for the coming decade, the number of staff of the fund management company has also grown. We now have a Polish colleague, bringing the total number of the company's employees to 22 by the end of the year.

Concorde Corporate Finance Ltd.

At time of writing, recalling the far from optimal conditions of 2008, particularly the first half of the year, now appears almost like paradise. While Concorde's investment banking business closed a moderately good year in 2008 with some successful transactions, the storms on the market blew away any reasonable chance of a still stronger performance.

The most significant (if not the biggest) deal of the year was perhaps the sale of Vatera.hu, the well-known Hungarian online marketplace. Very strong demand was generated in the course of the transaction for this very well-managed, market-leading concern. As a result, Naspers, a stock exchange-listed, South Africa-based multinational media company, paid a record, unprecedented amount for a Hungarian internet concern. For us it was a special pleasure to be able to work closely on this deal with our M&A International partner companies, in particular the French Aelios Finance.

In addition, we also acted as consultant to Vinci Construction, the French construction group, in the sale of one of Hungary's largest construction concerns, Hídépítő Ltd., which specializes in the building of bridges and large concrete structures. The buyer was a consortium led by Mr Endre Apáthy, previously the CEO of Hídépítő.

Besides the above, we also successfully completed a number of smaller deals and consultancy projects prior to the historic failure of Lehman Brothers. The loss in confidence resulting from the latter's collapse put a freeze on the transaction market and thus on several of our corporate sale orders that had by then reached the final phase.
In the current situation, it is very hard to predict how 2009 will turn out – in our business as well.

Of course, the flooring of the Hungarian economy is bad news from the point of view of transaction mandates; at the same time, partly as a result of the crisis, there is discernible buying interest motivated by falling price levels, while hitherto less typical types of transaction (such as recapitalization) may also come to the fore.

Concorde Financial Consulting Ltd.

The 2008 business year represented a challenge for Concorde Financial Consulting Ltd. In the first half of the year, due to the significant decline of the American "film market" (amid a spate of actors' and screenwriters' strikes), as well as the long delay in adoption of the Film Law by the EU, the number of foreign films reaching Hungary declined drastically.

At the same time, in the latter half of the year the EU's competition authority extended until 2013 the validity of Hungary's own Film Act – which also provides the scope for Concorde Financial Consulting's activity – under more favourable conditions than before, and disbursement of the so-called 20% film subsidies was thus able to recommence. Thanks to these favourable developments and the reanimation of the international film production market, the second half of the year turned out particularly favourably for the company. Despite the "truncated" business year, Concorde's sponsorship partners financed film production in Hungary to the tune of more than HUF 1 billion within the framework of the 20% tax subsidy construction.

On the producer side, the core of Concorde Financial Consulting's business continued to be made up of big-budget American-leased productions and European co-productions, well supplemented by domestic films produced by the firm's old clients operating under framework contracts.

In the sphere of bank pre-financing in 2008, Concorde Financial Consulting worked with CIB Bank Ltd. and MKB Bank Ltd.

Concorde Financial Consulting is looking ahead to what is likely to be an inconsistent business year in 2009:

- On the one hand, based on preliminary negotiations and sponsorship agreements already signed in advance, a record number of foreign film shoots can be expected in 2009, primarily as a consequence of the weakening domestic currency;

- On the other hand, as a result of the financial crisis also afflicting Hungary, a strong decline can also be expected in the corporate tax base eligible for film-related tax breaks.

Accordingly, Concorde Financial Consulting has set the acquiring of new corporate sponsors as its main objective for the 2009 business year.


CONCORDE


FINANCIAL STATEMENTS

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Concorde Securities Ltd.

We have audited the accompanying consolidated financial statements of Concorde Securities Ltd. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2008, and the related consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 present fairly, in all material respects, the consolidated financial position of Concorde Securities Ltd. and its subsidiaries as of December 31, 2008, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, April 2, 2009

Gion Gábor
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Nagy Zoltán
Registered Auditor
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Member of
Deloitte Touche Tohmatsu

Registered by the Budapest Court of Registration
Company Reg. No.: 01-09-071057

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2008

(ALL AMOUNTS IN THOUSANDS OF HUF UNLESS OTHERWISE STATED)

	Notes	December 31, 2008	December 31, 2007
Assets			
Current Assets:			
Cash and cash equivalents	3	6,039,479	6,131,211
Settlement with brokers, dealers and customers	4	1,767,795	2,869,375
Financial assets at fair value through statements of operations	5	2,377,574	2,255,931
Other receivable and accruals	6	574,753	663,796
Total current assets		10,759,601	11,920,313
Non-current Assets:			
Goodwill on acquisition		70,400	70,400
Equity investments	7	276,274	285,084
Loans to employees		10,000	10,000
Tangible and intangible fixed assets	8	589,224	675,561
Deferred tax assets	17	8,385	8,385
Total non-current assets		954,283	1,049,430
Total assets		**11,713,884**	**12,969,743**
Liabilities and Shareholders' Equity			
Current Liabilities:			
Settlement with brokers, dealers and customers	9	5,445,459	5,259,455
Short term borrowings		592,486	1,789,142
Other liabilities	10	501,465	444,882
Total current liabilities		6,539,410	7,493,479
Shareholders' Equity:			
Share capital	11	1,000,000	1,000,000
Statutory reserves		791,870	791,870
Minority interest		81,599	139,885
Retained earnings		3,309,217	3,552,721
Treasury shares	12	(8,212)	(8,212)
Total shareholders' equity		5,174,474	5,476,264
Total liabilities and shareholders' equity		**11,713,884**	**12,969,743**

The accompanying notes to consolidated financial statements on pages 31 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

(ALL AMOUNTS IN THOUSANDS OF HUF UNLESS OTHERWISE STATED)

	Notes	December 31, 2008	December 31, 2007
Revenue			
Commission		3,178,251	4,531,313
Securities traded on proprietary account	13	1,937,619	1,754,199
Corporate finance activities		333,876	239,034
Asset management		838,374	901,305
Interest and dividend		544,387	702,127
Other income		400,991	371,502
Total revenue		**7,233,498**	**8,449,480**
Expenses			
Commission expenses		(630,998)	(653,075)
Securities traded on proprietary account	13	(1,702,873)	(1,252,929)
Wages and salaries	14	(1,618,704)	(1,974,379)
Brokerage, clearing and exchange fees		(330,953)	(549,408)
Communication		(243,852)	(212,966)
General and administration expenses	15	(964,368)	(1,106,574)
Interest and dividends		(233,285)	(267,237)
Other expenses	16	(345,370)	(640,599)
Total expenses		**(6,070,403)**	**(6,657,167)**
Profit before tax		**1,163,095**	**1,842,313**
Income tax expense	17	(108,870)	(157,032)
Profit for the year		**1,054,225**	**1,685,281**
Attributable to:			
Equity holders of parents		920,821	1,552,845
Minority interest		133,404	132,436
		1,054,225	1,685,281
Weighted average number of shares outstanding during the year		998,750	998,750
Consolidated earning per share in HUF		**1,056**	**1,687**

The accompanying notes to consolidated financial statements on pages 31 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

(ALL AMOUNTS IN THOUSANDS OF HUF UNLESS OTHERWISE STATED)

	Share capital	Treasury shares	Statutory reserve	Minority interest	Retained earnings	Total
January 1, 2007	1,000,000	-	651,241	219,700	3,745,455	5,616,396
Net profit	-	-	-	132,436	1,552,845	1,685,281
Paid dividends	-	-	-	(212,251)	(1,604,950)	(1,817,201)
Statutory reserve	-	-	140,629	-	(140,629)	-
Treasury shares acquired	-	(8,212)	-	-	-	(8,212)
December 31, 2007	1,000,000	(8,212)	791,870	139,885	3,552,721	5,476,264
Net profit	-	-	-	133,404	920,821	1,054,225
Paid dividends	-	-	-	(191,690)	(1,164,325)	(1,356,015)
December 31, 2008	1,000,000	(8,212)	791,870	81,599	3,309,217	5,174,474

The accompanying notes to consolidated financial statements on pages 31 to 48 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Year ended December 31, 2008	Year ended December 31, 2007
Cash flows from operating activities:		
Profit before tax	1,163,093	1,842,313
Adjustments for:		
Depreciation and amortisation	207,276	224,282
(Gain)/loss on sale of investments	(196,048)	6,215
Interest expense	233,285	267,237
Interest income	(544,387)	(702,127)
Operating profit before working capital changes	863,219	1,637,920
Increase in securities held for trade	(121,643)	(711,870)
Decrease/(increase) in accounts receivable from settlement	1,101,580	(114,322)
(Increase)/decrease in accounts receivable and other current assets	(87,314)	771,037
Decrease/(increase) in accounts payable from settlement	186,004	(2,809,904)
Decrease/(increase) in accounts payable and accruals	236,587	(11,281)
Cash generated from operations	2,198,703	(1,238,420)
Interest paid	(239,615)	(260,981)
Interest received	526,802	708,928
Income taxes paid	(108,870)	(157,032)
Net cash flow provided by operating activities	2,377,020	(947,505)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(131,516)	(260,800)
Purchase of long-term investments	-	(233,243)
Decrease in loans granted to employees	-	3,254
Proceeds on sale of property, plant and equipment	10,577	22,853
Proceeds on sale of investments	204,858	198,656
Net cash flow used in investing activities	83,819	(269,280)
Cash flows from financing activities:		
Net Increase of short term loans	(1,196,656)	1,435,157
Dividends paid	(1,164,325)	(1,604,950)
Dividends paid to minority interest	(191,690)	(212,255)
Treasury shares acquired	-	(8,212)
Net cash flow used in financing activities	(2,552,671)	(390,260)
Decrease in cash and cash equivalents	(91,732)	(1,607,045)
Cash and cash equivalents at beginning of year	6,131,211	7,738,256
Cash and cash equivalents at end of year	**6,039,479**	**6,131,211**

The accompanying notes to consolidated financial statements on pages 31 to 48 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. INTRODUCTION

Concorde Securities Ltd. (the "Company") is a company limited by shares incorporated under the laws of the Republic of Hungary. The Company is primarily engaged in stock-broking, fixed income and derivatives trading, corporate finance, investment and financial advisory services, asset management and private equity business. The registered office of the Company is located in Hungary (H-1123), at Alkotás utca 50, Budapest, and now Company and its controlled subsidiaries (Concorde Corporate Finance Ltd. and Concorde Investment management Ltd.) are referred to collectively as the "Group".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accounting policies followed by the Group in these financial statements conform with International Financial Reporting Standards ("IFRS"). Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Group's Hungarian statutory accounts, in order to present the financial position and results of operations of the Group in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as International Financial Reporting Standards ("IFRS"). These standards and interpretations were previously called International Accounting Standards ("IAS").

The reporting currency of the Group is the Hungarian Forint ("HUF").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there is no impact on these consolidated financial statements, had it been approved by the EU at the balance sheet date.

The Financial Statements were authorised for issue on April 2, 2009.

ADOPTION OF NEW STANDARDS

Four Standards and Interpretations issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") are effective for the current period. These are:

- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement and IFRS 7: Reclassification of Financial Assets (effective fromJuly 1, 2008)
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for accounting pe riods beginning on or after March 1, 2007)
- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after January 1, 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Require ments and their Interaction (effective for accounting periods beginning on or after January 1, 2008)

The adoption of the above presented Amendment and Interpretations had no significant impact on the consolidated financial statements of the Group. IFRIC 12 is not yet endorsed by the EU.

CHANGES IN ACCOUNTING POLICIES ARISING FROM THE ADOPTION OF NEW IFRSS AND AMENDMENTS TO IASS EFFECTIVE JANUARY 1, 2008

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Group, the following Interpretations were in issue but not yet effective:

- IAS 1 (Revised) Presentation of Financial Statements (effective for accounting periods beginning on or after January 1, 2009)
- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after January 1, 2009)
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective from July 1, 2009)
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting peri ods beginning on or after January 1,, 2009)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting periods on or after July 1, 2009)
- IFRS 2 (Amendment) Share-based Payment (effective for accounting periods beginning on or after January 1, 2009)
- IFRS 3 (Revised) Business Combinations (effective from July 1, 2009)*
- IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations (and Consequental Amendment to IFRS 1: First-Time Adoption) (effective fromJuly 1,2009)*
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting peri ods beginning on or after January 1, 2009)*
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after Jan uary 1, 2009)
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after July 1, 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting peri ods beginning on or after January 1, 2009)*
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after October 1, 2008)*
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after July 1, 2009)*
- IFRIC 18 Transfers of Assets from Customers (effective from January 1, 2009)*
- Improvements to International Financial Reporting Standards 2008 (effective for ac counting periods beginning on or after January 1, 2009)

*Not yet endorsed by the EU.

According to the management the future application of the new and modified standards and interpretations will not have a material impact on the Group's financial statements.

REVENUE RECOGNITION

Gains and losses on securities trading are recognised on the trade date. Commissions from security trading as an agent are recognised at trade date. Income from fund management and portfolio management are recognised on an accrual basis and when the service is delivered. Revenue from investment lending and deferred payment service is recognised on an effective interest rate basis, while the receivables are measured at amortized cost.

FOREIGN CURRENCY

Transactions arising in foreign currencies are translated into HUF at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into HUF at the year-end rates of exchange. The resulting foreign currency exchange gains and losses are recognised in the statement of income.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of Concorde Securities Ltd. Groupand two of its controlled subsidiaries as of December 31, 2008. Control is presumed to exist where the Group holds, directly or indirectly, more than 50% of the registered capital. The effects of all material interGroup balances and transactions are eliminated.

Details of consolidated subsidiary undertakings are provided below. All consolidated companies are incorporated in Hungary.

Group	Group Ownership	Brief description of activities
Concorde Corporate Finance Ltd.	75.00%	Corporate finance
Concorde Asset Management Ltd.	75.00%	Fund management

As of December 31, 2008 three subsidiaries in which the Group holds, directly or indirectly, more than 50% of the registered capital have not been consolidated as the impact on the consolidated financial statements would not be material as the companies had no significant activity during 2008. SMÁK Project Management Ltd. was incorporated on 27 November, 2007.

	Group Ownership	Brief description of activities
Concorde Financial Consulting Ltd.	75.00%	facility management Group
Eclipse Investment Ltd.	100.00%	venture capital Group
SMÁK Project Management Ltd.	50.00%	project management Group

GOODWILL

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

TANGIBLE AND INTANGIBLE FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and amortisation. Depreciation and amortisation is provided using the straight-line method in order to write off the cost of the asset over its expected economic useful life, as follows:

Property rights	6 years
Acquired clients	15 years
Leasehold improvements	33 years
Software	3 years
Machinery and equipment	3-7 years
Vehicles	5 years

IMPAIRMENT

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use. For intangible assets that are not yet available for use, the recoverable amount is estimated at least at each balance sheet date.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, current accounts with original maturities of 90 days or less and cash in transit. Included within cash and current accounts of client funds for which a corresponding liability is shown in “Settlement with brokers, dealers and customers”.

EQUITY INVESTMENTS

Investments include nonmaterial unconsolidated subsidiaries and associated Group and other investments. Investments are recorded at cost less any provision for impairment.

LEASED ASSETS

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The present value of the related lease obligations is included in long and short-term liabilities as appropriate. The interest element of the lease obligations is charged to the income statement so as to produce a constant periodic rate of charge.

Assets held under capital leases are carried at the lower of the present value of the lease obligation and a fair value of the leased property and are depreciated over their expected useful lives on the same basis as owned assets, or over the periods of the leases where these are shorter.

TRADING SECURITIES

The Group classifies its securities into the following categories: held for trading, held-to-maturity and available-for-sale. Securities that are acquired principally for the purpose of generating profit from short-term fluctuations in price are classified as held for trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments 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, are classified as available-for-sale.

Trading securities consist of debt securities and other securities. Debt securities include Hungarian Government Bonds, Treasury Bills and Corporate Bonds. Other securities include shares of companies traded on the Budapest Stock Exchange or on the Hungarian OTC market.

The securities traded on the Budapest Stock Exchange (shares, government bonds, treasury bills and corporate bonds) are stated at market value at the balance sheet date. Government securities are stated at their estimated fair value, which include the accumulated interest at year-end. Any gain or loss resulting from revaluation is recognised in the income statement. The fair value at the balance sheet date is determined on the basis of the average price on the last trading day of the year.

OTC shares are measured at fair value. If the OTC shares do not have a quoted market price in an active market and the fair value cannot be reliably measured, those assets are measured at purchase cost, less an allowance for impairment, if appropriate.

Gains and losses on the sale of trading securities are calculated on a FIFO basis.

Interest income from interest bearing securities and dividends from shares is shown in net revenue on securities traded on proprietary account.

RECEIVABLES FROM SETTLEMENT WITH BROKERS, DEALERS AND CUSTOMERS

Receivables from services provided represents fees charged for investment services and other customer related activities performed on commission.

The amount of receivables arising from own-account (non-commission) spot or closed futures transactions carried out on the exchange and existing at balance sheet date are recorded as receivables from the settlement of Budapest Stock Exchange transactions.

The amount of receivables arising from own-account (non-commission) over-the-counter spot or futures transactions existing at the balance sheet date is recorded as receivables from the settlement of over-the-counter transactions.

Receivables from clearing-house represent cash amounts transferred to clearing-houses and are recorded as receivables from clearing-houses within exchange cash account receivables.

PAYABLES FROM SETTLEMENT WITH BROKERS, DEALERS AND CUSTOMERS

Payables to customers include funds due to customers on the basis of investment service activities performed on commission and liabilities arising from other business activities, including amounts due to the funds arising from asset management conducted for pension funds.

The amount of liabilities arising from own-account (non-commission) transactions carried out on the exchange and existing at the balance sheet accounting date are recorded as liabilities arising from the settlement of Budapest Stock Exchange transactions.

Payables to clearing house include the amount of funds transferred to the exchange cash account of the investment enterprise by clearing houses under the title of price differences related to futures transactions carried out on the exchange.

SECURITIES SOLD BUT NOT YET PURCHASED

The Group sells securities that it does not currently own and therefore is obligated to purchase such securities at a future date. These purchase obligations are recorded in the financial statements at the fair value of the related securities at year-end.

FUTURES CONTRACTS

The Group trades futures contracts on Budapest Stock Exchange. These futures contracts are executed on the Budapest Stock Exchange and cash settlement is made on a daily basis for market value movements. At year-end open futures are recorded at their fair value based on the year-end market rates.

TREASURY SHARES

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Group and its subsidiaries and are presented in the Consolidated Balance Sheet at acquisiton cost as a deduction from Consolidated Shareholders' Equity.

Gains and losses on the sale of treasury shares are credited or charged directly to consolidated Retained earnings and reserves.

TRADE AND SETTLEMENT DATE ACCOUNTING

Own securities transactions are recognised on the trade date. Gains and losses arising from own securities transactions are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income reported on a trade date basis.

INCOME TAXES

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realised or the liability is settled.

COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the

directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment of loans to customers

The Group regularly assesses its loan to customers portfolio for possible impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts.

3. CASH AND CASH EQUIVALENTS

	December 31, 2008	December 31, 2007
Cash	33,811	39,319
Current account	6,005,668	6,091,892
	6,039,479	6,131,211

Included within cash and current accounts is HUF 4,930,130 thousand (2007: HUF 5,075,680 thousand) of client funds for which a corresponding liability is shown in “Settlement with brokers, dealers and customers”, see Note 9.

4. SETTLEMENT WITH BROKERS, DEALERS AND CUSTOMERS

	December 31, 2008	December 31, 2007
Receivables from services provided		
Receivables from clearing house	632,101	967,173
Receivables from trading on the Budapest	206,866	360,831
Stock Exchange	487,872	434,519
Receivables from loans to customers	489,638	1,148,570
	1,816,477	2,911,093
Allowance for doubtful receivables	(48,682)	(41,718)
	1,767,795	2,869,375

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS

	December 31, 2008	December 31, 2007
Government bonds	517,158	985,082
Treasury Bills	1,502,900	1,078,269
Mortgage bonds	51,208	97,311
Listed shares	51,959	52,957
Investment funds	-	10,564
OTC shares	249,213	31,732
Corporate bonds (unlisted)	5,136	16
	2,377,574	2,255,931

Interest rates and maturity date on government securities as of December 31, 2008 are as follows:

	2008	Maturity	Coupon rate	
Discounted Treasury Bills	1,126,412	to July, 2009	-	-
Discounted Treasury Bills	376,488	to December, 2009	-	-
Treasury bonds	216,936	2009	fixed	6.25-9.50%
Treasury bonds	210,690	2010-2012	fixed	6.00-7.50%
Treasury bonds	89,532	2013-	fixed	5.50-8.00%
	2,020,058			

6. OTHER RECEIVABLES AND ACCRUALS

	December 31, 2008	December 31, 2007
Receivables from unconsolidated subsidiary -Concorde Financial Consulting Ltd.	-	1,160
Loans advanced to other unconsolidated subsidiaries	2,472	98,000
Loans to employees	71,321	70,040
Corporate tax receivable	92,466	59,171
Other tax receivables	30,067	41,329
Accrued interest on bank deposit	32,641	21,857
Derivatives	179,197	87,924
Other prepayments	41,689	106,672
Debtors	36,895	161,924
Other	88,005	15,719
	574,753	663,796

7. EQUITY INVESTMENTS

	December 31, 2008		December 31, 2007	
	book value	ownership %	book value	ownership %
Membership in Budapest Stock Exchange	40,424	4.52%	49,234	5.08%
Concorde Financial Consulting Ltd.	2,250	75.00%	2,250	75.00%
Eclipse Investment Ltd.	232,943	100.00%	232,943	100.00%
Other long term investments	657	-	657	-
	276,274		285,084	

Other long term investments include investments in Hungarian Government Bonds and domestic and foreign equities, which were bought for investment purposes.

The Group's unconsolidated subsidiaries at December 31, 2008 are Concorde Financial Consulting Ltd., Eclipse Investment Ltd. and SMÁK Project Management Ltd. (See Note 2). The financial statements of as of and for the year ended December 31, 2008 are set out below. The following condensed information is based on statutory financial accounting and does not include adjustments to present them in accordance with IFRS.

Concorde Financial Consulting Ltd.

	2008 (unaudited)	2007 (unaudited)
Total assets	51,774	52,192
Owners' equity	52,083	39,380
Net income	15,334	11,303

Eclipse Investment Ltd.

	2008 (unaudited)	2007 (unaudited)
Total assets	263,893	244,978
Owners' equity	263,098	244,828
Net income	18,270	12,037

SMÁK Project Management Ltd.

	2008 (unaudited)	2007 (unaudited)
Total assets	1,139	99,330
Owners' equity	(543)	(1,334)
Net income	791	(1,902)

8. TANGIBLE AND INTANGIBLE FIXED ASSETS

	Intangible assets	Furniture, fixtures and equipment	Leasehold improvements	Total
Cost:				
January 1, 2007	710,200	834,497	98,455	1,643,152
Additions	108,756	149,826	5,243	263,825
Disposals	(2)	(52,142)	-	(52,144)
January 1, 2008	818,954	932,181	103,698	1,854,833
Additions	68,050	55,194	8,272	131,516
Disposals	-	(38,761)	-	(38,761)
December 31, 2008	887,004	948,614	111,970	1,947,588
Depreciation:				
January 1, 2007	453,245	522,484	5,527	981,256
Acquisition	-	3,025	-	3,025
Charge for the year	85,576	135,723	2,984	224,283
Disposals	-	(29,244)	(48)	(29,292)
December 31, 2007	538,821	631,988	8,463	1,179,272
Acquisition	-	-	-	-
Charge for the year	103,416	100,525	3,335	207,276
Disposals	-	(28,184)	-	(28,184)
December 31, 2008	642,237	704,329	11,798	1,358,364
Net book value:				
December 31, 2007	280,133	300,193	95,235	675,561
December 31, 2008	244,767	244,285	100,172	589,224

9. SETTLEMENT WITH BROKERS, DEALERS AND CUSTOMERS

	December 31, 2008	December 31, 2007
Payables to clients	4,930,130	5,075,680
Payables from trading on the Budapest Stock Exchange	515,329	183,775
	5,445,459	5,259,455

10. OTHER CURRENT LIABILITIES AND ACCRUALS

	December 31, 2008	December 31, 2007
Payables	93,373	126,190
PIT and social contribution	166,548	138,143
Accrued interest of overdraft	-	-
Taxes payable	20,429	18,504
Other	221,115	162,045
	501,465	444,882

11. SHARE CAPITAL AND RESERVES

	December 31, 2008		December 31, 2007	
	Issued capital	Ownership rate	Issued capital	Ownership rate
Blackburn International Ltd.	396,000	39.60 %	396,000	39.60 %
Eurotipp Ltd.	105,600	10.56 %	105,600	10.56 %
Móricz Gábor	149,600	14.96 %	149,600	14.96 %
Tőzsdecápa Ltd.	300,000	30.00 %	300,000	30.00 %
Other	40,588	4.06 %	40,588	4.06 %
Treasury shares	8,212	0.82 %	8,212	0.82 %
Total shareholders' equity	1,000,000	100.00 %	1,000,000	100.00 %

The number of shares issued is 1,000,000 each with a face value of HUF 1 thousand per share. Reconciliation of the number of shares outstanding at the beginning and end of the year:

	Common shares		Dividend preferred shares	
	Outstanding	Treasury	Outstanding	Treasury
January 1, 2008	667,500	2,500	330,000	-
December 31, 2008	667,500	2,500	330,000	-

Concorde Securities Ltd's distributable reserves under Hungarian regulations were HUF 2,396,708 thousand and HUF 2,777,114 thousand as of December 31, 2008 and 2007, respectively. Dividends for the year ended December 31, 2008 were declared at the Group's Annual General Meeting on April 2, 2009.

12. TREASURY SHARES

	December 31, 2008	December 31, 2007
Nominal value (Common Shares)	2,500	2,500
Carrying value at acquisition cost	8,212	8,212

13. NET REVENUE ON SECURITIES TRADED ON PROPRIETARY ACCOUNT

	December 31, 2008	December 31, 2007
Revenue on securities traded on proprietary account	1,937,619	1,754,199
Expense on securties traded on propretary account	(1,702,873)	(1,252,929)
Net revenue on securities traded on proprietary account	234,746	501,270

	December 31, 2008	December 31, 2007
Government and corporate bonds	185,256	81,976
Treasury Bills	162,785	152,689
Shares	(104,338)	315,294
Futures	2,022	(3,773)
Other	(10,979)	(44,916)
	234,746	501,270

14. WAGES AND SALARIES

	December 31, 2008	December 31, 2007
Salaries	1,108,049	1,381,825
Social insurance contribution	331,026	408,338
Other employee related contribution	100,471	94,498
Other employee related expenses	79,158	89,718
	1,618,704	1,974,379

The number of a full time equivalent staff employed at year-end was 143 (2007: 135 full time equivalent staff were employed).

15. GENERAL AND ADMINISTRATION EXPENSES

	December 31, 2008	December 31, 2007
Bank charges	94,303	105,309
Local tax	130,507	154,627
Travel	41,551	69,170
Insurance fees	8,247	8,321
Rental	130,552	123,527
Professional fees	120,227	123,591
Office supplies	83,684	93,452
Depreciation	212,643	245,869
Marketing	40,912	30,598
Membership fees	11,037	8,653
Training	14,258	18,992
Other	76,447	124,465
	964,368	1,106,574

16. OTHER EXPENSES

	December 31, 2008	December 31, 2007
Film and charity sponsorship	100,753	264,184
Security borrowing	51,870	193,719
Foreign exchange loss	88,006	40,190
Innovation fee	16,088	19,530
Expense on corporate finance activity	37,510	19,376
Expense on asset management activity	17,583	35,286
Expense on fixed asset selling	8,406	19,039
Other expense	25,154	49,275
	345,370	640,599

17. INCOME TAXES

Hungarian Group taxation is calculated at 16% of net profit, adjusted for taxation purposes.
The effective income tax rate varied from the statutory income tax rate due to the following items:

	December 31, 2008	December 31, 2007
Income before tax and minority interest	1,163,095	1,842,313
Tax at statutory rate of 16%	186,095	294,770
Solidarity tax rate of 4%	46,524	73,693
Temporary differences, net	-	-
Permanent differences, net	(123,749)	(211,431)
Taxation charge in IFRS financial statements	108,870	157,032

The “solidarity tax” to improve the balance of public finances was introduced in Hungary from 1 September 2007. It amounts to 4%.

Reconciliation of the deferred tax assets and liabilities at the beginning and end of the year:

	December 31, 2008	December 31, 2007
Deferred tax liability at the beginning of the year	8,385	8,385
Current year charges	-	-
Deferred tax assets (liabilities)	8,385	8,385

	December 31, 2008	December 31, 2007
Deferred tax asset		
Tax effect of difference in carrying value of goodwill	8,385	8,385
Net deferred tax asset / (liability)	8,385	8,385

There is no procedure for final agreement of tax assessments in Hungary. The tax authorities may examine the accounting records and revise assessments for up to five years after the period to which they relate until examinations are finalised. Consequently, the Group and its subsidiaries may be subject to further assessments in the event of an audit by the tax authorities. Management anticipates that no significant tax reassessments will arise from these reviews.

18. OFF BALANCE SHEET ITEMS, COMMITMENTS AND CONTINGENCIES

The balance of client's securities is HUF 83,807 million at face value as of December 31, 2008 (2007: HUF 81,713 million).
At face value HUF 83,169 million from these securities are deposited in custody at the Central Clearing House and Depository Ltd. (KELER Ltd.) (2007: HUF 81,200 million).

DERIVATIVES (NOMINAL AMOUNT, UNLESS OTHERWISE STATED)

	December 31, 2008	December 31, 2007
Foreign currency contracts		
Off-balance sheet assets	6,688,461	5,151,139
Off-balance sheet liabilities	6,688,385	5,168,299
Net	76	(17,160)
Fair values of off-balance sheet assets	179,661	86,137
Fair values of off-balance sheet liabilities	179,197	87,924
Net fair values	464	(1,787)

FOREIGN CURRENCY CONTRACTS

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Group for risk management, trading and liquidity purposes. The risk management foreign currency contracts of the Group were used to hedge against credit institutions foreign currency contracts which are denominated in foreign currency.

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the year 2008:

The Group provided a HUF 98,000 thousand loan facility to SMÁK Project Management Ltd. in 2007, an unconsolidated subsidiary of the Group. In 2008 SMÁK Project Management Ltd. repaid it. The year-end balance was HUF 0.

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK

As of December 31, 2008, all monetary assets and liabilities mature within one month of the balance sheet date, with the exception of HUF 4,930,130 thousand client funds included in current accounts for which the corresponding liability is stated as part of Settlement with brokers, dealers and customers.
As of December 31, 2008 the net monetary assets maturing within one month of the balance sheet date were HUF 5,829,471 thousand.

It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

The Group enters into derivative transactions for trading purposes, which ordinary require to have margin deposits to the partners, when there is an unrealized loss on the market-to- market valuation. The possible effect of these transactions to the liquidity status is not material as at December 31, 2008 and 2007.

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK CONTINUED

December 31, 2008	Within 3 month	Within one year and over 3 month	Within 4 years and over one year	Over 4 years	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	6,039,479	-	-	-	6,039,479
Settlement with brokers, dealers and customers	1,767,795	-	-	-	1,767,795
Financial assets at fair value through	433,192	1,286,644	210,690	447,048	2,377,574
statements of operations					574,753
Other receivable and accruals	574,753	-	-	-	
Total current assets	8,815,219	1,286,644	210,690	447,048	10,759,601
Non-current Assets:					
Goodwill on acquisition	-	-	-	70,400	70,400
Equity investments	-	-	-	276,274	276,274
Loans to employees	-	-	10,000	-	10,000
Tangible and intangible fixed assets	319,082	-	270,142	-	589,224
Deferred tax assets	-	-	8,385	-	8,385
Total non-current assets	319,082	-	288,527	346,674	854,283
Total assets	9,134,301	1,286,644	499,217	793,722	11,713,884
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Settlement with brokers, dealers and customers	5,445,459	-	-	-	5,445,459
Short term borrowings	592,486	-	-	-	592,486
Other liabilities	501,465	-	-	-	501,465
Deferred tax liability	-	-	-	-	-
Total current liabilities	6,539,410	-	-	-	6,539,410
Shareholders' Equity:					
Share capital	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	791,870	791,870
Minority interest	-	-	-	81,599	81,599
Retained earnings	-	-	-	3,309,217	3,309217
Treasury shares	-	-	(8,212)	-	(8,212)
Total shareholders' equity	-	-	(8,212)	5,182,686	5,174,474
Total liabilities and shareholders' equity	6,539,410	-	(8,212)	5,182,686	11,713,884
Liquidity (deficiency)/excess	2,594,891	1,286,644	491,005	(4,388,964)	

December 31, 2007	Within 3 month	Within one year and over 3 month	Within 4 years and over one year	Over 4 years	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	6,131,211	-	-	-	6,131,211
Settlement with brokers, dealers and customers	2,869,375	-	-	-	2,869,375
Financial assets at fair value through	615,440	1,199,211	211,144	230,136	2,255,931
statements of operations		-	-	-	663,796
Other receivable and accruals	663,796				
Total current assets	10,279,822	1,199,211	211,144	230,136	11,920,313
Non-current Assets:					
Goodwill on acquisition	-	-	-	70,400	70,400
Equity investments	-	-	-	285,084	285,084
Loans to employees	-	-	10,000	-	10,000
Tangible and intangible fixed assets	-	-	675,561	-	675,561
Deferred tax assets	-	-	8,385	-	8,385
Total non-current assets	-	-	693,946	355,484	1,049,430
Total assets	10,279,822	1,199,211	905,090	585,620	12,969,743
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Settlement with brokers, dealers and customers	5,259,455	-	-	-	5,259,455
Short term borrowings	1,789,142	-	-	-	1,789,142
Other liabilities	444,882	-	-	-	444,882
Deferred tax liability	-	-	-	-	-
Total current liabilities	7,493,479	-	-	-	7,493,479
Shareholders' Equity:					
Share capital	-	-	-	1,000,000	1,000,000
Statutory reserves	-	-	-	791,870	791,870
Minority interest	-	-	-	139,885	139,885
Retained earnings	-	-	-	3,552,721	3,552,721
Treasury shares	-	-	(8,212)	-	(8,212)
Total shareholders' equity	-	-	(8,212)	5,484,476	5,476,264
Total liabilities and shareholders' equity	7,493,479	-	(8,212)	5,484,476	12,969,743
Liquidity (deficiency)/excess	2,786,343	1,199,211	896,878	(4,898,856)	-

21. RISK MANAGEMENT

CREDIT RISK

Financial assets, which potentially subject the Company to concentrations of credit risk consist principally of cash, short-term investments and accounts receivable. The Company's cash is primarily held with major international banks. Short-term investments are carried at market value and accounts receivable are presented net of an allowance for doubtful receivables. Credit risk with respect to trade receivables is limited due to dispersion across customers. Accordingly, the company has no significant concentrations of credit risk.

RISK MANAGEMENT

The company laid down its risk management policy, in which counterparty limits, the own portfolio ratio and loss limits have been set. Management continuously monitors the limits. The Company introduced a daily VaR based risk monitoring system in 2001.

SENSITIVITY ANALYSIS

MARKET RISK SENSITIVITY ANALYSIS

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

The VaR of the trading portfolio can be summarized as follows:

Historical VaR	Average (HUF million)	
(99%, one-day) by risk type	2008	2007
Foreign exchange	27.38	14.38
Interest rate	21.08	2.15
Equity instruments	48.52	2.08
Diversification	(49.52)	(7.68)
Total VaR exposure	47.46	10.93

While VaR captures the Company's daily exposure to foreign currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is performing foreign currency sensitivity analysis just for its own foreign currency positions. The data in following table show the relative (expressed in percentage) and absolute decrease of HUF value of own foreign currency positions in the case of weakening of EUR and USD prices compared to HUF (ceteris paribus).

		December 31, 2008	December 31, 2007
5% Weakening of EUR	Loss on portfolio (%)	0.33	0.42
	Loss on portfolio (HUF million)	15.09	21.33
5% Weakening of USD	Loss on portfolio (%)	0.09	0.29
	Loss on portfolio (HUF million)	4.30	15.07
Total	Loss on portfolio (%)	0.42	0.71
	Loss on portfolio (HUF million)	19.39	36.40

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:
Floating-rate assets and liabilities were repriced to the modeled benchmark yields at the reprincing dates assuming the unchanged marge compared to the last repricing.
Fixed-rate assets and liabilities were repriced at the contractual maturity date.

Group measures interest rate sensitivity of asset side on a daily basis. The interest rate sensitivity of assets (so the potential loss in the case of 0,1% shrinkage of average yields on a one-year period) was HUF 1.80 million and HUF 2.24 million as at December 31, 2008 and December 31, 2007, respectively.

EQUITY PRICE SENSITIVITY ANALYSIS

The Company has no significant equity instruments held in 2008 and 2007 therefore not exposed to significant equity price risk.

INTEREST RISK

In order to minimise interest risks, a limit has been set to the proportion of long term government securities in the company's own portfolio. In order to reduce interest rate losses, factors affecting security interest rates (liquidity, volatility, duration) were also considered when the limits were set up, and the Company's portfolio diversification and loss limits per security were set accordingly. Due to this policy the Company's interest risk is considered low.

COUNTERPARTY RISK

Counterparty limits are determined by the management and are continuously monitored. Private individual customers can initiate securities transactions only when collateral is presented. Limits of institutional investors are determined based on the risk bearing capacity and the reputation of the customer. As a result, counterparty risk is considered low.

22. FAIR VALUES

At December 31, 2008, the carrying amounts of cash, short-term loans and accounts receivable and accounts payable approximated their fair values due to the short-term maturities of these assets and liabilities. The fair value of trading securities has been determined based on the market rates for quoted securities.

MANAGEMENT AND OFFICERS

CONCORDE SECURITIES LTD.

Board of directors

György Jaksity, chairman

Gábor Borda, director

Norbert Streitmann, director

Supervisory Board

Gábor Móricz, chairman

Enikő Borsy

Krisztián Feyér

CONCORDE ASSET MANAGEMENT LTD.

Board of directors

László Szabó, chairman

Botond Bilibók

György Jaksity

Norbert Streitmann

CONCORDE CORPORATE FINANCE LTD.

Managing Director

Kálmán Nagy

CONCORDE FINANCIAL CONSULTING LTD.

Managing Director

András Szombati

AUDITORS

Deloitte Auditing and Consulting Ltd.

(H-1068 Budapest, Dózsa György út 84/C.)

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