Annual Report 2015

Contents

1 / Chairman's Message

In 2015, efforts were made to maintain the integrity of the European Union. Measures to stabilize the economy and restore market trust took center stage. In Hungary, the record low inflation rate was matched with similarly low base rates. It was primarily due to the improving economic outlook in Hungary and the resulting low interest rates that the BUX index outperformed regional and European indices, and closed the year at 23,920 points, 44% higher than at the end of the previous year.

All in all, the 2015 economic outlook of Hungary was positive, and in the positive economic environment the KELER Group closed the year with financial result well in excess of the plan.

In 2015, the KELER Group focused on long-term strategic developments. Participation in the TARGET2-Securities (T2S) project of the European Central Bank brought major tasks. The Strategic Modernization Program was started in June 2012 and reached Phase III (2015-2017) when a new IT system supporting the KELER strategy will be introduced in 2016. KELER plans to rely on its new system with T2S capabilities to perform joint international tests with several European central securities depositories in 2016 and enter T2S in February 2017, in Wave 4.

In 2014-2015, the KELER Group placed strong emphasis on offering services that assist clients in meeting international regulations designed to increase the transparency of the capital and energy markets, and related requirements.

In February 2014, KELER launched the Trade Reporting (TR) service to help market participants to meet the reporting obligation stated in the European Market Infrastructure Regulation (EMIR): KELER forwards the reports submitted by the market participants to the selected trade repository, and makes available to the clients the confirmations sent by the trade repository. In 2015, in addition to Hungarian participants, a large number of foreign clients used this service, in 2014-2015 nearly 5 million reports and life cycle messages were sent to the trade repository with the cooperation of KELER.

In addition to the EMIR reports, as part of the REMIT service, the KELER Group provides comprehensive solution to both Hungarian and international market participants to comply with the reporting obligations related to trades in wholesale energy products. Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT) requires the reporting of trades in wholesale energy contracts. In 2015, KELER acquired the so-called Registered Reporting Mechanism (RRM) status required for forwarding reports to the Agency for the Cooperation of Energy Regulators; thus, as part of the REMIT service, it helps clients comply with the obligation to report trades concluded on and outside regulated markets.

In 2015, following an implementation period of several phases, the so-called Network Code, the EU regulation on the operation of the gas markets, entered into force and has been effective in Hungary since 1 October 2015. This regulation brought significant changes for European and Hungarian gas market participants.

As a symbolic step of the development of the balancing gas market, after 5 years of operation, KELER CCP shortened the settlement cycle from 15 days to 5 days. As a positive result of the regulation on the markets, in the second half of 2015 markets participants showed increasing interest in the CEEGEX organized gas market.

As far as the general clearing membership service offered by KELER CCP is concerned, the number of clients, markets and the turnover cleared grew dynamically. Following the spectacular expansion, trades concluded on all major European energy markets can be cleared through KELER CCP.

International presence became important due to the continuously increasing number of clients and services, and KELER CCP attended a number of recognized energy conferences. In 2015, KELER CCP was a returning exhibitor at the Energy Trading Central and South Eastern Europe 2015 conference and exhibition held in Budapest and at EMART Energy 2015, one of the most important events of the European energy trading sector. In line with its regional plans, KELER also increased international presence and exhibited at several conferences and events.

In order to be able to provide services tailored to the needs of clients, both KELER and KELER CCP performed Group level client satisfaction surveys for the seventh time to learn about the views of capital and energy market domestic and international partners.

Based on the views, requests and recommendations shared with us in earlier surveys and with the integration of modern technology and solutions, the KELER Group web sites were renewed: owing to the responsive design, the sites offer the same quality and visual experience and are easy to read on desktop computers and mobile devices alike. Additionally, our partners meet new design, more dynamic and user-friendly structure on the new websites.

An event of great importance for the KELER Group took place in the last months of 2015: the Magyar Nemzeti Bank (MNB) concluded a sales contract with the Austrian CEESAG AG and Österreichische Kontrollbank AG, the earlier shareholders of the Budapest Stock Exchange (BSE). As the result of the transaction, the MNB acquired 75.8% qualified majority holding of the BSE; thus, the BSE, celebrating its 25th anniversary of operation after reopening, is once again in Hungarian hands. The goal of the new owner is to strengthen the capital market with the development of the stock exchange so that Hungarian companies can acquire capital as efficiently as possible.

I would like to take the opportunity to say thank you to all the parties that contributed to the success of the KELER Group in 2015 with solid ongoing and constructive work and cooperation. This year presented a number of challenges and we made good progress – this is the joint result and success of the owners of the KELER Group, the credit institutions, investment firms and issuers in Hungary, the capital gas and energy market players and all the employees of the KELER Group.

dr. Selmeczi-Kovács Zsolt

Chairman

2 / Market enviroment

In 2015, efforts were made to maintain the integrity of the European Union; the financial problems of Greece and other member states with high public debt put pressure on the Euro. This year focused on measures to restore economic stability and market trust. In Hungary, the record low inflation rate was matched with similarly low base rates.

The DJIA, the US equity index with a long history lost 7.65% in 2015 and was at 5978.34 points on the last trading day. The major European indices showed mixed performance: the DAX in Frankfurt was up 9.57%, while the London FTSE lost 4.93%. Consequently, the DAX closed the year at 10 743 points and the FTSE was at 6 242 points on the last day.

In the FX markets, in line with the January 2015 decision of the Swiss central bank, the 1.20 Francs per Euro cap was given up. In the wake of the decision, the rate dropped from 1.2012 on 14 January to 0.9912 on 15 January and was 1.0881 at the end of the year compared to 1.2023 at the end of 2014. The Euro to US Dollar rate was 1.2162 at the end of 2014 compared to 1.0860 on the last day of 2015, corresponding to a weakening of 10.71% of the Euro.

During the year, our national currency against the Euro was rather volatile. Early 2015 saw the Forint growing stronger compared to the end of 2014: the Forint rate hit the annual local minimum of 296.63 on 15 April. After the 2014 closing rate of 314.89, it gained 0.62% and closed the year at 312.93. January was the period when the Forint was the weakest, the best performance of the currency was registered in April. In January, the local maximum was 321.34; however, in April the Forint was quoted against the Euro at rates permanently under HUF 305. In 2015, the CHF/HUF rate was quite hectic and moved between 264.44 and 319.27. At the end of the year, the MNB mid-rate was HUF 288.85, representing a HUF weakening of 10.31% compared to the previous year MNB mid-rate of 261.85. In 2014, the Forint weakened against the US currency: at the end of 2014, the USD/HUF rate was 259.23, and after losing nearly 10% the rate was 286.25 at the end of 2015.

During 2015, the Monetary Council of the Magyar Nemzeti Bank (Central Bank of Hungary) cut the base rate five times. The rate was cut 15 basis points each time. In the second half of the year, the Monetary Council did not change the base rate. As a result, the base rate dropped to 1.35% by 31 December 2015 from 2.1% at the end of 2014.

Unlike the previous period, the share of foreign investors financing the decreasing Hungarian public debt dropped significantly (-18.13%). The volume of government securities denominated in Hungarian Forint contracted 1.98% during this period to reach HUF 18 647 billion at the end of the year.

While at the end of 2014 26.67% (HUF 5 074 billion) of outstanding debt was held by foreign investors, by December 2015 this went down to 22.28% (HUF 4 154 billion). As for the maturity structure, the share of securities with remaining maturity less than one year went below 25% in 2015 from 30% in 2014.

The share of securities with remaining maturity between 1 and 2 years did not change, while the share of securities with longer remaining maturity grew. The share of securities with 2 to 5 years to maturity increased to 41% from 35% in 2014, while the share of securities with remaining maturity of more than 5 years dropped to 22.86% from 23.53% in the previous year.

Changes of the BUX index in 2015

BUX, the stock exchange index of the Budapest Stock Exchange (hereinafter: BSE), closed 2015 at 23 920 points, this is 44% higher than the closing value in 2014. In 2015, the index peaked in December at 23 964 points. The rally at the beginning of the year is worth highlighting: the index gained 37% in four months compared to the closing level of 2014. The lowest index value of the year was 15 687 points at the beginning of the year. In 2015, investors witnessed a less volatile index than in the previous year: the index was permanently under 18 000 points in 2014, but the BUX was above 18 000 points throughout much of 2015.

3 / Regulatory Environment

In 2015, KELER reviewed bills and was involved in the preparation of several regulations that influenced its operation.

In 2015, the operation of KELER was affected by the following new regulations and changes to regulations, and these will continue to affect operation after they are published in 2015:

/ Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR),

/ Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR)

/ Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings,

/ Several amendments to Act CXX of 2001 on the Capital Market,

/ Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities,

/ Act V of 2013 on the Civil Code,

/ Act CXXXIX of 2013 on the Magyar Nemzeti Bank (Central Bank of Hungary),

/ Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises,

/ Act XVI of 2014 on Collective Investment Forms and their Managers and Amending Certain Finance Related Acts,

/ Act XIX of 2014 on Announcing the Agreement between the Government of Hungary and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA and the Amendment of Specific Related Acts,

/ Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing,

/ Act XXXVII of 2014 on the Further Development of the System of Institutions Strengthening the Security of the Individual Players of the Financial Intermediary System (Resolution Act),

/ Government Decree 284/2001 (XII. 26.) on the Mode of Generation and Forwarding of Dematerialized Securities and the Relevant Rules on Safety, as well as on the Opening and the Keeping of the Security Account, the Central Securities Account and the Customer Account,

/ Government Decree 67/2014 (III.13.) on Certain Issues related to the Management of the Share Registry of Companies Limited by Shares

/ MNB Decree 58/2015. (XII. 22.) on the Requirement to Report the Master Data of Persons and Entities subject to Supervision by the Financial Intermediary System,

/ MNB Decree 20/2014 (VI. 3.) on the ISIN identifier,

/ MNB Decree 40/2014 (X. 29.) on The Forms to be Used in Licensing, Approval and Registration Processes by the Magyar Nemzeti Bank (Central Bank of Hungary) and the Forms for Reporting Purposes,

/ MNB Decree 49/2015 (XII. 9.) on the Reporting Requirements of the Central Bank Information System for Capital Market Institutions in order to Allow the Magyar Nemzeti Bank (Central Bank of Hungary) to Undertake Supervisory Responsibilities.

GENERAL MEETING

The Annual General Meeting of KELER was held on 29 May 2015.

The Annual General Meeting agenda covered the following items among others:

/ report by the Board of Directors on the 2014 business activity,

/ acceptance of the financial statements and the consolidated financial statements in line with the International Financial Reporting Standards (IFRS),

/ election of the members of the Board of Directors and the Supervisory Board of KELER,

/ determination of the remuneration of officers,

/ election of the independent auditor and determination of its remuneration,

/ decision to discharge the Board of Directors,

/ amendment of the Regulation on the remuneration and allowances upon termination of legal relationship of executive officers, members of the Supervisory Board and employees in management positions subject to Section 208 of the Labor Code.

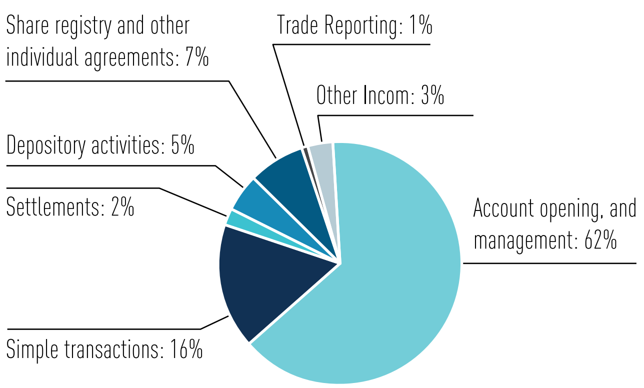
4 / Business Results of KELER

Source: KELER Ltd.'s Hungarian Statutory Financial Statement -individual (not consolidated)

In 2015, the Hungarian economy continued to expand. Although the pace of recovery that started in 2013 slowed down, the Hungarian GDP is forecast to grow at a rate of nearly 3%. The macro statistics of the country improved mainly due to the strengthening of industrial production and machine engineering. Domestic consumption was strong and export figures were excellent as the EUR/HUF rate weakened to levels around 315 by the end of the year. Record low inflation rates were witnessed, inflation disappeared in the past year and the central bank cut the base rate several times. The MNB Monetary Council cut base rates to 1.35%. All in all, the general view of Hungary was positive in 2015 and this view is supported by the imminent upgrade of Hungarian public debt by credit rating agencies.

In the positive economic environment financial result was more than 35% higher than planned due to the joint result of higher than expected interest margin and income from trading.

Structure of income from services / 2015



Result on services was about 40% higher than planned, income from account opening and account management, similarly to the past years, continued to be key.

In terms of product lines, Trade Repository was the only service that generated income lower than planned (mainly due to the liquidation of partners involved in the brokerage scandal).

Costs and expenses were less than planned due to strict cost management and lower expenses.

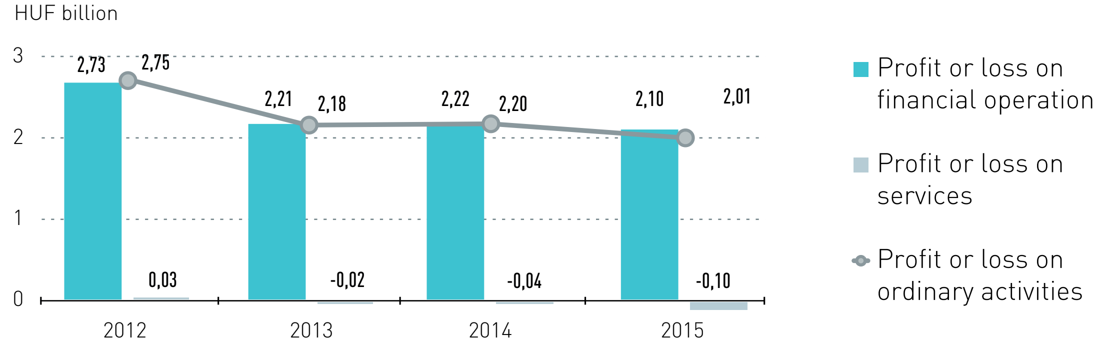
Although the result on services is negative, it is significantly more than planned.

All in all, 2015 was a successful year for KELER as both financial result and result on services were higher than planned. **Profit before tax amounted to HUF 2.01 billion.**

KELER PROFIT AND LOSS (mio HUF)

No.	Item description	2014 actual	2015 plan	2015 actual	2015 actual / 2015 plan (%)
A.	**Profit and loss on financial operation (A.=1.+2.+3.+4.)**	**2 235.4**	**1 560.3**	**2 109.2**	**135.2%**
B./1.	**Comissions and fees received (B./1.=5.+6.+7.)**	**3 998.8**	**4 013.8**	**4 056.3**	**101.1%**
5	Domestic income realized in line with the Fee Schedule	3 618.2	3 598.8	3 697.4	102.7%
6.	Income recognized as export (Fee schedule + Individual agreements)	130.4	139.7	89.7	64.2%
7.	Income from individual agreement and other service income	250.2	275.2	269.2	97.8%
B./2.	**Other income (B./2.=8.+9.)**	**349.5**	**290.6**	**314.4**	**108.2%**
B.	**Income from services (B.=B./1.+B./2.)**	**4 348.3**	**4 304.3**	**4 370.7**	**101.5%**
10.	**Commissions and fees paid or payable**	**194.6**	**198.6**	**175.2**	**88.2%**
11.	**General administrative expenses**	**3 015.5**	**3 179.3**	**3 196.7**	**100.5%**
	a) staff costs	1 688.5	1 733.2	1 780.5	102.7%
12.	**Depreciation**	**669.6**	**613.7**	**579.6**	**94.4%**
C.	**Total costs of operation (C.=10.+11.+12.)**	**3 879.7**	**3 991.6**	**3 951.4**	**99.0%**
D.	**Other expenses**	**501.3**	**570.2**	**519.7**	**91.1%**
F.	**Costs and expenses of services (F.=C.+D.+E.)**	**4 381.1**	**4 561.8**	**4 471.1**	**98.0%**
G.	Profit or loss on services (G.=B.-C.-D.)	-32.7	-257.5	-100.4	
H.	**Profit or loss on ordinary activities (financial and services) (H.=A.+G.)**	**2 202.7**	**1 302.8**	**2 008.8**	**154.2%**
I.	**Extraordinary profit or loss**	**-14.0**	**0.0**	**0.0**	
J.	**PROFIT OR LOSS BEFORE TAX (J=H+I)**	**2 188.7**	**1 302.8**	**2 008.8**	**154.2%**
13.	Corporate Tax (10% up to HUF 500 million, 19% above)	370.9	202.5	347.9	171.8%
K.	**PROFIT OR LOSS AFTER TAX (K=J.-13.)**	**1 817.9**	**1 100.3**	**1 660.9**	**151.0%**
14.	General reserve (10% of profit after tax)	181.8	110.0	166.1	151.0%
L.	**PROFIT OR LOSS FOR THE FINANCIAL YEAR**	**1 636.1**	**990.3**	**1 494.8**	**151.0%**

Profit or loss on financial operation, services and ordinary activities / 2012-2015



5 / Treasury

From the point of view of Treasury operation 2015 was a very successful year. Treasury closed the year with a result of HUF 2 044 million that is more than 30% higher than the planned HUF 1 560 million. One of the reasons for the better than planned Treasury performance is the policy of continuous interest rate decrease at a scale higher than expected during the year.

Government securities and two-week MNB deposits represented 96% of assets. In the second half of the year, there was a significant restructuring on the asset side resulting in an increased share of government securities as the two-week MNB deposit construction was changed. The average duration of the portfolio was under one year.

The average share of obligatory reserve within the entire asset portfolio remained under 1.90%.

In addition to trading government securities, KELER was an active player in the government securities lending market in 2015, as well. By the end of the year, the total repo turnover exceeded HUF 1 110 billion.

6 / Central Securities Depository Activity and Settlements

SETTLEMENTS

DVP trades

In 2015, the turnover of KELER in OTC transactions with gross settlement, calculated at purchase price, was HUF 120 039 billion. Within this the turnover of government securities amounted to HUF 115 767 billion. This government securities turnover consisted of 97 thousand deals; the total number of OTC deals was 150 thousand.

INTERNATIONAL SETTLEMENT

In 2015, the increase of the portfolio of international securities exceeded significantly the 7.69% growth in 2014 and reached EUR 1 759 million after the expansion of 18.39% in 2015. In terms of outflow settlements, client activity increased greatly compared to the previous year: the number of cross-border transactions by resident clients increased by more than 82% due to the turnover increase in foreign certificates. The settlement of XETRA trades made at the Deutsche Börse increased by more than 33%, corresponding to turnover increase of nearly 12%.

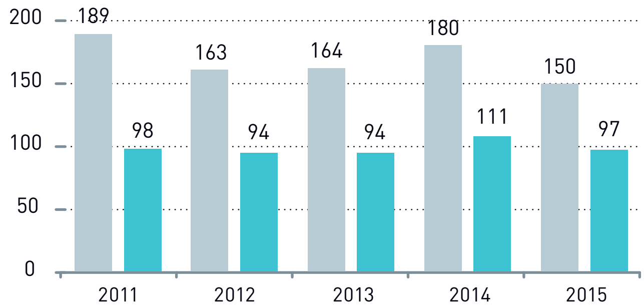
The activity of non-resident clients with respect to securities issued in Hungary (inflow) grew considerably compared to the previous period; the number of transactions reached nearly doubled and reached 12 536.

CENTRAL DEPOSITORY ACTIVITY

Dematerialized securities series

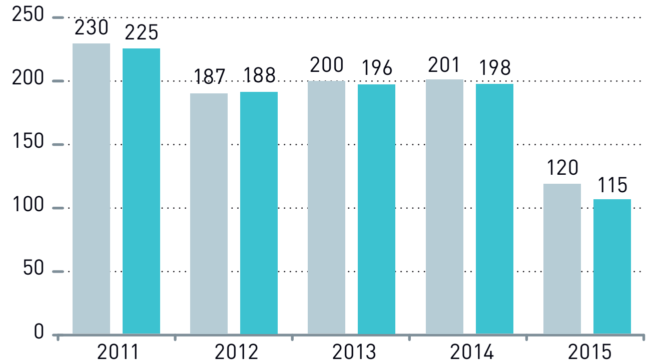
As of 31 December 2015, there were 4 605 active dematerialized securities series registered in the securities accounts kept by KELER, compared to the 4 338 series as of 31 December 2014, the increase is in line with the trend of earlier periods. The increase was 6%. The decrease in the number of mortgage bond issues was compensated by the issue of new investment units and shares. The number of bond series registered in central securities accounts was 18% lower, the volume of bond series increased by 11.7% in 2015.

Number of transactions with gross settlement 2011-2015



Number of transactions with gross settlement (in thousands)
Number of government security transactions with gross settlement (in thousands)

Turnover of transactions with gross settlement 2011-2015



Transactions with gross settlement at purchase price (HUF thousand billion)

Government security transactions with gross settlement at purchase price (HUF thousand billion)

This change is due to the fact that in 2015 issuers preferred to issue new series parts in already existing bond series to issuing new series.

Dematerialized securities in the central securities accounts

As of 31 December 2015, after the decrease in the previous period, the securities portfolio of HUF 28 346 billion registered in central securities accounts was higher than the HUF 27 903 billion at the end of 2014. After the decreasing trend of past years, the portfolio of shares increased by 14% in 2015 and exceeded the portfolio growth of both investment units and bonds. This shows that although the new Civil Code allows the transformation of dematerialized shares into physical shares, issuers continue to prefer dematerialized securities that are easier to manage.

Management of dematerialized securities

The online e-DEMAT application available on the website of KELER was launched 3 years ago and became the most favored system of issuers out of the three options (manual, KID, eDEMAT) to execute demat events.

Investment units – WARP

Since the full market launch in December 2014, WARP became the primary system to create, cancel and distribute open-ended investment fund units issued in Hungary; at the end of 2015, 62 clients and more than 700 individual users used this system.

The turnover traded by our distributor clients exceeded estimates significantly (+86%), under the degressive scaled fee structure in force this meant that the growth of distribution fee income was slower, yet this fee income grew at a rate of nearly 20%.

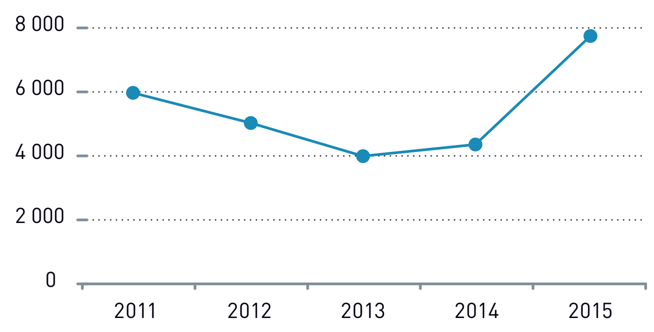
As far as the distributors are concerned, the market continues to be strongly concentrated; the 5 largest distributors generated more than 80% of total WARP instructions. Some distributors left the market (suspension) in the spring, new clients entered the market at the end of the year; all in all, the number of distributors did not change (28-29 distributors) compared to the end of 2014.

Based on experience acquired, a number of changes were implemented in the system to launch new functions, increase security of operation and improve user experience (e.g. calendar management, expansion of reports, exports). Also, the BAMOSZ web service to accept rates went live; thus, the WARP functionality became comprehensive.

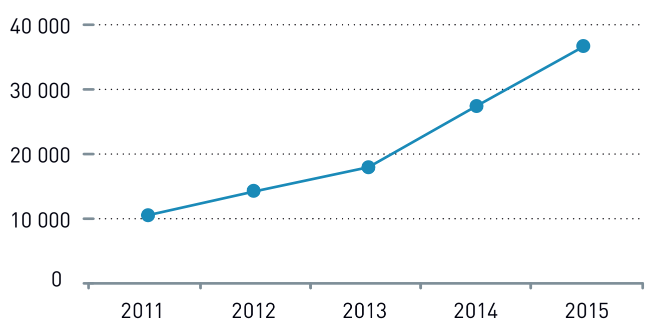
International Settlements – outflow / 2011-2015

Number of transactions	2011	2012	2013	2014	2015
CB	5 957	5 077	3 994	4 240	7 739
Xetra	10 114	13 936	17 591	27 194	36 367
Xetra turnover (mill EUR)	165	235	199	278	312
Volume (mill EUR)	1 429	1 362	1 380	1 486	1 759

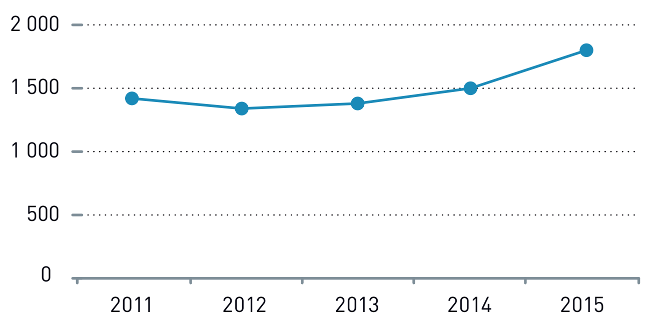
Number of transactions CB / 2011 - 2015



Number of transactions Xetra / 2011 - 2015



Volume (thousand EUR) / 2011 - 2015



Issuance of ISIN codes

Unlike the trend of past years, the number of ISIN requests decreased by 7.04% in 2015 and amounted to 1 294 (1 392 requests in 2014).

More than 72% of ISIN request were submitted in eISIN. After the planned introduction of fee payment by transfer in 2016, clients submitting application on paper are expected to use eISIN also.

By the end of 2015, KELER allocated ISIN codes to 24 138 securities and 359 744 derivative instruments and keeps the central securities records for 11 466 active securities.

LEI code issuance

In line with Article 9 of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, counterparties and central counterparties are required to report to trade repositories the derivative contracts concluded and any modification and termination of the contract no later than the business day following the conclusion, modification or termination of the contract.

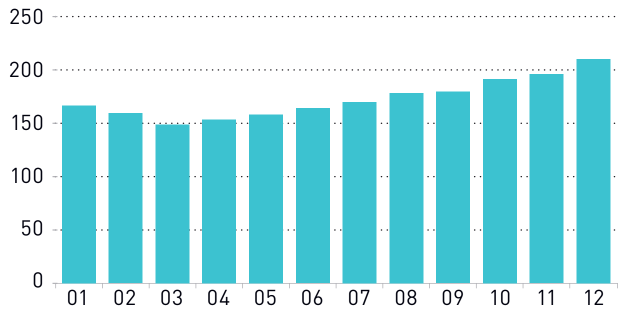
The legal entities concluding derivative contracts are required to apply for Legal Entity Identifier (LEI code) to meet the reporting requirement. KELER concluded a co-operation agreement with the German WM Datenservice on LEI code issuance two years ago to be able to apply for LEI codes on behalf of its clients. In the past two years, KELER applied for LEI codes and co-operated in the transfer of LEI codes issued by WM or other code issuers to WM and KELER on behalf of 1 570 legal entities. In addition to the issuance of LEI codes, KELER takes part in the management, i.e. annual extension, of LEI codes and related legal person data in the system of WM. KELER provides these services to 161 partners, including 116 individual partners and 45 partners with accounts kept by KELER that act on behalf of their own legal person clients related to LEI code issuance and maintenance.

GENERAL DEPOSITORY ACTIVITY

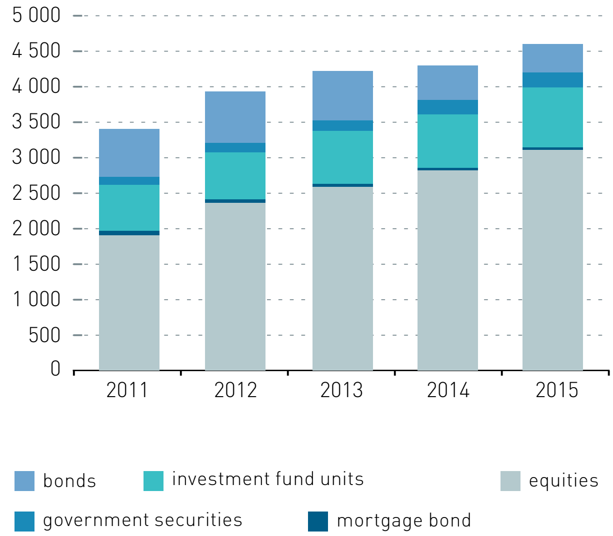
Custody of physical securities

By the end of 2015, the number of physical securities in custody decreased by 3%, at nominal value the increase was 156%. The volume of securities in fungible custody decreased by 17%, and the volume of securities in individual custody increased by 183% compared to the previous period. As of 31 December 2015, there were 816 399 physical securities in custody with KELER.

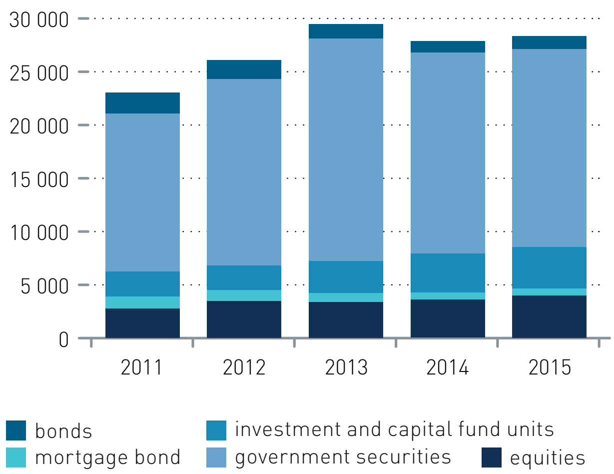
Cross-border securities monthly volume / 2015 (million EUR)



Number of DEMAT securities series by securities type / 2011-2015



Change in the volume of DEMAT securities by securities type (million HUF) / 2011-2015



Corporate action management

As part of the central securities depository activity, KELER provides corporate action management services including share registry, preparation and execution of general meetings, and preparation of orders related to the disclosure of the personal data of holders, dividend payments and payments.

The state consolidation of municipalities resulted in the buyback of more than 232 capital repayment, dematerialized bond series in 2013 and 2014; these bonds were deleted in the securities accounts.

In 2015, distributors requested the acceptance statement of KELER for 91 international securities series for listing on the Budapest Stock Exchange.

TRADE REPORTING

In February 2014, KELER launched the Trade Reporting (TR) service to assist market participants in complying with the reporting requirement stated in Regulation 648/2012 of the European Parliament and the Council (EMIR).

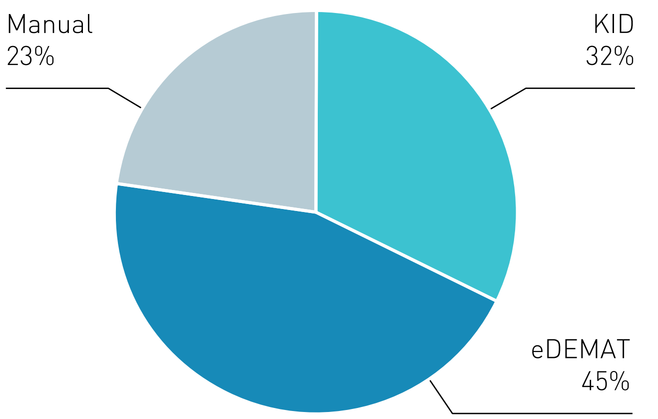
As part of the TR service, KELER forwards to the trade repository selected the reports market participants submit to KELER, and makes the confirmations of the trade repository available to clients.

In the past two years, the structure, content and mandatory/non-mandatory fields of the reports were changed several times at the request of the European Securities and Markets Authority (ESMA). The objective of all amendments was to increase the number of correctly completed reports, the extent of matching of the reports submitted by the counterparties in order to achieve increased transparency in the capital markets, the goal of the regulation.

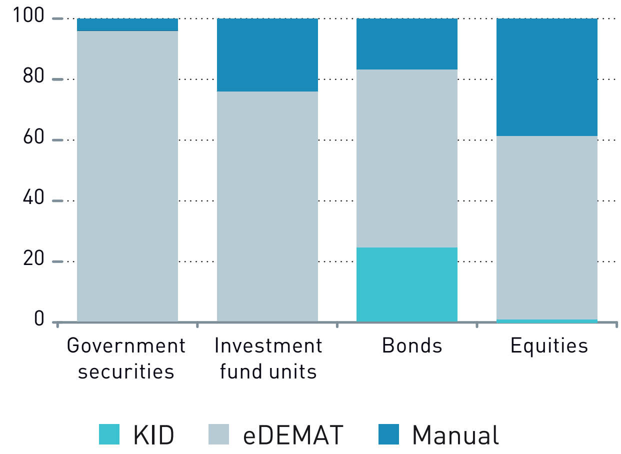
Although a number of Hungarian investment firms exited the market, the number of clients using the KELER TR service did not decrease. With the new energy market clients, there are 62 market participants that continue to meet the reporting requirement under EMIR through KELER.

It is worth highlighting that in addition to the Hungarian market participants, there are 17 international clients using this KELER service. In the past two years, nearly 5 million reports and life cycle messages were forwarded through KELER to the trade repository; income from this service amounted to HUF 52.3 million.

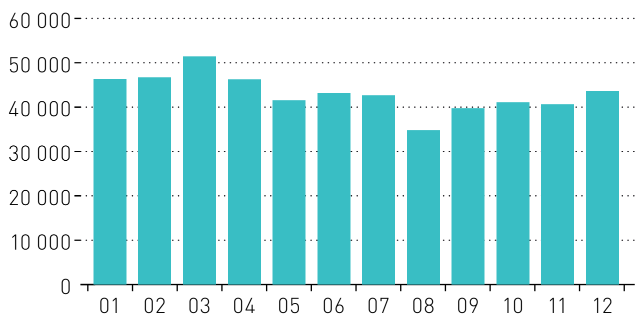
Demat events by method of execution / 2015



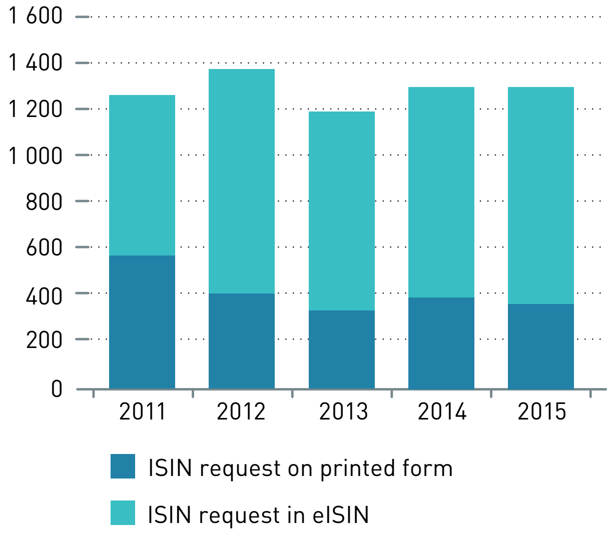
Demat events by method of execution, securities types / 2015



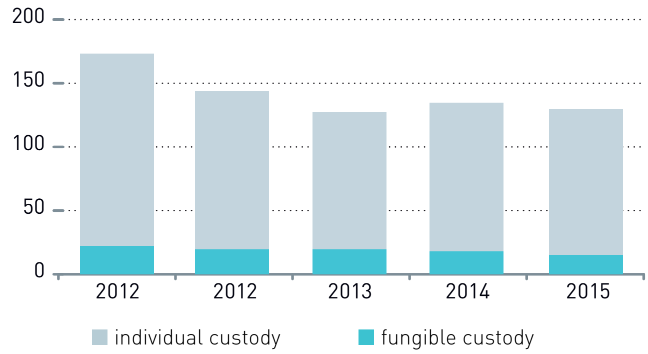
Number of WARP distribution instructions 2015



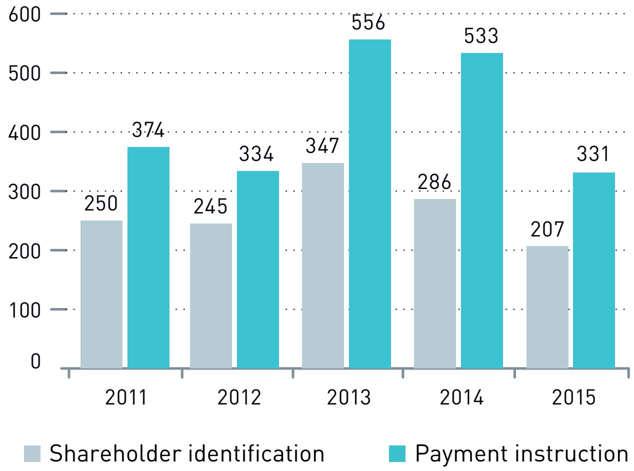
Number of ISIN requests by origin 2011 - 2015



Physical securities in custody / 2011-2015 (billion HUF)



Corporate actions / 2011-2015



7 / High priority projects and service developments

STRATEGIC MODERNIZATION PROGRAM

In June 2010, KELER joined the TARGET2-Securities (T2S) project, the initiative of the European Central Bank, by signing the Memorandum of Understanding. In June 2012, simultaneously with a decision in favor of entering T2S and signing the T2S Framework Agreement, KELER launched the Strategic Modernization Program (SMP).

The Program is implemented in three phases. In September 2013, assessment and selection, the first phase of the program, was closed successfully, in line with plans. In September 2013, the second phase of SMP was launched to prepare for the introduction of the new system. KELER started the internal testing of the new system in September 2014, and then it made major changes to the project based on the lessons learned of the first market test in mid-2015. The changes focused on five areas and led to the introduction of new elements both in terms of structure and in the cooperation with the supplier. The five areas were determined in line with SMART (Specific, Measurable, Attainable, Realistic, Time-Bound), a well-known method that also solves the most critical points of SMP. As a result, KELER introduced a number of changes from June 2015: among others, a set a test cases built on detailed steps and acceptance criteria were finalized, which improved the efficiency of cooperation, and a system of continuous measurement was also introduced that project members can view on a graphic Dashboard.

The changes made the project more transparent to the market and improved project communication. Several market groups held regular meetings and took part in testing to help the work of KELER internal project members. For its part, the project provided additional information and served individual needs as far as possible to say thank you to the voluntary so-called Beta Group.

Clients are informed continuously and in detail on the progress of transition to the new system.

With the introduction of BaNCS, KELER intends to improve the level of service provided to clients and build on the service development capabilities of the system.

T2S ENTRY

In the third phase of the Strategic Modernization Program (2015-2017), jointly with other European central securities depositories, KELER performs joint, international tests with its new system with T2S capabilities. KELER clients can participate directly in testing the Frankfurt-based T2S platform from the summer of 2016. After the successful international tests, the T2S-KELER link is planned to go live in February 2017. (Due to the delay of the Belgian-Dutch-French Euroclear central securities depository group, T2S migration waives were rescheduled; thus, KELER can join T2S about five months after the originally planned date.)

The T2S entry allows KELER to introduce new services on the one hand, and supports the strategic objective of KELER to become a regional service provider that offers clients settlement in T2S jointly with direct and cost efficient access to Central Eastern European securities markets on the other.

TRADE REPORTING (TR) – REMIT

Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (hereinafter REMIT) introduces a number of new rules for market participants trading energy products.

The goal of REMIT is to increase the transparency of energy markets and terminate trading with the use of insider information and market manipulation. As one of the tools to achieve this goal, REMIT requires the reporting of wholesale energy trades.

Market participants licensed for this purpose are required to report trades to the Agency for the Cooperation of Energy Regulators (hereinafter Agency). Reporting entities are required to acquire the so-called Registered Reporting Mechanism (RRM) status that the Agency grants if the approval process is completed successfully.

In line with the decision of the Board of Directors, KELER acquired RRM status; thus, in addition to meeting the reporting requirement of EMIR, it can provide a comprehensive solution related to REMIT reporting also to both Hungarian and international market participants. In line with the requirement of REMIT, trades concluded on the regulated markets are to be reported as of 7 October 2015, while trades made outside regulated markets are to be reported as of 7 April 2016.

RENEWED KELER GROUP WEBSITES

The Group-level rebranding started in 2014 reached a new phase in 2015: the websites of the KELER Group were transformed. The goal of the project to renew the websites was to offer KELER Group clients new technology and solutions on the new websites.

Accordingly, the project relied on internationally recognized and well-developed solutions to design the new websites that can serve as benchmark for KELER also. The most important change is responsive design that allows viewing website content on desktop computers and mobile devices (tablet, smart phones) in the same quality, with the same visual experience and in a well readable format.

In addition to renewed technology, the websites welcomed visitors with new design elements, dynamic and user friendly structure. These changes were implemented based on the opinions, requests and recommendations shared in the KELER Group client satisfaction survey. The main principle guiding the project was that the visitors to the new websites should be able to navigate the sites and find information easily; thus, the most frequently used menu items were highlighted, regulations, condition lists, forms and service related documents were moved to a new library, and the search function was improved also.

8 / Client relations

CLIENT FORUMS

In line with the KELER Group strategy, client contact continued to intensify. Accordingly, KELER participated at a number of events where direct client contact was established. The major client forums in 2015 focused on the Strategic Modernization Program (SMP, BaNCS system launch and T2S entry).

Related to the introduction of the BaNCS system, the attributes of the new system were covered and questions on the launch of the system were discussed at various forums and working group meetings. Market participants set up voluntary forums, the Beta Test Working Group and the Development Forum, to overview the tasks related to SMP, review documents in progress and test the system to be launched.

In the T2S project also, one of the high priorities of KELER is to ensure that Hungarian market participants have all the information needed in due time. Since its establishment in 2011, the Hungarian T2S National User Group (NUG) is the forum to share information on T2S, and 33 KELER clients joined this group. The NUG and its working groups met on several occasions in 2015 to review the status of the T2S project, forthcoming measures to be taken to prepare for the entry, and KELER used these forums to consult market participants on the content of documents assisting T2S entry preparation before publishing.

Furthermore, KELER organizes T2S training to help the market prepare for T2S. As part of the knowledge transfer, in order to meet diverse needs, three intertwined training modules were created to give information on T2S, from general information to the technical details on changes due to T2S. In 2015, as part of the so-called core module, participants could learn about basic information related to T2S. The objective of the training is to give a high level overview of the concept and operation of T2S and the entry model of KELER. More than 120 participants attended the core module session that was held at various times.

CLIENT SATISFACTION SURVEY

After the 2014 online client satisfaction survey, in 2015, KELER and KELER CCP clients were contacted online and personally also to perform the Group level client satisfaction survey for the seventh time. In the 2015 customary autumn survey, 31 personal interviews were made and 85 clients completed the online questionnaire.

The personal interviews conducted with 8 international clients of KELER CCP in the gas and power markets at the ETCSEE (Energy Trading Central and South Eastern Europe) conference held in Budapest on 17-18 June 2015 were also part of the survey.

The main goal of the survey is to learn the views of capital market, gas market and energy market clients on services, development directions of the Group. Based on the results the KELER Group can state that the positive perception of clients continued to improve in the past year. In order to keep the client satisfaction growing, we have built an action plan, along which we can address the issues raised in the survey and this way integrate the client recommendations and development ideas of our clients into the operation of the KELER Group.

9 / International relations

ECSDA

The European Central Securities Depositories Association (ECSDA) is the organization of European CSDs where currently 37 countries are represented by 41 depositories. The goal of ECSDA is to find common solutions and determine common principles in the interest of efficient cross-border securities trading and settlement. Investors in Europe and globally need efficient and secure, low-cost cross-border settlements to exploit new opportunities.

KELER has been a member of ECSDA for years and plays an active role in the operation of the organization both at the level of management and subject matter experts.

ANNA

The Association of National Numbering Agencies (ANNA) is a global industry association, with presence in excess of 120 countries, comprising a membership of central banks, central securities depositories, stock exchanges, data vendors and regulators.

The goal of the organization is to facilitate and standardize the creation and issue of global identifiers so that each security and capital market product has a unique identifier and basic product data can be available. The detailed internal principles allow members of ANNA to apply the general rules of ISIN code creation, modification or cancellation in a uniform manner. ANNA is responsible for the operation, maintenance and development of the Global ISIN Access Mechanism (GIAM), the international identification of securities.

10 / Information Technology

In 2015, IT activity at KELER followed the 2014-2016 IT strategy of the KELER Group that entered into force in the autumn of 2013 and was updated in the meantime. The deliberate, planned operation and the high level availability of information technology supporting business services remained the main goals of IT operation. During the year, the joint availability of KELER CCP systems to clients was 99.794%, which proves the efforts made in this field came to fruition.

In order to check IT infrastructure, Disaster Recovery was tested in 2015 also: first all the servers operated from one data center, then, without exposing business operation to any risk, during the hours of operation servers were moved to the other data center and from there business applications operated for more than a week before returning to distributed load. The system met the requirements.

In 2015, developments focused on the Strategic Modernization Program (SMP) that aims at replacing the account management system. Accordingly, only minor modifications were completed in the current systems that support existing business services:

- the new document management system of KELER went live and was fine-tuned during the year, the form contract management module was launched in 2015;
- in the KID, eKID systems changes based on client needs and due to compliance were implemented, as a result, the system became more user-friendly and complies with the applicable security and compliance requirements at a higher level;
- IG2 operation time was extended and the number of clearing cycles increased;
- the review of the terms of becoming a LEI code issuer was started;
- the development to allow KELER to join ACER as an RRM and receive client reports on ACER energy trades and forward them to the trade repository after checking was stared;
- the Hungarian and English language websites of the KELER Group were renewed;
- in the Datawarehouse Project, all the mandatory reports planned until the launch of the BANCS system were created;

The issues managed by the Service Desk were grouped; the management of such issues is documented in the applicable regulation, and the SD application (DMZ SD), also available to clients, provided testing support to the account management system replacement.

11 / Risk management

As of 1 August 2013, KELER outsourced risk management responsibilities to KELER CCP. KELER, in the person of the Risk Management and Finance Director, remains responsible for and makes decisions related to risk management; however, daily risk management responsibilities are assumed by KELER CCP in line with a separate procedure.

As of 1 January 2014, the CRR (Capital Requirement Regulation) is directly applicable in Hungary also and the modified Credit Institutions Act applies. In 2014, KELER put into effect internal regulations updated to reflect regulatory changes and started to prepare for the CSDR.

In line with the requirements of CSDR, KELER had to license repeatedly the central securities depository and banking ancillary services provided. The terms of licensing include a number of risk management requirements. In the licensing project, in order to comply with the applicable requirements, KELER explored in detail and identified gaps, and finalized an action plan to eliminate such gaps.

In 2015, in line with the guidelines and recommendation of the MNB (Central Bank of Hungary), KELER reviewed and amended the credit institution recovery plan. The plan was submitted to the Supervision. KELER reviews risk exposures as required, but at least annually, and presents a detailed report to the Board of Directors on the changes of the risk profile.

COUNTERPARTY RISKS

In the framework of bank rating the counterparties of Treasury were rated based on annual audited financials and a proposal was made to the Assets and Liabilities Committee on the risks that can be taken towards the counterparties. There was no substantial change in the group of Treasury counterparties and the type and amount of trades made.

Due to declining HUF yields KELER was less active in the FX markets in 2015. FX swaps earlier used for HUF funding were not concluded. In line with the applicable requirements, counterparty risk management, aggregation is completed at client group level where relevant. Among risk management tools repo deals are favored in addition to depo deals, the counterparty limit system is based on the above mentioned counterparty rating system and Risk Management monitors limits daily. Counterparty risk related country risk limits are also monitored daily.

MARKET RISKS

The purpose of the MNB self-financing program is to motivate banks to buy government securities and lend instead of depositing funds with the central bank, and maximize the amount banks invest in Forint denominated government securities.

Moreover, in order to increase the shock resistance of the banking system, the MNB set an accelerated timeline to meet the Liquidity Coverage Ratio (LCR). Consequently, the restructuring of the KELER treasury portfolio became necessary and was started in the third quarter of 2015. As a result of the restructuring, the funds deposited with the MNB were gradually reinvested into government securities, which influenced the interest rate sensitivity of the portfolio also.

Risk Management performs quarterly yield stress calculations for the asset portfolio, in line with legal requirements. The amount of loss calculated with stress parameters continues to remain below the level stated in the law. The VaR of the government securities portfolio is calculated daily with both stressed and historic volatilities. The market risk of government securities repo transactions is also taken into account when exposure is calculated.

OPERATIONAL RISK MANAGEMENT

The goal of the operational risk management system established by Risk Management is to make sure that KELER is continuously aware of its own risks, monitors and mitigates them as much as possible. Therefore, data on past losses are collected and expert estimates are made on the potential events that occur rarely, but may result in great damage.

The second pillar (as opposed to the first pillar) is operational risk management at the group level. The reason for the group level regulation is that although the Basel requirements state that only credit institutions have to manage operational risks, based on the requirements of EMIR KELER CCP is also required to manage operational risks. Due to the high level of operational reliance between KELER and KELER CCP, the two entities apply the same risk management principles on a voluntary basis.

In 2015, the Operational Risk Management Committee held quarterly meetings and discussed the loss events and the actual operational risks. It took measures to mitigate and prevent risks as necessary and as much as possible, and monitored the implementation of the measures taken.

By combining the top-down and the bottom-up methodologies, at the end of 2015 and in early 2016, the high level risk assessments covering the entire KELER Group were updated.

12 / Human Resources

In addition to making sure that KELER provides high quality services daily, in 2015, the main task of Human Resources was to provide the human resources needed to comply with law, and to develop sales and replace the account management system that are related to the objective of growth stated in the strategy of KELER. Due to increased workload related to the account management system replacement project, headcount rose to 132 employees.

In 2015, providing resources to the account management system replacement project continued to remain a key responsibility of Human Resources. Due to the outstanding importance of T2S entry and the replacement of the account management system creating the technical background of the entry, the Strategic Modernization Department, a unit within the Strategy and Client Relations Directorate was set up as of 1 July 2012. The Strategic Modernization Department is responsible for the successful implementation of the two projects by taking into account domestic best practice and international experience. Accordingly, KELER staff members with outstanding experience and newly hired staff experienced in IT system implementation completed jointly the preparatory steps of the account management system replacement.

In May 2015, Network Management Department was set up within the Strategy and Client Relations Directorate to prepare for the T2S entry of KELER. This new unit is responsible for the creation of the network of Central Eastern European central securities depositories, keeping contact with regional depositories and other institutions in the market (commercial banks, central banks, etc.).

In order to comply with the CSDR, in June 2015, the compliance function, reporting directly to the Chief Executive Officer, was back sourced to KELER.

In October 2015, the Sales and Client Relations Deputy Director joined Management as a new member and is in charge of keeping contact with KELER clients, peer institutions and professional organizations, communication and sales of products and services in line with client needs and market opportunities.

KELER places strong emphasis on employee retention; therefore, it reviewed psychosocial risks at work and based on the results of the review actions plans were finalized to cover the areas to be improved. Similarly to earlier periods, the development of professional skills was a high priority.

Internal and external trainings were offered in English language skills, cooperation, change and stress management, and product and market knowledge. Special IT courses were held to support the use of new technology and the operation of our secure IT background.

In 2015, KELER was able to provide the human resources necessary to reach its objectives.

13 / Internal audit

In 2015, Internal Audit completed its activities in line with the annual work schedule approved by the Supervisory Board and based on risk assessment and risk analysis, and the prevailing operating procedure on Internal Audit. When the areas to be reviewed were determined, the review of activities, processes with inherent risks and high priority and the operation of controls was considered an essential aspect. Internal Audit also reviewed new or updated regulatory documents.

In 2015, there were 10 IT / bank security and 9 non-IT reviews undertaken in KELER. Within the reviews completed, 11 reviews covered specific topics and 1 follow-up and 6 targeted audits were completed.

Specific topic reviews covered the following fields:

/ Physical securities depository activities;

/ Remuneration policy;

/ Internal capital adequacy;

/ Fee calculation;

/ Process of dividend payment;

/ Accounting close period tasks;

/ Operation of IT security systems;

/ Introduction of developments;

/ Log collection and analysis;

/ KID service desk;

/ Enforcement of IT security requirements.

Targeted reviews covered the records related to Questor bonds, the management of financial assets and funds of clients, rights management, the execution of disaster recovery tests, W08 reporting and the depositing of source codes.

The follow-up review covered the measures related to the overseer audit completed by the MNB.

Reviews focused on compliance with the provisions of regulations, internal rules and instructions, the operation of controls and compliance with security requirements; special attention was paid to checking the implementation of measures and recommendations deemed to be necessary to correct discrepancies identified in earlier audits.

Furthermore, based on the outsourcing agreement, Internal Audit completed 6 reviews at KELER CCP.

14 / Security management

In 2015, Security Management continued the consolidation already started and implemented a number of measures in order to introduce modern, convenient and secure solutions for users:

/ The Business Impact Analysis of business processes was reviewed and amended, the Security Risk Analysis of KELER CCP was finalized; based on these documents the 2016-2017 Security Strategy of KELER was created.

/ The BCPs and support IT system DRPs to be followed in the case of interruption of value creating business processes were updated and tested. In 2015, a full-scale disaster recovery site test was performed again.

/ Security Management tested employee security awareness on various occasions, in the interest of maintaining the appropriate level of awareness trainings were organized to supplement these actions. In 2015, similarly to the previous year, an e-learning system was employed to help increase the efficiency and convenience of security awareness training.

/ The system to protect sensitive data and prevent data leak (DLP – Data Loss/Leak Prevention), was introduced in two phases. In the first phase, the system was launched in monitoring, watching mode, then, after fine-tuning, blocking mode was set.

/ In order to improve physical security, Security Management replaced the entry system infrastructure and the camera systems of the data centers and the disaster recovery site.

/ The rules and documents of the central log analyzer system (SSIM) were reviewed; the central log analyzer system was expanded to cover additional systems to ensure that log analysis at KELER is completed in proportion to risks.

/ In early 2015, several network security systems (firewall, application level firewall, breach detector and prevention, systems ensuring remote access) were reviewed and replaced.

/ The pilot testing of two Mobile Device Management (MDM) systems was completed in 2015; the financially and (based on pilot experience) professionally most favorable solution for KELER will be selected and launched in early 2016.

/ In order to comply with the requirement of risk proportionate protection and external requirements, IT security controls were reviewed. IT system vulnerability was checked quarterly.

15 / Environmental Protection

The goal of KELER Group's Green Office Program is to integrate environmentally conscious thinking into the corporate culture in the longer term, to reduce energy and paper use drastically at the corporate level, and to create the system of selective waste collection. The Group is committed to responsible thinking and the creation of a healthy working place is of key importance.

As of April 2014, the KELER Group operates in the R70 Office Complex in Budapest (7th district, Rákóczi út 70-72.). When selecting the new premises, the priorities considered included the need to create an attractive place of work for staff that they can truly enjoy, while environmentally conscious tools and solutions are used, and that the already well-functioning Green Office Program can be continued.

In 2015, KELER continued to take measures in line with the principles of the protection of the environment. Energy efficiency has been vital: in the wake of the energy efficiency audit, new plans were finalized to promote energy efficient operation. Accordingly, for example a modern, highly energy efficient UPS equipment is planned to be installed at the KELER DRP site to reduce electricity consumption. Furthermore, the continuous monitoring of the central printing system and the analysis of data ensure efficient paper use.

16 / Report by the Supervisory Board of KELER

Report by the Supervisory Board of KELER Ltd. on the financial statements in line with Act C of 2000 on Accounting

In 2015, the Supervisory Board met 5 times and on 2 occasions passed decisions out of session.

In line with earlier practice, risk assessment and risk analysis were completed prior to finalizing the Internal Audit work schedule for 2015; this ensures that the reviews of Internal Audit focus on the activities and the processes with the highest inherent risks.

The Supervisory Board approved the Internal Audit work schedule and at its meetings during the year it was informed continuously on the implementation of the work schedule.

At its sessions the Supervisory Board reviewed quarterly reports on the activity of the Board of Directors of KELER Ltd. and was informed on the agenda items discussed at the Board of Directors meetings.

In 2015, in order to ensure compliance by KELER Ltd. with legal, regulatory requirements and internal regulations, Internal Audit reviewed

1. internal capital adequacy,
2. the conclusion of Treasury transactions,
3. completed the comprehensive review of the Strategy and Product Management Department,
4. reviewed securities inventory taking, depository activity,
5. completed the follow-up audit of measures required in the comprehensive MNB Supervisory Audit review (KELER),
6. reviewed the records of Quaestor bonds,
7. the Remuneration Policy,
8. inventory taking, closing period tasks,
9. the execution of dividend payment,
10. completed the comprehensive review of fee calculation, and
11. reviewed quarterly the management of client financial instruments and funds.

In the fields of IT and security, Internal Audit completed reviews related to:

1. the security settings of servers, workstations, databases,
2. the process of development – execution,
3. the processes of the KID Service Desk,
4. W08 reporting,
5. the Certified Software Library processes,
6. development-testing, launch, putting into operation,
7. the business continuity tests completed in 2015, and
8. right management and related records.

The Supervisory Board discussed and approved the reports made. Internal Audit reports and related actions plans included the shortcomings identified in the reviews and the recommended tasks to eliminate them, the responsible persons and the deadline to complete the relevant task.

Based on the Internal Audit reports, the Supervisory Board of KELER Ltd. monitored continuously the implementation of the measures recommended in the reports.

The Supervisory Board regularly discussed periodic reports on the business and management of KELER Ltd.

In order to monitor the risks influencing the management of KELER Ltd. on an ongoing basis, the Supervisory Board discussed at its sessions Internal Audit quarterly reports on information for the measurement of operational risks, and received the minutes of the Operational Risk Committee meetings.

The Supervisory Board received reports on the activity of the Compliance Officer in 2014 and the work schedule of the Compliance Officer for 2015.

During the year, the Supervisory Board discussed the Remuneration Policy and the amendment of the Remuneration Regulation, and approved the Regulation on the operation of the Internal Audit system of KELER Ltd.

Based on the internal audit reports and other documents discussed, the Supervisory Board establishes that throughout the operation of KELER Ltd. processes are regulated, management is in order and the Board and the management of the Company make continuous efforts to maintain secure operation at a high level.

In the course of creating the procedures and defining the directions of development, the Company strived to facilitate the spreading of up-to-date methods in all areas of the money, the capital and the energy markets. The Supervisory Board is convinced that similarly to earlier periods KELER Ltd. has all the personal and material conditions to meet the challenges of the forthcoming years.

The capital structure of KELER Ltd. continues to provide great security to the players of the money, the capital and the energy market that use the services of the Company. Furthermore, we are convinced that the infrastructure necessary to provide high quality services is available to KELER Ltd.

The Supervisory Board established that the management of the Company exercised due care with respect to the financial sources entrusted to it. The Supervisory Board reviewed the annual financial statements of the Company prepared in line with the Hungarian accounting standards, reviewed the report by the auditor. Based on these documents the Supervisory Board proposes the General Meeting to accept the annual financial statements of KELER Ltd. for 2015 with total assets/total liabilities HUF 167 030 million and HUF 1 495 million profit for the financial year.

Budapest, 21 April 2016

Lajos Bartha
Supervisory Board Chair

17 / KELER Ltd.'s IFRS Consolidated Financial Statement

17.1 / Independent Auditors' Report

KPMG

Independent Auditors' Report

To the shareholders of KELER Központi Értéktár Zrt.

Report on the Consolidated Financial Statements

We have audited the accompanying 2015 consolidated financial statements of KELER Központi Értéktár Zrt. (hereinafter referred to as "the Company") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, which shows total assets of MHUF 180,332, the consolidated statement of profit or loss and other comprehensive income, which shows profit for the year of MHUF 1,356, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 give a true and fair view of the consolidated financial position of KELER Központi Értéktár Zrt. and its subsidiaries as at 31 December 2015, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Consolidated Business Report

We have audited the accompanying 2015 consolidated business report of KELER Központi Értéktár Zrt. and its subsidiaries.

Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Hungarian Act on Accounting. Our responsibility is to assess whether this consolidated business report is consistent with the consolidated financial statements prepared for the same business year. Our work with respect to the consolidated business report was limited to the assessment of the consistency of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Company and its subsidiaries.

In our opinion, the 2015 consolidated business report of KELER Központi Értéktár Zrt. and its subsidiaries is consistent with the data included in the 2015 consolidated financial statements of KELER Központi Értéktár Zrt. and its subsidiaries.

Budapest, 4 May 2016

KPMG Hungária Kft.

Registration number: 000202

Gábor Agócs
Gábor Agócs
Partner, Professional Accountant
Registration number: 005600

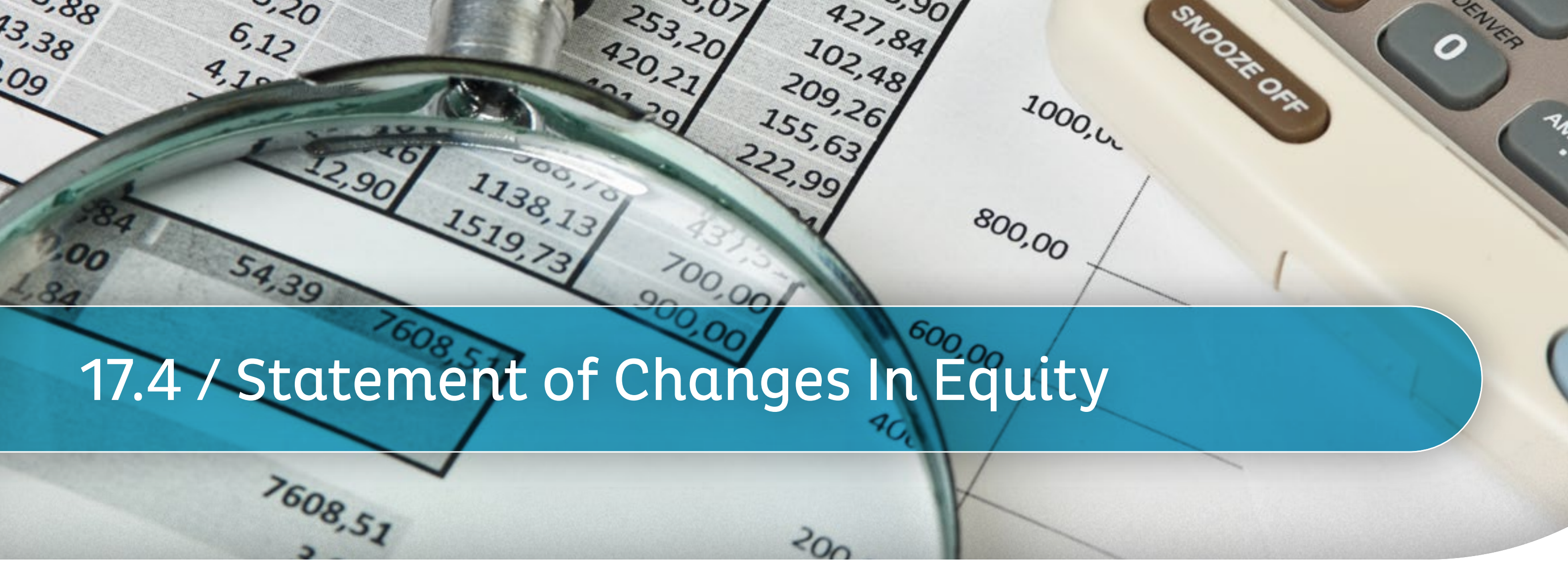
17.2 / Statement of Financial Position

Consolidated Statement of Financial Position as at 31 December 2015
(All amounts in MHUF, unless stated otherwise)

		31.12.2015	31.12.2014
Cash and cash equivalents	5	69 181	156 804
Placements with other banks	5	22 077	23 910
Financial assets at fair value through profit or loss	6	0	28 783
Available for sale financial assets	7	74 385	0
Income tax receivable	10	82	120
Deferred tax assets	19	2	0
Trade receivables relating to gas market	8	4 917	12 024
Receivables relating to clearing and depository activities	9	494	525
Receivables from foreign clearing houses	11	6 078	7 367
Other receivables	10	191	320
Intangible assets	12	2 435	1 925
Property, plant and equipment	13	490	469
TOTAL ASSETS		**180 332**	**232 247**
Deposits from customers	16	140 275	187 842
Liabilities for Guarantee Funds	17	4 374	2 857
Income tax payable	15	2	1
Deferred tax liability	19	379	518
Trade payable from gas market activity	8	4 873	12 028
Trade payables	14	230	89
Other payables	15	428	497
TOTAL LIABILITIES		**150 561**	**203 832**
Share capital	19	4 500	4 500
Retained earnings		22 769	21 621
Statutory reserves	20	2 455	2 287
Available for sale financial asset revaluation reserve	30	40	0
Equity holders of the Parent Company		29 764	28 408
Non-controlling interest		7	7
TOTAL SHAREHOLDERS' EQUITY		**29 771**	**28 415**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**180 332**	**232 247**

17.3 / Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015 (All amounts in MHUF, unless stated otherwise)	Notes	01.01.2015 – 31.12.2015	01.01.2014 – 31.12.2014
Income from clearing and depository activity	22	**5 061**	**4 852**
Interest incomes	23	3 693	4 180
Interest expenses	23	-1 907	-2 347
Net interest income		**1 786**	**1 833**
Gains on securities, net	24	**-364**	**727**
Income from the principal activity		**6 483**	**7 412**
Bank fees, commissions and similar items	25	-176	-196
Personnel expenses	26	-2 038	-1 858
Depreciation and amortization		-661	-727
IT support	27	-750	-645
Expert fees	27	-89	-88
Telecommunication fees	27	-73	-89
Other expenses	27	-1 067	-988
Operating expenses		**-4 854**	**-4 591**
Other income and expenses	28	**71**	**154**
OPERATING INCOME		1 700	2 975
Other financial income and expenses	28	-1	33
Financial income		**-1**	**33**
PROFIT BEFORE INCOME TAX		1 699	3 008
Income tax	29	-383	-641
NET PROFIT FOR PERIOD		1 316	2 367
Other comprehensive income:			
Remeasurement gains/losses of available for sale financial instruments	7	48	0
Translation difference on foreign operation		0	0
Income tax of other comprehensive income	18	-8	0
Other comprehensive income for the period		**40**	**0**
Of which later to be reclassified to net income		**40**	**0**
Of which later not to be reclassified to net income		**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1 356	2 367



17.4 / Statement of Changes In Equity

Consolidated Statement of Changes in Equity for the year ended 31 December 2015 (All amounts in MHUF, unless stated otherwise)							
	Share Capital	Available for sale financial asset revaluation reserve	Retained Earnings	Tide-up reserve	Equity holders of the Parent Company	Non-controlling interest	Total
Balance as of 1 January 2014	**4 500**	**0**	**21 471**	**70**	**26 041**	**7**	**26 048**
Total comprehensive income for the year	0	0	2 367		2 367	0	2 367
Tide-up reserve			**70**	**-70**			
Balance as of 31 December 2014	**4 500**	**0**	**23 908**	**0**	**28 408**	**7**	**28 415**
Balance as of 1 January 2015	**4 500**	**0**	**23 908**	**0**	**28 408**	**7**	**28 415**
Total comprehensive income for the year	0	40	1 316		1 356	0	1 356
Balance as of 31 December 2015	**4 500**	**40**	**25 224**	**0**	**29 764**	**7**	**29 771**

17.5 / Statement of Cash Flow

Statement of Cash Flows For the year ended 31 December 2015 (All amounts in MHUF, unless stated otherwise)		
	01.01.2015–31.12.2015	01.01.2014–31.12.2014
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	**1 699**	**3 008**
Interest expense	**1 907**	**2 347**
Non cash items - adjustments		
Interest income	(3693)	(4 180)
Depreciation and amortization charged	661	727
Adjustment due to incentive on lease	6	(33)
Expenses from disposal of property plant and equipment and intangible assets	156	-
Remeasurement of FVTPL financial assets	1 725	(384)
Changes in the guarantee fund liability	(1 782)	5 425
Operating cash-flow before working capital adjustments	**679**	**6 910**
Proceeds/(cash used) in gas market transactions, net	(48)	36
Changes of the deposits of clients, net (loro accounts)	(44 268)	39 055
Proceeds/(cash payments) from/to other clearing houses	1 289	(3 146)
Decrease/(increase) in trade and other receivables	149	(550)
Increase/(decrease) in trade and other payables	150	285
Cash proceeds/cash paid from financial instruments	(47 333)	117 569
Net (increase) / decrease in placements with other banks, net of allowance for losses	1 833	(12 637)
Interest paid	(2 073)	(2 467)
Taxes paid (-/+)	(497)	(556)
Cash genereted/(used) in operation	**(90 119)**	**144 499**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquistion of propoerty, plant and equipment	(173)	(262)
Acquistion of intangible asset	(1 089)	(808)
Cash proceeds from/cash spent on financial asset held for investing purposes	54	(2 545)
Proceeds from interest	3 704	4 523
Cash generated/(used) from investing activity	**2 496**	**908**
Cash generated/(used) from financing activity	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	**(-87 623)**	**145 407**
Opening cash and cash equivalents	156 804	11 397
Closing cash and cash equivalents	69 181	156 804
Net (decrease) / increase in cash and cash equivalents	**(87 623)**	**145 407**

17.6 / Notes on Financial Statements

NOTE 1: GENERAL

Statement of IFRS compliance

The financial statements of KELER Central Depository Ltd. (hereinafter referred as "KELER" or "Company") and its' consolidated subsidiaries (also referred to as together the 'Entity' or 'Group') were prepared in accordance with IFRSs. The management declares that the Group fully complied with the provisions of IFRSs/IASs and IFRICs/SICs as endorsed by the European Union applicable in the current period. The management made this declaration in full awareness of its responsibility.

The management determined that the Group will be able to continue as a going concern, which means that there are no signs that would indicate that the Group intends to terminate or significantly reduce its operations in the foreseeable future.

These financial statements were prepared using the accrual basis.

The Group generally measures its assets on a historical cost basis, except for cases where a given item should be measured at fair value under IFRS. Additional disclosures about measurement basis is further discussed in Note 2.

The entity (legal form, seat)

The KELER Central Depository Ltd. is a limited liability company incorporated under the laws of Hungary on 12 October 1993. The official address of the company: H-1074 Budapest, Rákóczi str. 70-72. (until June 2014: H-1075 Budapest, Asbóth utca 9-11.).

The KELER Central Depository Ltd. is a special credit institution operating pursuant to Act CXX of 2001 on the Capital Market and CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. The Company's primary activities are central securities depository services, specialized bank services, issuer services and ancillary CSD services. Supervisory authority order 33001/1994. designated KELER Ltd. to undertake central securities depository activities in Hungary.

KELER CCP Ltd., as a subsidiary of KELER ("KELER CCP") was founded by KELER and BSE in 2008.

KELER CCP was founded as a limited liability company according to the Hungarian laws. In 2011 KELER CCP was transformed to a private company limited by shares. Company's seat: H-1074 Budapest, Rákóczi str. 70-72. (until June 2014: H-1075 Budapest, Asbóth str. 9-11.).

KELER CCP's owners on 31 December 2015

KELER	**99.72 %**
National Bank of Hungary	0.15 %
Budapest Stock Exchange	0.13 %

KELER CCP is a central counterparty business association pursuant to the requirements of the Act CXX of 2001 on Capital Market ("Act on Capital Market") operating and guaranteeing the settlement of stock exchange and over-the-counter transactions. KELER CCP as central counterparty undertakes guarantee for transactions concluded on the Budapest Stock Exchange and for the financial performance of the gas market (Daily natural gas and capacity trading market) transactions. KELER CCP as general clearing member undertakes guarantee for the financial performance of power market transactions towards European Commodity Clearing AG. KELER CCP's direct partners are commodities service, securities service providers, financial institutions, participants of an organized market, or organizations performing clearing house activity. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

The upper limit of the settlements guarantee set is based on the equity of the Group.

KELER CCP founded a company in 2014. KELER Energy Luxembourg s.a.r.l. (also referred to as "LUX") was founded with a share capital of EUR 50,000.00 and 100% owned by KELER CCP. Company's seat: 9. Allée Scheffer, L-2520 Luxembourg. The newly established company will take part in the settlement process of physically delivered gas market and other energy market transactions.

One of the shareholder of the Company (Central Bank of Hungary) regularly enters into transactions with Entity. These transactions are not regarded as shareholder transactions since they are done on regular business terms same as if they were done with independent parties.

NOTE 2: BASIS OF PREPARATION

a) Basis of measurement

The consolidated financial statements are prepared on a fair value basis for derivative financial instruments, financial assets or liabilities at fair value through profit or loss, and available-for-sale financial assets, except those for which a reliable measurement of fair value is not available. The latter items are stated at either amortised or historical cost. Other financial assets and liabilities and non-financial assets and liabilities are stated at either amortised cost or historical cost.

b) Functional currency, presentation currency

Items included in the consolidated financial statements are measured using Hungarian Forint, which is the currency of the primary economic environment in which the Group operates ('the functional currency'). LUX's functional currency is EUR which is translated to Hungarian forint in these financial statements.

These consolidated financial statements are presented in Hungarian Forints rounded to the nearest million ("MHUF").

c) Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

In preparing its financial statements, the Group made critical estimates in connection with the following topics which, as a result, are sources of uncertainty.

The fair value of the financial instruments are valued at fair value as required by the IFRSs. These fair values are mostly quoted prices or based on quoted prices (Level 1 and Level 2). However they may change significantly over time leading to significantly different values as expected at the measurement day.

Items measured at fair value, which is Level 3 measurement is especially judgmental, since the input date was determined based on information not directly observable. The information regarding the level of measurement of the items is provided in Note 34.

The useful lives, the residual values and the recoverable amounts of intangible assets and property, plant and equipment are all based on estimates. Changes in these estimates may significantly change reported figures

Deferred tax assets and liabilities depend on the legal environment. Changes in the legal environment may result in a significant change in the value of such items.

The management's judgment in calculating the impairment of financial assets (especially trade receivables) is a critical decision which directly impacts net profit.

Certain items of the Group's assets can be tested for impairment at CGU level only. Identifying CGUs requires complex professional judgment. In addition, when determining the recoverable value of CGUs, the Group's management is forced to rely on forecasts for the future which are uncertain by nature.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate revised and in any future period affected.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

Subsidiaries

The Group consists of the Parent Company and the subsidiaries. The Group includes all entities which are directly or indirectly controlled by the Parent Company.

The Group contains a subgroup (KELER CCP as an intermediate parent, and LUX as a subsidiary). The consolidated financial statement of the subgroup is also available for use.

Starting from the financial year beginning on 1 January 2014, control is defined in accordance with IFRS 10. According to this standard, an investor has control over an investee if it has rights to the variable positive returns generated by the investee and bears the consequences of negative returns and has the ability to direct operations and, as a result, to affect those returns through its decisions (power). This power arises from rights.

Control is primarily obtained through equity ownership, agreements with other shareholders or a special market position (e.g. monopoly). The Parent Company obtained control over all of the entities included in these financial statements by virtue of equity ownership.

The initial application of IFRS 10 in 2014, did not result a change in the group structure.

Associates and joint arrangements

The entity does not have associates or joint arrangements during the presented periods.

Transactions eliminated during consolidation

Intercompany balances and transactions, and any unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Goodwill

Goodwill arising in a business combination is measured initially as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities recognized. Goodwill is subject to an annual impairment test.

Negative goodwill

Negative goodwill arising in a business combination is measured initially as the excess of the net fair value of the acquired identifiable assets, liabilities and contingent liabilities recognized over the cost of the business combination. Negative goodwill that arise during the year is credited to the income statement.

b) Foreign currency transactions

Transactions in foreign currencies are translated to Hungarian forint at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Hungarian forint at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Hungarian forint at foreign exchange rates ruling at the dates the values were determined.

The financial statements of LUX – foreign operation – is retranslated to Hungarian forints. The Group is using the closing rate method for the translation. The assets and liabilities are translated to HUF at closing rate, the items of the other comprehensive income is retranslated at the average rate for the relevant period (as an approximation of the date of each transaction). The elements of equity is retranslated at historical rate.

c) Cash and cash equivalents

Cash includes deposits repayable on demand. Cash equivalents are liquid investments with insignificant risk of value change and maturity of three months or less when acquired. Typically certain state bonds and treasury bills may meet the foresaid definition. Cash and cash equivalents are carried at amortized cost in the balance sheet.

d) Financial assets and financial liabilities

Classification

Financial assets or financial liabilities at fair value through profit or loss (FVTPL) are financial assets and financial liabilities that are classified as held for trading mainly for the purpose of profit-taking or are derivative instruments.

The Group concluded during the current period that certain investments that were held for trading (therefore were classified as FVTPL) should be reclassified to the available for sale category in accordance with IAS 39 50B. For details see Note 6.

Receivables relating to clearing and depository activities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity assets are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

Available for sale financial assets are non-derivative instruments that are not designated as another category of financial assets. This category mainly includes financial instruments that are purchased with the view to invest surplus cash and similar items that are not traded actively, however certain trading activity may occur.

Other liabilities contains all financial liabilities that were not classified as at fair value through profit or loss.

Other liabilities contain placements and loans from other banks, deposits from customers, liabilities relating to clearing and depository activities.

Recognition

Financial assets and liabilities are entered into the Group's books on the settlement day, except for derivative assets, which are entered on the trade day. Financial assets or financial liabilities are initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or the Group transfers substantially all risks and rewards of ownership of the financial asset.

Measurement

Subsequent to initial recognition, all financial assets or financial liabilities at fair value through profit or loss and all available for sale assets are measured at fair value. If no quoted market price exists from an active market and fair value cannot be reliably measured, the Group uses valuation techniques to determine fair value.

All financial liabilities other than at fair value through profit or loss, held to maturity financial instruments and originated receivables are measured at amortised cost less impairment. For financial assets premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in the statement of comprehensive income (as net income, ie. element of profit or loss), as gains and loss on securities.

A gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income, except for permanent impairment losses and foreign exchange gains and losses of debt instruments, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income shall be recognised in the statement of comprehensive income, as gains and loss on securities.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in the statement of comprehensive income when the financial asset or financial liability is derecognised or impaired, and through the amortisation process (as net income).

Fair value measurement

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Group's economic estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where valuation models are used, inputs are based on market related measures at the balance sheet date.

Level 3: The fair value of derivatives that are not exchange-traded are estimated at the amount that the Group would receive upon normal business conditions to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability for financial assets.

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 shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses.

Impairment of financial assets

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 discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income, as other expenses.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

When a decline in the fair value of an available-for-sale financial asset has been recognized other comprehensive income and there is objective evidence that the asset is impaired (ie. the decline is permanent), the cumulative loss that had been previously recognized there shall be reclassified to net profit, even though the financial asset has not been derecognized.

Impairment losses recognised in the statement of comprehensive income for an investment in an equity instrument classified as available for sale shall not be reversed through net income (the increase will be reported as OCI).

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 net income, the impairment loss shall be reversed, with the amount of the reversal recognised in the net income.

For the impairment review of AFS financial assets the decline is permanent if it is prolonged or material. For these purposes the Group take a decline prolonged if it is longer than 12 months or the loss in the value exceeds 10%.

Financial assets are assessed individually or collectively. All individually significant financial assets are assessed for specific impairment. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

e) Accounting for impairment losses other than financial instruments and identifying CGUs

The Group tests its assets for impairment each year. Testing consists of two stages. The first stage is to examine whether there are signs indicating that the assets in question are impaired. The following may be signs that a given asset is impaired:

/ damage;

/ decline in income;

/ unfavourable changes in market conditions and a decline in demand;

/ increase in market interest rates.

Should there be any indication that an asset is impaired, a calculation which allows the recoverable amount of the asset to be determined is performed (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use.

First the impairment is determined on the level of the individual asset (if possible).

If the value in use of a group of assets cannot be determined as it does not generate any cash flows itself (it is not in use), the test is performed with respect to the cash-generating units (CGUs).

If the value in use can only be determined with respect to the CGUs and impairment needs to be accounted for, impairment losses are recognized as follows:

/ first, damaged assets are impaired;

/ second, goodwill is reduced;

/ third, the remaining amount of impairment losses are split among property, plant and equipment (PPE) and intangible assets in the CGU in proportion to their carrying amount prior to impairment.

The value of assets may not drop below their fair value reduced by their individual cost of disposal.

Impairment testing is performed by the Group at the yearend or when it is clear that impairment needs to be recognised.

The impairment – in case of changes in the circumstances – may be reversed against net profit. The book value after the reversal may not be higher than the book value if no impairment loss was recognized previously.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The rates used by the Group are 14.5% for building improvements, 25% for office machines and computers and 14.5% for office equipment.

Expenditures incurred to replace a component of an item of property, plant and equipment that are accounted for separately, including major inspection and overhaul expenditures, are capitalized. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the statement of comprehensive income as expense as incurred.

g) Intangible assets

Intangible assets are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life.

For software 25%, valuable rights and interests 25% depreciation rate is used on a straight-line basis.

When the Group develops software to support the activities they decide about the eligibility of the capitalization according to the following criteria:

/ the project is technically feasible

/ there is an intention to complete the project

/ the entity is able to use the asset (or sell it)

/ the software will generate future economic benefits

/ the resources needed to finish the projects are available

/ the cost of the project is identifiable.

These criteria is also taken into consideration when the software is developed by external party, but it is coordinated by the Group.

If the Group acquires intangible assets with indefinite useful life the asset will be subject to annual impairment testing.

h) Trading on gas market

Based on the principle of the anonymity of the customers and the suppliers on the daily natural gas and capacity trading market, the transactions are made with the participation of KELER CCP. KELER CCP stands between the counterparties as a technical partner (customer and supplier) during the buying and selling transactions. The inventory of gas held by KELER CCP is always zero at the end of a day. Therefore, buying and selling of the gas is recorded by net method settlement in the comprehensive income while in the balance sheet accounts (receivables-liabilities) it is recorded gross.

i) Trading on energy market

KELER CCP as a general clearing member of European Commodity Clearing Ag (ECC) maintains positions and clears the cash side of the trades to it's nonclearing members towards ECC. KELER CCP receives all relevant information from ECC who is acting as central counterparty of all trades of the power market, and KELER CCP does guaranty all account transfer according the received information between ECC and the nonclearing members.

j) Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements ('repos') are retained in the financial statements as trading or investment securities with concurrent recognition of the counterparty liability. Securities purchased under agreements to resell ('reverse repos') are recorded as loans to customers. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

k) Revenue recognition

Fee revenue

The Group receives revenue for its guarantee, clearing and depository activities (including clearing on the gas and electricity market), such revenue is recognized when these services are performed.

Interest income

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method.

Trading activity

Sales income is recognized on the trading day when the actual sales (and purchase) happen. See also above for trading on gas and energy market..

l) Income taxes

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized there.

Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

The Entity considers all taxes that are charged to any level of profit or loss to be income taxes. Other taxes are presented separately from income taxes.

m) Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

n) Financial guarantee contract liability

The nature of the activity of the entity requires to cover all the risk that are coming from default events (ie. that the central counterparty [entity] must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). To deal with the statistically uncovered exposure the entity recognizes a financial guarantee contract liability based on the available collateral and the probability of a loss event regardless how small this probability is.

o) Guarantee fund liability

As an element of the guarantee system, KELER CCP operates several collective guarantee funds. The purpose of the guarantee fund is to reduce the risk arising from default or failure of cleared and guaranteed transactions made by the Clearing Members. Contributions of the Members are kept in cash. These funds are recognized as liabilities and are measured at amortized cost.

p) Statutory reserves

i. General reserve

In accordance with Section 75 of Act No. CXII of 1996, a general reserve equal to 10% of the net after tax income is required to be made in the Hungarian statutory accounts. The general reserve, as calculated under Hungarian Accounting and Banking Rules, is treated as appropriations against retained earnings.

ii. General risk reserve

Under Section 87 of Act No. CXII of 1996, a general risk reserve of maximum 1.25% of the risk weighted assets was made till 31 December 2013. This is a statutory reserve which can be used to cover unexpected credit losses only.

iii. Tide-up reserve

Tide-up reserve includes items not recognized in other components in equity which is not available for distribution, and also funds available for certain tax reliefs. Based on corporate income tax law the the Group set up a tide-up reserve, to fund capital expansion (PPE) in the next four years.

The amount is transferred from Retained earnings to this reserve, up to an annual maximum of 500 MHUF. When this reserve is used, it will be transferred back to retained earnings. No tide-up reserve was recognized in 2014 or 2015. The Group utilized 70 MHUF tide up reserve in 2014 and consequently transferred back the same amount to retained earnings. There were no movements nor balances on the tide-up reserve in 2015y.

q) Hedging

The Group does not use hedge accounting for financial accounting purposes.

r) Statement of cash flows

Information about the cash flows of the Group is useful in providing users of financial statements with a basis to assess the ability of the Group to generate cash and cash equivalents and the needs of the Group to utilise those cash flows.

For the purposes of reporting cash flows, cash and cash equivalents include cash, balances, certain treasury bills and government bonds and placements with the National Bank of Hungary except those with more than three months maturity from the date acquisition.

s) Events after end of the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. These events are adjusting and non-adjusting events.

All adjusting events after balance sheet date have been taken into account in the preparation of the consolidated financial statements of the Group. The material non-adjusting events after the end of the reporting period are presented in Note 38.

t) Off balance sheet items

KELER Ltd provides settlement service for certain contractual domestic partners regarding securities transaction made in the XETRA System of Deutsche Börse. KELER Ltd. has a partnership with CITIBANK Frankfurt, which is a clearing member in XETRA Clearing AG. KELER CCP has to provide collateral for CITIBANK Frankfurt regarding XETRA settlement. KELER requires collateral from his Clients at least the same size, but with a minimum amount of EUR 50 thousand. KELER CCP is entitled to require a collateral from its Clearing Members using its central counterparty services. The form of collateral can be cash, foreign exchange, securities and bankguarantees. As clearing member of European Commodity Clearing AG (ECC) KELER CCP has to provide collateral for ECC regarding the settlement of power market position of power market non-clearing members of KELER CCP.

u) Reclassification

Certain items previously reported in the prior years' financial statements have been reclassified to conform with the current year presentation.

NOTE 4: FINANCIAL RISK MANAGEMENT

a) Introduction and overview

The Management and the Board of Directors reviews regularly the principles of credit, market, liquidity and operational risk management of the Group.

Risk management function is separated from business.

KELER outsourced risk management tasks to KELER CCP; however, the Director of Risk Management and Finance at KELER is responsible for risk management and related decision making, KELER CCP undertakes daily risk management tasks in line with a separate administrative order. KELER CCP measures and manages risks related to the central counterparty activity of KELER CCP.

The Group is exposed to the following main risk types arising from its operation and strategy:

/ Credit and counterparty risk.

/ Market risk.

/ Liquidity risk.

/ Operational risk.

The exposures of the Group to the above risk types, the objectives, policy and procedures to measure and manage risks, and capital management by the Group are discussed below. The risks that are managed separately due to the different operation of the central securities depository and the central counterparty are covered separately for both the central securities depository and the central counterparty.

KELER acts as central securities depository and since 2004 operates as a special credit institution. Accordingly, it is required to comply with Hungarian and EU legislation and guidelines regulating central securities depository and credit institution activities. Hereinafter we refer to the activity of KELER as the central securities depository function, including the central securities depository and ancillary credit institution functions also.

As of 2014, KELER CCP operates as a qualifying central counterparty licensed under EMIR; thus, it complies with EU and Hungarian legislation regulating qualifying central counterparties. Hereinafter we refer to the activity of KELER CCP as the central counterparty function.

b) Credit risk

The various sub-types of credit risks are introduced in the following chapters. Due to the activity undertaken by the Group, there is no risk taking arising from special lending exposures and FX lending. Off balance sheet items related risks are considered under credit and counterparty risks.

i. Credit and counterparty risk

Credit risk is the risk of loss impacting profitability and the capital position arising from default (or failure to perform as contracted) by the counterparty, i.e. from default on (on or off the balance sheet) liabilities towards the entity.

Counterparty risk is the potential loss arising from failure by the counterparty to meet contractual obligations before closing the transaction (final clearing of cash flows). As a type of credit risk, this risk typically relates to derivatives, repo and other securities financing transactions.

Central securities depository function

Contrary to a traditional commercial bank, in the case of KELER credit risks are not considered complex and decisive; accordingly, this is not the risk with the greatest share in the capital requirement.

Investments by the central securities depository are regulated currently by Act CXX of 2001 on the Capital Market (Tpt.); in line with this act, the central securities depository can use the available funds of the shareholders' equity to purchase only government securities denominated in HUF or foreign currency, issued by EU or OECD member states and debt securities issued by credit institutions registered in the EU or the OECD or make deposits with the MNB and credit institutions registered in EU or OECD member states and make repo transactions.

In addition to narrowing the group of counterparties (credit institutions, investment firms, state entities, KELER CCP clearing and non-clearing members), the counterparty rating system, the daily monitoring system and the limit system ensure the comprehensive management, monitoring and reporting of counterparty risks inherent in investments by the central securities depository. As part of daily monitoring, KELER CCP Risk Management informs the Assets and Liabilities Committee on limit violations. The quarterly back testing by KELER CCP Risk Management informs regularly the Director of KELER Risk Management and Finance on the operation of the treasury limit system and any limit violations. The KELER Risk Management and Finance Director submits the annual summary on the operation of the limit system and any limit violations to the Assets and Liabilities Committee and the Board of Directors.

The central securities depository has exposures to foreign account managers related to energy market clearing by KELER CCP and international settlements.

Counterparties representing other credit risk include organizations facilitating the settlement of transactions: e.g. banks issuing bank guarantees, partners involved in energy market clearing, entities required to pay fees related to ISIN issuance, dematerialization and custody services, and partners that the central securities depository has relationship with related to its operation, e.g. buyers, suppliers, clients, account holders, service providers.

The central securities depository applies the standard method under CRR to determine the credit requirement of credit and counterparty risks in the first pillar, while under the second pillar (ICAAP-ILAAP) it uses a method similar to the standard method applied under the first pillar to calculate capital need, relying on the results of its own internal rating also to determine risk weights. There is no difference in determining the value of exposure under the two pillars.

Changes in capital requirement are discussed in the chapter entitled Capital management.

Central counterparty function

KELER CCP clearing members include credit institutions, investment firms and commodity exchange service providers in the capital market, in the energy markets cleared by the ECC and the gas markets (BP, CEEGEX) power and gas traders are the direct clients of KELER CCP. For KELER CCP as central counterparty, counterparty risk is financial (or securities) default by its clearing members and non-clearing members (in the energy market). Besides, exposures and liabilities related to fees may also arise due to the operation of KELER CCP.

In case of clearing member and energy market non-clearing member default on spot market purchase price, derivative market variation margin, KELER CCP as central counterparty is required to compensate non-defaulting participants in line with the default process, by using collaterals and guarantees, and its shareholders' equity also if needed. Therefore, counterparty risk monitoring and management are of outstanding importance to enable the central counterparty to assess potential exposures and have the appropriate amount of capital and liquid assets to compensate non-defaulting parties.

KELER CCP rates regularly capital market clearing members, gas market clearing members and energy market non-clearing members according to objective (capital, liquidity and profitability indicators) and subjective aspects determined in its internal rating methodology. If the rating of a counterparty deteriorates significantly, KELER CCP pays special attention to the positions taken and uncovered risk, and based on individual assessment, on the grounds of perceived risk increase, it may impose additional financial collateral on the counterparty concerned.

The elements of the guarantee system are designed to cover credit risk arising from default by KELER CCP clearing and non-clearing members; no separate capital requirement is made. Due to the operation of the guarantee system, when the collateral requirement of a portfolio is determined, the counterparty risk factor is not quantified. In order to manage the resulting risk of negligible amount the existence of which cannot be examined historically, KELER CCP makes financial reserve in line with the bucket method. The part uncovered by the risk measure confidence level used to calculate collateral instruments and the maximum probability of occurrence were taken into account to determine financial reserve.

In line with the requirements of EMIR, KELER CCP calculates capital requirement on fee and trade receivables related to its credit risks based on CRR.

ii. Risk of holdings

Central securities depository function

KELER as central securities depository has a qualifying interest (99.72%) in KELER CCP Ltd., which is fully deducted from the own funds of the central securities depository. The part deducted from the own funds is not considered when capital requirement is determined, other exposures to KELER CCP are managed as credit and counterparty risks, as exposures to the company.

As the majority owner of KELER CCP, KELER assumes indirect risk for the contractual liabilities of KELER CCP towards contracted clearing members and energy market non-clearing members arising from the activity of KELER CCP as central counterparty.

As the holding is fully deducted from own funds, no further capital requirement is made.

Central counterparty function

KELER CCP is the sole shareholder of KELER Energy Luxembourg S.A.R.L, it is fully deducted to calculate the available capital of KELER CCP. KELER CCP has no other holdings.

iii. Credit risk of international settlement

Central securities depository function

The central securities depository provides access to the XETRA system of Deutsche Börse (foreign XETRA) for Hungarian market participants. The service covers guaranteed and non-guaranteed transactions also. For guaranteed transactions the operating model is as follows: Deutsche Börse trades are cleared by EUREX, KELER is involved as Settlement Agent through Citibank London (GCM, general clearing member) and Citibank Frankfurt (Settlement Agent)

Collateral collected in advance from clients and the capital requirement made provide adequate coverage for the risks inherent in clearing and settlement processes.

Changes in capital requirement are discussed in the chapter entitled Capital management.

iv. Residual risk

Central securities depository function

Residual risk is the risk of large scale depreciation or restricted enforceability of credit exposures related collaterals, or in other words the risk that the recognized credit risk mitigation techniques applied by the credit institution prove to be less efficient than expected. For certain trades (e.g. FX, repo trades), the central securities depository can accept collateral. In practice, credit risk mitigation instruments are accepted for repos and foreign XETRA trades only.

In the case of KELER, this risk arises indirectly, through the holding, related to the collateral portfolio of KELER CCP. KELER CCP manages this risk satisfactorily, with haircuts in line with legislation, thus residual risk is minimal.

The central securities depository does not determine separate capital requirement for residual risks.

Central counterparty function

As part of the guarantee system operated by KELER CCP, the clients of KELER CCP are required to provide collateral. Instead of using the full market value, the collateral portfolio is taken into account after deduction of the haircuts determined in the valid KELER CCP condition lists on accepting securities and foreign currencies, this is a risk management technique to eliminate residual risk. The applicable condition list of KELER CCP determines the types of eligible collateral also; thus, jointly with the use of haircuts, residual risk is minimized.

The central counterparty does not determine separate capital requirement for residual risks either.

v. Settlement risk

Settlement risk is the risk that a settlement executed through a payment system is performed in a way other than expected. Settlement risk may include credit and liquidity risk elements also.

Central securities depository function

In the case of the central securities depository, treasury transactions may have settlement risk involved, the central securities depository manages this risk with the settlement and pre-settlement limits set up in the limit system. Separate limit amounts are determined for Forint settlements and for FX settlements that represent increased risk.

KELER concludes proprietary trades in the OTC market only, the DVP principle is met when possible. Exceptions to this include FX trades and HUF/FCY swaps with entities due to different Forint and FCY cut-offs.

The risks of the settlement system operated by the Group are managed under operational risks.

Central counterparty function

In line with the investment policy of KELER CCP, the amount of minimum capital requirement is invested in short-term government securities that are held until maturity. The portfolio includes a few securities; settlement risk upon trade settlement is negligible.

In the case of KELER CCP, no capital requirement is made for credit risk arising from settlement risk.

vi. Concentration risk

Risk concentration is the risk exposure that intra-risk or inter-risk across various risk types can lead to loss that jeopardizes the business as usual operation (usual continuous operation with reasonable profits) of the entity or makes a material change in the risk profile of the entity.

Central securities depository function

Credit risk concentration towards individual clients and trade partners is a distribution of receivables when default by a group of relatively small number of clients/partners or by a larger group of clients/partners, attributable to common reason/reasons puts at risk the business as usual operation (usual continuous operation with reasonable profits) of the entity. The term "clients and trade partners" covers not only individual clients/partners, but also the groups of individual clients/partners that are closely connected (through ownership and/or funding). It has two major groups:

- concentration of risk taking to individual client/client group (large exposure): the source of risk is default on exposure to a relatively small group of clients or partners,
- sector concentration: risk of joint default due to common reason/reasons.

The risk management policy and the risk taking regulation of the central securities depository, approved by the Board of Directors, cover the management of concentration risks also.

Credit and market concentration risk can be identified on the asset side, in exposures to the central bank and the central government. However, it is not justified to determine concentration limit for exposures to the government and central banks.

With regard to the group of partners and activity restricted by legislation, the large exposure requirements under CRR are considered sufficient to measure and manage the counterparty risks under the first pillar. Concentration risk generated by interbank treasury trades are managed with the counterparty and counterparty group limits that are part of the internal treasury limit system.

Due to the holding in KELER CCP, KELER is indirectly involved in the concentration risks arising in the collateral portfolio of KELER CCP and related to the positions taken by the clearing members and energy market non-clearing members of KELER CCP. In the latter two instances, it is not KELER but KELER CCP as central counterparty where concentration risk arises and is managed.

Concentration on the liability side is assessed in detail annually. Related stress tests are prepared and the recovery plan of KELER also covers a related scenario.

The central securities depository does not make separate capital requirement for concentration risk.

Central counterparty function

Concentration risk related to the central counterparty activity of KELER CCP arises in two ways. On the one hand due to the concentration of positions taken by KELER CCP clearing members and energy market non-clearing members, and due to the concentration of collaterals on the other.

The market and capital position limit is designed to manage risk concentration related to counterparties towards which KELER CCP as central counterparty undertakes guarantee in exchange settlements. If these limits are exceeded, additional financial collateral can be collected in line with the General Business Rules of KELER CCP due to perceived risk increase to mitigate risks arising from increased concentration.

KELER CCP applies concentration limits in line with ESMA TS 153/2013, among others by individual issuer, asset type, to the concentration of securities in the central counterparty collateral portfolio.

KELER CCP does not make capital requirement for concentration risks.

vii. Country risk

Country risk is the risk of loss generated by an event (economic, political, etc.) occurring in the country, controllable by the country (government) given and uncontrollable by the partner of KELER.

Central securities depository function

KELER regulates the main rules of country risk management in a separate CEO level regulation. The central securities depository applies conservative limits depending upon the external credit rating of the country and the amount of own funds. Additionally, positions in foreign currencies are monitored daily.

In line with the requirements of the ICAAP-ILAAP guidelines, no additional capital requirement is to be made due to country risk where the weight of risks towards the state is 0% or 20%. Based on the internal limits set up, the central securities depository can have risk taking only that does not result in the obligation to make capital requirement.

Central counterparty function

The country exposure of KELER CCP increases gradually due to the strategy followed as KELER CCP provides services to foreign counterparties and has multiple connections with international settlements. Some of the foreign counterparties are clearing members that are considered foreign legal entities as they transformed into branches, and for this reason the country risk of the parent company is to be taken into account also. Additionally, foreign clearing members/non-clearing members, partly related to the settlement of the MTS market, are also part of the KELER CCP counterparty group. Several energy market non-clearing members are registered abroad. Related to energy market clearing, KELER CCP has account relationship with Citibank Frankfurt and clearing relationship with ECC, through this link KELER CCP is involved in foreign energy market clearing also.

In terms of country risk, the largest exposure is towards Germany due to the exposures to ECC and Citi Frankfurt. Germany is an EU member state and a superpower, with safe background. KELER CCP has no material exposure to non-EU member states currently and such exposure is not expected in the future either. Risks due to existing country risks are managed in the collateral system.

KELER CCP does not make capital requirement for concentration risk.

c) Market risk

Market risk is the risk that the real value of the future cash flows of a financial instrument will be volatile due to changes in market prices. Market risk consists of three risk types: foreign exchange risk, interest rate risk and other exchange rate risk.

Central securities depository function

Out of these three risk types, KELER runs interest rate risk and limited foreign exchange risk only.

In addition to yield optimization, the purpose of market risk management is to control market risk exposures within acceptable parameters.

KELER as central securities depository applies various limits to monitor market risks that are related to the following risk types: banking and trading book interest rate risk, FX rate risk, and full open FX position risk.

Market risk management involves daily measurement, monitoring, reporting on the one hand, and periodic stress tests on the other. In addition to the Assets and Liabilities Committee, Management (Management and Board of Directors) is informed regularly on market risks.

KELER manages separately the market risks arising in the trading and banking books.

The central securities depository keeps the securities portfolio in the **trading book**. Trading involves making transactions in government debt securities.

The **banking book portfolio** typically includes interbank trades and MNB loans/deposits and foreign currencies. The following tables show the structure and changes in the trading and banking books as of 31 December 2014 and 31 December 2015:

Trading book	2015	2014	Change
Discount treasuries	57 589	15 531	270,8%
Government bonds	14 270	12 769	11,8%
Total	**71 859**	**28 300**	**153,9%**

Banking book	2015	2014	Change
Deposit With the central bank	64 000	145 700	-56,1%
Interbank deposit	2 000	1 000	100,0%
Total	**66 000**	**146 700**	**-55%**

Capital requirement for trading book interest rate risk / position risk is determined in line with the maturity-based calculation standard methodology under pillar I (general position risk, CRR Article 339). Capital requirement under pillar II is calculated with modified duration based **interest rate sensitivity.**

The central securities depository determines capital requirement for the interest rate risk of banking book items in line with pillar II only, the methodology is identical to the pillar II methodology of trading book capital requirement calculation.

The following tables illustrate changes in interest rate sensitivity of the trading and the banking books in 2014 and 2015, based on the last day of the month:

Trading book	2015	2014
January	623,5	490,2
February	638,8	520,5
March	657,2	553,9
April	715,1	646,7
May	718,9	642,7
June	679,9	637,1
July	719,2	630,4
August	888,4	666,1
September	1 188,0	640,1
October	1 113,5	668,9
November	1 022,9	645,9
December	955,7	614,4

Banking book	2015	2014
January	37,8	0,0
February	38,2	0,0
March	18,7	0,0
April	45,1	0,0
May	37,2	0,0
June	23,6	0,0
July	39,7	0,0
August	16,5	22,4
September	14,0	12,3
October	7,3	30,5
November	4,1	35,6
December	24,4	40,1

In addition to daily capital requirements calculation, daily value at risk (VaR) for the trading and banking book portfolio is calculated daily. VaR calculation is based on 99% confidence level and 1 day relative change.

Changes in capital requirement are discussed in the chapter entitled Capital management.

The following tables show VaR changes in 2014 and 2015, based on the last day of the month:

Trading book	2015	2014
January	79,9	118,7
February	88,1	121,8
March	104,2	120,3
April	127,8	136,1
May	125,8	117,1
June	127,7	100,4
July	121,5	106,9
August	123,5	103,5
September	127,9	105,4
October	142,1	107,6
November	128,3	93,6
December	125,5	99,3

Banking book	2015	2014
January	16,3	0,0
February	17,1	0,0
March	7,7	0,0
April	18,8	0,0
May	15,2	0,0
June	9,9	0,0
July	17,4	0,0
August	7,5	9,7
September	6,0	5,3
October	2,0	12,0
November	2,2	15,4
December	12,2	16,8

Only the own FX positions (FCY account balances) represent FX risk for KELER, clients take the FX rate risk of foreign currency balances owned by clients and deposited in the accounts of the central securities depository. The primary purpose of foreign currency assets held by KELER is to make sure that the services provided by KELER CCP as central counterparty in the guaranteed markets and the international settlement services provided by KELER are secure and seamless and to ensure the related FX conversion service. The amount of the portfolio that can be held is limited in each currency, thus the amount of risk that can be taken is limited also. FX risk is measured with historic analyses and daily VaR calculation.

Changes in capital requirement are discussed in the chapter entitled Capital management.

Changes in open own FX portfolio and calculated VaR changes in 2014 and 2015, on the last day of the month, in HUF million, are as follows:

	2015		2014	
Date	**Portfolio**	**VaR**	**Portfolio**	**VaR**
January	127,5	1,4	135,4	1,9
February	521,6	5,0	107,6	1,5
March	557,6	5,4	84,6	1,2
April	561,0	5,9	80,2	1,1
May	586,6	6,2	110,8	1,3
June	570,2	6,1	113,9	1,3
July	571,6	6,2	80,2	0,8
August	592,1	6,7	76,1	0,8
September	628,5	7,5	128,4	1,3
October	603,5	6,9	125,4	1,3
November	606,7	6,9	109,1	1,1
December	544,7	6,3	108,5	1,1

Central counterparty function

In the case of KELER CCP, there are several approaches to discuss market risk.

One approach is that related to the operation of the central counterparty a potential default can convert counterparty risk into market risk, upon default by the member concerned KELER CCP has to fund, temporarily or finally, cash/securities or derivative market variation margin with the sales proceeds of existing collaterals or with own resources if the former are not sufficient.

KELER CCP analyzes regularly the market risk of collaterals, i.e. the terms of eligibility: in line with the requirements of EMIR it analyzes monthly that the haircuts applied on eligible instruments are appropriate, if found inappropriate, haircuts are amended, and KELER CCP consults quarterly the Risk Committee on haircut levels. The group of eligible collaterals is in line with the requirements of EMIR.

Additionally, prudent margining is designed to cover the market risk of cleared instruments; the appropriateness of margining is monitored continuously.

Market risk can arise at KELER CCP as a part of own resources, that is the minimum capital requirement under EMIR (7.5 million EUR), is invested in Hungarian government securities, discount treasuries that are held until maturity, thus market risk is not material related to these instruments.

As an ECC clearing member, KELER CCP provides guarantee undertaking to its non-clearing members in spot and futures energy market clearing. The entire amount of collective guarantee fund contribution payable to ECC is to be made in euro. Consequently, KELER CCP has a material FX portfolio that is the ECC guarantee fund contribution; however, it does not give rise to real FX rate risk in daily operation, it is not converted to HUF. The contribution to the ECC guarantee fund is deducted when the available capital is calculated.

KELER CCP does not make capital requirement for market risk.

d) Liquidity risks

Central securities depository function

Liquidity is the ability of the entity to fund and meet the increase in assets, expiring liabilities without material unplanned risks. Liquidity risks can be put into two groups: market and funding liquidity risks.

Market liquidity risk: the risk that the entities are not able to meet financial liabilities on time within the day, operatively (30 days), in the short (1-3 months) and medium term (3-12 months) or due to related market liquidity risks they can sell balancing capacities at a material loss due to the inadequate depth of the market or other market disturbances. (Market liquidity risk is the risk that the entity is not able to realize positions at appropriate market prices, i.e. market liquidity risk is the risk that a market position cannot be closed at market prices during a short period of time, it can be closed at a worse price only, thus it is required to maintain the position to realize the appropriate market price, which may need depositing or taking liquid assets.)

Funding liquidity risk: the risk that in the long term, over the year, entities are not able to meet financial liabilities without unacceptable increase in funding costs. Thus, in the long term, entities cannot keep their funding stable.

The special activity of KELER, in particular seamless settlement requires liquid assets that can be mobilized quickly at all times. Partly due to the former requirement, the assets the central securities depository can keep are strictly regulated by legislation. In addition to legal restrictions, KELER endeavors to select financial instruments that can be sold quickly under normal market conditions if needed and can be used to create intra-day liquidity also. In terms of liquidity risk, the relationship with KELER CCP as central counterparty is of great importance.

The liquidity risk limits determined by the central securities depository are monitored daily, capital requirement is determined in quarterly reports. The Assets and Liabilities Committee discusses the reports. Additionally, a comprehensive report is prepared at least once a year for the KELER Director of Risk Management and Finance that the Assets and Liabilities Committee discusses and the Board of Directors also receives the short form report for information.

Changes in capital requirement are discussed in the chapter entitled Capital management.

Central counterparty function

There are two major functions related to which KELER CCP needs liquidity: on the one hand liquidity is needed for guarantee undertaking, the main activity of KELER CCP - typically, KELER CCP is able to provide this liquidity with shareholder's equity. On the other hand, a variable amount of liquid assets is required for the daily operation of KELER CCP. One part of it is represented by the transfer price payable to KELER; the larger part consists of financial liabilities arising from ECC clearing membership. Liquidity needs related to guarantee undertaking may arise several times during a day, in line with market settlement times.

Regarding default related liquidity risk management, EMIR requires the capability to cover the liquidity need uncovered by individual collateral related to the two largest members in the market.

The liquidity need expected on the following day and on later days is analyzed and forecast daily. It is assessed monthly, retrospectively, whether KELER CCP was able to meet the requirement of EMIR to cover the liquidity need arising from the risk of the two largest members uncovered by individual collateral.

KELER CCP does not create capital requirement for liquidity risk.

e) Operational risks

Operational risks are managed at Group level (KELER and KELER CCP – hereinafter Group – joint regulation).

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risks (CRR, Article 4, section 52). Operational risk includes legal risk but does not include reputation and strategic risk (Based II, International Capital Framework, 2005.).

Operational risk measurement and management under pillar II is based on a Group-wide loss database that is supplemented by expert estimates and the collection of key risk indicators. All organizational units of the Group are to be involved in the collection of operational risk events, the regular assessment, evaluation and mitigation of risks. This way it can be ensured that the operational risk management system covers comprehensively KELER and KELER CCP that are intertwined in terms of operation and activity.

An operational risk management contact person is appointed in each Group unit; this person is responsible for forwarding to the operational risk management officer loss events that the contact person becomes aware of and the key risk indicators collected by its unit. In addition to the system of contact persons, there is an Operational Risk Committee (ORC) that meets regularly and decides on necessary action plans and monitors the implementation of measures earlier taken. The operational risk management officer reports to ORC quarterly.

In order to inform Management (Management, Board of Directors) continuously, the reports prepared for committee meetings and the minutes of the meetings that include the action plans also are to be sent to the Supervisory Boards of KELER and KELER CCP. The Boards of Directors of KELER and KELER CCP are provided thorough information annually on operational risks and their management.

Operational risks are identified and quantified within the KELER Group annually, in self-assessment interviews by organizational units.

Changes in operational risks are monitored through the regular collection of loss data. The regular analysis and reporting to Management of loss events ensures risk monitoring and is the basis of taking risk management measures.

The key risk indicator is an indicator moving parallel with operational risk losses that helps monitor changes in risk exposures. KRIs are collected to ensure the continuous monitoring of operational risks. KRIs are regularly assessed, the Operational Risk Committee continuously monitors KRIs and changes in KRIs over time, and it takes risk mitigation measures if needed.

The Group determines operational risk capital requirement under pillar I based on the BIA model, and apples a risk sensitive model that is nearly AMA level in pillar II.

Changes in capital requirement are discussed in the chapter entitled Capital management.

f) Capital management (Regulated institutions' capital management)

Central securities depository function

Besides acting as the central securities depository, KELER operates as a special credit institution also in line with the applicable provisions of the Tpt. Accordingly, it is required to apply Hungarian (Hpt., Tpt., ICAAP-ILAAP guidelines) and EU (CRR) legislation and guidelines related to the operation of credit institutions.

The central securities depository is required to comply with the own funds related requirements of CRR. The calculation of capital adequacy should be determined in accordance with Hungarian Accounting Rules available values.

The own funds of KELER consist of the following components:

/ Tier 1 capital (T1):

- Common Equity Tier 1 (CET1): subscribed capital, retained earnings, general reserves (based on regulation 10 % of profit for the period),
- Additional Tier 1 (AT1): none,

/ Tier 2 (T2): general risk reserve (additional reserves are not made), allocated reserves (currently none)

The negative elements of Common Equity Tier 1 are intangible assets and the full value of investment in KELER CCP.

KELER does not apply Group level capital adequacy.

The following chart shows the calculation of central securities depository own funds and capital adequacy ratio as of 31 December:

	2015	2014
Subscribed capital	4 500	4 500
Retained earnings	19 072	17 460
profit for the period	1 495	1 612
General reserves	2 332	2 166
Tier 1, total	**27 399**	**25 738**
General risk reserves	99	99
Tier 2, total	**99**	**99**
Deductions(-)		
Intangible assets	-2 087	-1 589
Limit excess due to investment restrictions	0	0
Limit excess due to large exposure taking restrictions	0	-909
Holding in KELER CCP	-4 545	0
Tota deductions	**-6 633**	**-2 498**
OWN FUNDS	20 865	23 339

Capital adequacy ratio		
CET1 Capital Adequacy Ratio	**35,8%**	**46,2%**
Total Capital Adequacy Ratio	**36,0%**	**46,4%**

The minimum level of capital adequacy has been increasing gradually since 2016; however, in light of the current capital position of KELER, no additional intervention is needed.

Based on the **capital requirements** of the central securities depository calculated for pillar I (regulatory) and pillar II risks, Risk Management at KELER CCP determines for each day the capital to be created and checks that own funds are sufficient.

The following table details the calculation methodology of internal capital requirement finalized for certain risk types:

Risk	Basis of calculation pillar I.	Basis of calculation pillar II.
Position risk/Trading book interest rate risk	Position risk: maturity based approach	Based on interest sensitivity
Credit and counterparty risks	Standard method	Based on own weights, similarly to the pillar I. method
FX rate risk	8% of the total net position of foreign currencies owned, if the net open position reaches 2% of own funds.	Supervisory Var model
Operational risk	Bia method	Based on actual losses, theoretical events and scenario results, with Monte Carlo simulation and with VaR
Banking book interest rate risk	-	Based on interest sensitivity
Liquidity risk	-	The funding margin in stress situations
Stetegic risk	-	Derived from the strategy, based on the difference of planned realistic and pessimistic results.
International settlement credit risk	-	Based on historic turnover

KELER created the following capital requirements on 31 December 2014 and 31 December 2015:

2015		
Risk	Basis of calculation pillar I.	Basis of calculation pillar II.
Position risk/Trading book interest rate risk	748	2 389
Credit and counterparty risks	571	615
FX rate risk	42	43
Operational risk	958	743
Banking book interest rate risk		60
Liquidity risk		26
Stetegic risk		183
International settlement credit risk		363
Total	2 320	4 423

2014		
Risk	Basis of calculation pillar I.	Basis of calculation pillar II.
Position risk/Trading book interest rate risk	425	1 843
Credit and counterparty risks	874	824
FX rate risk		11
Operational risk	934	746
Banking book interest rate risk		120
Liquidity risk		32
Stetegic risk		183
International settlement credit risk		262
Total	2 233	4 022

As of 1 January 2015, for each risk the higher of the pillar I and pillar II capital requirement is to be made. In line with the above rule, the final capital requirement to be made based on 31 December 2014 data would be HUF 4,259 million, while the actual capital requirement to be made as of 31 December 2015 would be HUF 4,639 million.

Central counterparty function

KELER CCP is not a credit institution; the Basel requirements, the CRR or the CRD do not apply directly to KELER CCP. However, the requirements of EMIR cover the capital requirements of CCPs also. Central counterparties are required to have shareholders' equity of at least 7.5 million Euros on a permanent basis (Capital requirement II) and the amount of shareholders' equity is required to be proportionate to the risk arising from the central counterparty activity. The ESMA technical standard details the calculation method of capital requirement.

KELER CCP is required to determine the amount of capital requirement for the following risks (Capital requirement I):

1. capital requirement on credit and counterparty risks,

2. capital requirement on operational and legal risks;

3. capital requirement on market risks (FX rate and securities position risk),

4. capital requirement on winding up or restructuring of the activity of the central counterparty,

5. capital requirement on business risk

Determination of available capital

The amount of available capital equals the components of shareholders' equity:

/ SUBSCRIBED CAPITAL

/ ISSUED BUT NOT PAID CAPITAL (-)

/ CAPITAL RESERVES

/ RETAINED EARNINGS

/ ALLOCATED RESERVES

/ REVALUATION RESERVE

/ RETAINED EARNINGS OF THE YEAR

And the following items are to be deducted from this:

/ Intangible assets

/ contribution to the guarantee fund of other CCPs (ECC Euro guarantee fund contribution)

/ contribution to own guarantee fund

/ participations in subsidiaries (KELER Energy Luxembourg S.A.R.L.)

The available capital is required to cover the following elements:

/ Minimum capital requirement

/ Dedicated own resources = (0,25×MAX (Capital requirement I., Capital requirement II.)

/ Other financial resources (remaining amount after deduction of the above two items)

The following table shows KELER CCP capital adequacy at the end of 2014 and 2015:

	2015	2014
Available capital	4 938	4 216
Minimum capital requirement	2 583	2 598
Dedicated own resources	587	590
Other financial resources	1 228	1 028

NOTE 5: CASH AND CASH EQUIVALENTS

	2015	2014
Due from banks and balances with NBH		
Within one year In HUF	64 889	147 766
In foreign currency	2 158	4 033
Cash equivalents	2 134	5 006
Closing balance	**69 181**	**156 804**

The cash equivalents include treasury bills issued by the Hungarian State that has the maturity of less than three months when acquired. These are highly liquid financial assets subject to insignificant risk of value change. The cash equivalents are stated at amortised cost.

	2015	2014
Placements with other banks		
Within one year In HUF	2 198	209
In foreign currency	19 879	23 700
Closing balance	**22 077**	**23 910**

The bank accounts are demand deposits, available immediately for withdrawal. The interest on the bank account is accrued between 0-1% for HUF deposits, the foreign currencies yield insignificant interest.

The designated deposit balance includes HUF deposits that are received from the clients as contribution to the Guarantee funds (see Note 17). These cash balances may only be used for certain purposes, strictly regulated by EMIR (such as day-end repos). These cash balances are included in the above figures.

Based on the requirements for compulsory reserves set by the CBH, the balance of compulsory reserves amounted to approximately HUF 2 608 and HUF 2 649 million on average in 2015 and 2014, respectively. This compulsory reserves are kept on the deposit with CBH due within one year.

Daily balance was HUF 69 181 million and HUF 156 804 million as at 31 December 2015 and 2014, respectively.

Interbank placements include bank accounts at Clearstream Bank, SIX SIS, Citibank A.G., Citibank NY, Citibank London, CBH, OTP Bank Plc. and MKB Bank Plc.

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Financial assets at fair value through profit or loss		
Treasury Bills issued by the Hungarian State	-	13 272
Government Bonds issued by the Hungarian State	-	15 511
	-	**28 783**

	2015	2014
Financial assets measured at fair value through profit or loss Treasury Bills issued by the Hungarian State		
Opening balance	13 272	130 018
Acquisition	124 279	18 076
Derecognition at exparation	-79 114	-135 024
Interest accrued	-37	189
Remeasurement	110	13
Closing balance on 21 December 2015.	58 510	
Reclassification to available for sale instruments	-58 510	0
Closing balance on 31 December 2015.	**-**	**13 272**

	2015	2014
Financial assets measured at fair value through profit or loss Government Bonds issued by the Hungarian State		
Opening balance	15 511	13 356
Acquisition	16 260	7 763
Derecognition at exparation	-15 057	-6 001
Interest accrued	-64	-23
Remeasurement	-354	416
Closing balance on 21 December 2015.	16 296	0
Reclassification to available for sale instruments	-16 296	0
Closing balance on 31 December 2015.	**-**	**15 511**

The FVTPL financial assets include items that were held for active trading activity. These item included secure and highly liquid financial assets. The remeasurement was done through the income statement.

These financial instruments were classified as held for trading (therefore FVTPL) until 21 December 2015 when the Group decided to reclassify the portfolio to the available for sale category. The reason for the reclassification was that the Group changed the business model and instead of active trading activity the instruments are held for a longer period. The sales of securities occur mainly to balance the portfolio to match the duration of the assets and liabilities. The foresaid decision was made by the Asset Committee and the management of the group on that date. All previously recognized gains and losses remain in the income statement. The revaluation from that date are taken to other comprehensive income.

The main purpose of the composition of the portoflio is to assure the continuous liquidity within one year. The remaining portfolio includes government bonds and treasury bill with fixed interest rate. The annual average yield was 4,87% and 7,44% in year 2015 and 2014, respectively.

NOTE 7: AVAILABLE FOR SALE FINANCIAL ASSETS

	2015	2014
Available for sale financial instruments		
Treasury Bills issued by the Hungarian State	58 044	-
Government Bonds issued by the Hungarian State	16 341	-
	74 385	**-**

	2015	2014
Available for sale financial instruments Treasury Bills issued by the Hungarian State		
Reclassification from FVTPL	58 510	-
Acquisition	0	-
Derecognition at exparation	-500	-
Interest accrued	12	-
Remeasurement	22	-
Closing balance on 31 December 2015.	**58 044**	**-**

	2015	2014
Available for sale financial instruments Government Bonds issued by the Hungarian State		
Reclassification from FVTPL	16 296	-
Acquisition	0	-
Derecognition at exparation	0	-
Interest accrued	19	-
Remeasurement	26	-
Closing balance on 31 December 2015.	**16 341**	**-**

As explained previously the entity reclassified the FVTPL portfolio to the available for sale category (AFS). The entity had no AFS investments previously. The reclassification was done at fair value at the date of the reclassification. The fair value was readily available for that date (based on quoted price). The interest of the AFS instruments was taken to the income statement using the effective interest method, and the changes in the fair value from the date of the reclassification until the end of the reporting period was recognized as other comprehensive income (OCI).

This OCI will be reclassified to the net profit when the underlying financial asset is derecognized.

NOTE 8: TRADE RECEIVABLES AND TRADE PAYABLE RELATING TO GAS MARKET

Accounting policies relating to the trading on the gas market is explained in Note 3. This balance relates to receivables from the participants on the foresaid gas market. These are paid – according to the contract – in less 30 than days. These balances are neither impaired nor past due. The collateral behind the receivable guarantees that the chance of any type of uncollectability is far beyond remote.

The balance of this receivable depend on the trading activity on the market that the entity does not influence.

The liabilities from the gas market are they payable amount that is the other "party" of the clearing transaction. The payables are – by contractual agreement – due on the same day as the corresponding receivable.

The fair value of these receivables and payables are close to their book value.

NOTE 9: TRADE RECEIVABLES FROM CENTRAL COUNTERPARTY AND DEPOSITORY OPERATION

	2015	2014
Receivables relating to clearing and depository activities		
Receivable balance	533	549
Accumulated impairment losses	-39	-24
Receivable balance net of impairment (book value)	**494**	**525**

Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	**-24**	**-15**
Impairment losses recognized in the current period	-28	-15
Impairment losses derecognized in the current period	13	6
Closing accumulated impairment losses	**-39**	**-24**

These trade receivables include the not yet paid part of the rendered CCP, Depository and similar services. The balances are stated at invoiced amounts since they become payable in a short time.

The impairment loss of the receivables is assessed individually due to the low number of the partners and the materiality of the individual balances. The entity calculates the loss based on an aging analysis, but on individual level. This analysis builds on historical evidence and updated frequently.

The impairment loss or gain of the reversal is reported on a separate income statement position, net.

The fair value of these receivables is close to their book value.

NOTE 10: OTHER RECEIVABLES, INCOME TAX RECEIVABLE

	2015	2014
Other receivables		
Other income	75	76
Tax receivables (other than income taxes)	10	36
Sundry other receivables	106	208
	191	**320**

The material items within tax receivables are value added tax receivable, local taxes and sundry other items. All tax balances are related to the Hungarian Tax Authority.

The income tax receivable is disclosed on a separate balance sheet position (82 MHUF, 2014: 120 MHUF). The entity considers corporate income tax and for KELER Depository Ltd. local tax and innovation contribution to be income tax for accounting purposes.

These receivables do not yield interest and they are all to be received within one year. They are not impaired nor past due. The fair value of these receivables is the same with the book value.

NOTE 11: RECEIVABLES FROM FOREIGN CLEARING HOUSES

KELER CCP as a general clearing member of the ECC is entitled to provide power market non-clearing membership services from 1 July 2010 on the spot power market, and 1 July 2011 on the futures power market. According to the GCM status clearing members have to comply with specified margin and collective guarantee requirements of ECC. During 2013 ECC introduced the daily spot margining system and a new margin calculation method which resulted a relatively high amount of margin call towards KELER CCP.

The receivable is denominated in euro. In the original currency the receivable from power market is: 19 410 216 EUR on 31 December 2015 (23 397 047 EUR in 2014)

The fair value of this receivable is the book value. This receivable is not impaired.

NOTE 12: INTANGIBLE ASSETS

Intangible assets				
Cost	**Concessions and similar rights**	**Goodwill**	**Intellectual property**	**Total**
Balance as on 1 January 2015	108	47	8 186	8 341
Additions	20	0	1 130	1 150
Disposals	0	0	126	126
Balance as on 31 December 2015	128	47	9 190	9 365
Cumulated Depreciation and Amortization				
Balance as on 1 January 2015	104	47	6 265	6 416
Additions	0	0	514	514
Disposals	0	0	0	0
Balance as on 31 December 2015	104	47	6 779	6 930
Net book value				
Balance as on 1 January 2015	4	0	1 921	1 925
Balance as on 31 December 2015	24	0	2 411	2 435

Intangible assets				
Cost	**Concessions and similar rights**	**Goodwill**	**Intellectual property**	**Total**
Balance as on 1 January 2014	110	47	7 434	7 591
Additions	4	0	1 092	1 096
Disposals	6	0	340	346
Balance as on 31 December 2014	108	47	8 186	8 341
Cumulated Depreciation and Amortization				
Balance as on 1 January 2014	104	47	5 745	5 896
Additions	0	0	542	542
Disposals	0	0	22	22
Balance as on 31 December 2014	104	47	6 265	6 416
Net book value				
Balance as on 1 January 2014	6	0	1 689	1 695
Balance as on 31 December 2014	4	0	1 921	1 925

Impairment review of the not yet completed intangible assets:

KELER Depository is in the process of developing a new software (BANCS) to support the daily operation of the Group. The cost of the development was assessed to be eligible for capitalization on 30st August 2013. The asset is currently not amortized since it is not yet ready for use. The expected year of completion is 2016. The not yet finished development was tested for impairment as required by IAS 36 Impairment of Assets, regardless of the signs.

The recoverable amount of the asset is calculated based on the value in use, since it is reasonable to assume that the asset is not going to be sold. The value in use is based on net present value calculations. This calculation is prepared based on the following assumptions:

/ the revenues attributable to this project is taken into consideration for the next five years;

/ the cash flows for the same period (5 years) is also assessed (since this project is still on going the capital expenditures to complete the project is included in the calculation);

/ cash flows after the 5th year is included in the terminal value of the project.

/ The above cash flows are than discounted using the weighted average cost of capital of KELER (which was derived from wiedly available comparative data).

Based on that calculation the Group concluded that The asset was not impaired at the end of the reporting period.

BANCS software book value and impairment test	
Intangible asset recognised – 2013	278
Intangible asset recognised – 2014	487
Intangible asset recognised – 2015	655
	1 420

The other intangible assets – softwares and rights – are not material individually.

NOTE 13: PROPERTY PLANT AND EQUIPMENT

Property plant and equipment			
Cost	Buildings and improvements	Machinery and equipments	Total
Balance as on 1 January 2015	122	1 660	1 782
Purchases	0	204	204
Sales	0	40	40
Balance as on 31 December 2015	122	1 824	1 946
Cumulated Depreciation and Amortization			
Balance as on 1 January 2015	68	1 245	1 313
Purchases	3	150	156
Sales	0	10	13
Balance as on 31 December 2015	71	1 385	1 456
Net book value			
Balance as on 1 January 2015	54	415	469
Balance as on 31 December 2015	51	439	490

Property plant and equipment			
Cost	Buildings and improvements	Machinery and equipments	Total
Balance as on 1 January 2014	363	1 691	2 054
Purchases	64	1 194	1 258
Sales	305	1 225	1 530
Balance as on 31 December 2014	122	1 660	1 782
Cumulated Depreciation and Amortization			
Balance as on 1 January 2014	327	1 371	1 698
Purchases	39	146	185
Sales	298	272	570
Balance as on 31 December 2014	68	1 245	1 313
Net book value			
Balance as on 1 January 2014	36	320	356
Balance as on 31 December 2014	54	415	469

The above items contribute to the business activity. The buildings and improvements include improvements on leasehold property (the headquarter office of Group). These improvement include incentives received from the lessor (original value: 33 MHUF). The lessor – in order to encourage the entry in the lease agreement – purchased certain items for the Group. These items may only be used by the Group (they are built in the leased property). As the Group concluded that these assets are controlled by them they recognized them as non current asset. The income relating to this is deferred. The deferred income is released in line with the deprecation charged for these received assets.

The majority of the machinery and equipment are computers, servers and similar IT equipment that is customized for the activity of the Group. A smaller portion of this position is fixtures and fittings for the administrative activity.

Currently there are no commitment to purchase tangible assets. There are no pledges or similar items limiting the transfer or use of these assets.

The depreciation is taken to the income statement.

NOTE 14: TRADE PAYABLE

Payables from other activities that are not classified to other positions are under trade payables. These amounts are usually due within 60 days. The trade payables are mainly denominated in HUF and in EUR.

NOTE 15: OTHER PAYABLES

	2015	2014
Other payables		
Accrued expenses	208	354
Other Taxes payable	70	63
Sundry other expenses	145	80
Financial guarantee contract	4	0
	428	**497**

The accrued expenses consist of sundry expenses that relate to this period but they were not yet invoiced, incurred. The liabilities due to discounts include items that were granted t1o clients based on their activity in the previous periods. These discounts are calculated at the end of the period and deducted from the revenues.

The above table does not include the income tax payable that is presented in a separate position (2015: 2 MHUF, 2014: 1 MHUF). This income tax relates to the foreign subsidiary in Luxembourg and must be settled with that tax authority.

The balance of this liability includes a financial guarantee contract liability due to the central counterparty actvitiy of the Group. The nature of the activity of the Group requires to cover all the risk that are coming from default events (ie. that the central counterparty [entity] must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). To ensure the source of these payments the entity operates guarantee system with several funds collected from the participants of the markets. These funds are based on calculations which are not designed to provide full coverage (ie. it is impossible to provide 100% guarantee). Starting from 2015 the entity decided to set up a separate liability to reflect this. To deal with the statistically uncovered exposure the entity recognizes a financial guarantee contract liability based on the available collateral and the probability of a loss event regardless how small this probability is.

NOTE 16: DEPOSITS FROM CUSTOMERS, FINANCIAL GUARANTEE CONTRACT

Deposits from customers	**2015**	**2014**
Interest-bearing		
Within one year in HUF	113 578	153 106
Within one year in foreign currency	7 172	10 761
Non interest-bearing		
Within one year in HUF	129	156
Within one year in foreign currency	19 334	23 591
	140 213	**187 614**
Accrued interest	**62**	**228**

These balances include the deposits of the customers. These balance are available for the customers for immediate withdrawal.

The deposits are stated at amortized cost (the fair value of these liabilities are close to their book value).

The Group paid an annual average rate of 1.13% and 1.82% in year 2015 and 2014 for the HUF interest-bearing deposits. In 2015 and 2014, the Group did not pay interests for the foreign exchange deposits.

NOTE 17: GUARANTEE FUND LIABILITIES

	2015	**2014**
Liabilities for Guarantee Funds		
Exchange Settlement Fund	1 691	671
Collective Guarantee Fund	1 193	522
Gas Market Collective Guarantee Fund	1 465	1 624
CEEGEX Market Collective Guarantee Fund	45	40
Less own contribution	-20	-
	4 374	**2 857**

As an element of the guarantee system, KELER CCP operates several collective guarantee funds. The purpose of the guarantee fund is to reduce the risk arising from default or failure of cleared and guaranteed transactions made by the Clearing Members. Contributions of the Members are kept in cash on 31. December.

The amount of the above contributions depends on the member's activity on the given market. Therefore these amounts are changing frequently.

The collected amounts are subject to interest. Interest is paid on a regular basis. These liabilities are recognized at amortized cost which is equal to their fair value.

Since the entity itself transacts on the above markets, it must have contributed to these funds. The own contribution for this fund was removed from the liability and on the other hand no receivable were recognized (the positions were netted).

The changes in the FGC is recognized in the income statement.

NOTE 18: DEFERRED TAXES

When calculating deferred taxes, the entity compares the amounts to be considered for taxation purposes with the carrying value for each asset and liability. If the difference is reversible (i.e. the difference is equalized in the foreseeable future), then a deferred tax liability or asset is recorded in a positive or negative amount as appropriate. Recoverability was separately examined by the entity when recording each asset.

When computing taxes, the entity used a 10% rate upon reversal for both years at CCP activity (that is a separate entity) and 16,67 for the depository activity (also organized as a separate entity) as the assets and liabilities in question will turn into actual taxes in periods when the tax rate is expected to be the foresaid average amount. Due to the lack of actual transactions deferred tax assets of the Luxembourg operation was not recognized.

Deferred tax assets are supported by a tax strategy which confirms that the asset is expected to be recovered based on the information available.

The change in deferred taxes was recognized in the income statement and for the available for sale financial instruments in the other comprehensive income.

The tax balances and temporary differences for 2015 are as follows:

	Tax base	Book value	Deductible, taxable difference	Deferred tax through income statement	Deferred tax through OCI
Cash and cash equivalents	97 393	97 393	0	0	0
Trade receivables	5 642	5 637	-4	0	0
Other receivables	6 873	6 443	-430	72	0
Fair value through profit or loss financial assets	72 190	74 329	2 138	-359	0
Available for sale financial assets	72 190	72 236	46	0	-8
Property, plant and equipment	216	491	274	-46	0
Intangible assets	2 670	2 814	144	-24	0
Trade payables	5 307	5 307	0	0	0
Accruals and other liabilities	151 215	151 262	-47	7	0
General risk reserve	122	0	122	-20	0
Financial guarantee contract liability	0	4	-4	0	0
Deferred tax assets	–	–	–	2	0
Deferred tax assets liability	–	–	–	-371	-8

Deferred tax balances are not discounted.

The entity does not except material changes in the taxation environment in the foreseeable future.

NOTE 19: SHARE CAPITAL

There was no change in the share capital of the Company compared to the prior year. The share capital consists of 900 shares with nominal (par) value of HUF 5 million per share as on 31 December 2015. All 900 shares have been authorized, issued and fully paid.

Share capital

	2015	2014
Magyar Nemzeti Bank (National Bank of Hungary)	2 400	2 400
Budapesti Értéktőzsde (Budapest Stock Exchange)	2 100	2 100
	4 500	**4 500**

There are no special rights or limitations attributed to shareholders by these shares.

Magyar Nemzeti Bank (National Bank of Hungary) held 53.33% of the shares directly and 3.24% indirectly as on 31 December 2015 and 31 December 2014.

Budapesti Értéktőzsde (Budapest Stock Exchange) held 46.67% of the shares directly as on 31 December 2015 and 31 December 2014.

Non-controlling interest represents the 0.13% share of BSE in KELER CCP (0,13% in year 2014).

NOTE 20: STATUTORY RESERVES

Statutory Reserves

	2015	2014
General reserve	2 333	2 165
General risk reserve	122	122
	2 455	**2 287**

These reserves are recognised due to legislative requirements. Certain regulation requires the Parent company to transfer from earnings certain amounts to these reserves, so they will not be available for distribution.

General reserve

The General reserve is 10% of the profit after taxes (computed according to HAS). This general reserve may only be used to cover losses (if retained earnings becomes negative).

General risk reserve

The general risk reserve (computed from the profit before taxes) shall not be accumulated any more. The remaining balance shall be released to retained earnings if the Parent company uses it.

Accumulated translation difference

The retranslation of the foreign activity (the Luxembourg subsidiary) was done using the closing rate method. The difference arising on the retranslation is accumulated in a separate reserve in equity. This reserve is reclassified to the income statement when the subsidiary is disposed.

Available for sale revaluation reserve

The revaluation reserve includes the effect of the remeasurement of the AFS items. This reserve is recycled into the net income when the underlying asset is derecognized. Due to the recent reclassification of the portfolio to this category this reserve only includes the value change of the assets between 21st December 2015 and yearend. No temporary impairment losses were recognized yet.

NOTE 21: STATEMENT OF FINANCIAL POSITION CATEGORIES BASED ON CURRENT-NON CURRENT DISTINCTION

The entity presents it's consolidated statement of financial position in liquidity order. The reason for that is that the Parent company (the most significant company) is a financial institution and as such it is usual to follow this order. The statement of financial position based on the current – non current distinction is the following.

	2015	2014
Non current assets	2 925	2 394
Current assets	177 407	229 853
Short term liabilities	150 510	203 832
Financed by:		
Long term liabilities	51	0
Owners' equity (net assets)	29 771	28 415

NOTE 22: INCOME FROM CLEARING AND DEPOSITORY ACTIVITY

	2015	2014
Income from clearing and depository activity		
Clearing and depository fees	2 473	2 393
Other commission income	630	672
Transaction fees	1 095	947
Security transaction fees	742	699
Account maintenance fees	121	141
	5 061	**4 852**

One of the main revenue generating activity of the Group is the fee income from acting as a central counterparty on several markets and as central depository. These revenues are allocated to the period when the service is provided.

NOTE 23: NET INTEREST INCOME

Interest income		
	2015	**2014**
Loans	167	173
Due from banks and balances with the National Bank of Hungary and other banks	2 246	1 029
Held for trading securities	1 280	2 978
	3 693	**4 180**
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	-213	-299
Deposits from customers	-1 694	-2 048
	-1 907	**-2 347**
NET INTEREST INCOME	**1 786**	**1 833**

The other revenue generating activity of the Group is – as a financial institution – to invest free financial assets to gain from net interest. The deposits of the clients are placed on the market to reach maximum yield. Gain from this activity is calculated on net basis

NOTE 24: GAINS AND LOSSES FROM TRADING WITH SECURITIES

	2015	2014
Gains and losses from trading and holding securities		
Realised gain on trading, net	378	727
Revaluation of FVTPL financial assets	-742	0
	-364	**727**

This position in the statement of comprehensive income includes the realized and not realized gains from trading and holding treasury bills and government bonds. The revaluation gains of treasury bills and government bonds until 21st December 2015 was taken to the net profit to this position. Later all of these trading securities are reclassified to available-for-sale without reversing any previous revaluation gains.

NOTE 25: BANK FEES, COMISSION AND SIMILAR ITEMS

This position fees, commissions charged by other financial institutions and the stock exchange for the activities of the entity.

NOTE 26: PERSONNEL EXPENSES

	2015	2014
Personnel expenses		
Wages	1 359	1252
Base wages	1 139	975
Bonuses	220	277
Social security and other contributions	441	400
Other cost of personnel	239	206
	2 038	**1 858**

All the personal expenses are relating to short term employe benefits - including accumulating paid leaves - except the jubile bonuses wich is a long term employe benefit.

The average number of employees was 147 on 31 December 2015 (137 in 2014).

NOTE 27: EXPERT, TELECOMMUNICATION, IT-SUPPORT FEES AND OTHER OPERATING EXPENSES

The Group is classifies it's operation expenses according to the type of the cost incurred. Material items (like expert fees, telco fees and IT-support) are disclosed seprately on the face of the statement of comprehensive income.

The other expenses are those operational items that do not fall into the previous categories. The breakdown of that line is the following:

	2015	2014
Other expenses		
Contracted services	282	220
Development costs	252	0
Taxes	111	183
Rental fees	110	160
Fees paid to authorities	84	33
Lowyer's fee	77	76
Fees paid for education	53	45
Material type expenses	48	60
Insurance fees	12	10
Marketing cost	10	6
Other	28	195
	1 067	**988**

NOTE 28: OTHER INCOME AND EXPENSES, FINANCIAL INCOME AND EXPENSES

Certain sundry incomes and expenses that cannot be classified as operating activities or do not relate to the activity of the Group are presented as other incomes and expenses. These items include gains and losses on disposing property, plant and equipment.

Foreign exchange gains and losses are presented as financial income and expenses together with net interest income of those entities of the group whose core activity does not include banking

NOTE 29: INCOME TAX EXPENSE

The entity considers corporate income tax and for KELER Depository Ltd. only local tax and innovation contribution to be income tax for accounting purposes.

The corporate income tax rate was 19% and 10% (up to HUF 500 million profit) in Hungary in 2015 and 2014. The local tax is 2%, and for the innovation contribution it is 0,3%. The tax base of latter two is derived from the gross profit (actual gross profit or in case of the depository activity the net interest).

A breakdown of the income tax expense is:

	2015	2014
Income Taxes		
Current corporate income tax	380	413
Deferred corporate income tax	-148	78
Local tax	132	131
Innovation contribution	20	19
	383	**641**

The details about the deferred tax is in Note 18.

NOTE 30: OTHER COMPREHENSIVE INCOME

The other comprehensive income includes two elements. The revaluation of the available for sale financial instruments and the retranslation of the foreign operation to the functional currency of the Parent.

Both balances to be reclassified to the income statement when the financial instruments are derecognised or the foreign operation is disposed.

	2015	2014
Income Taxes		
Remeasurement gain on AFS finanical assets	40	-
Retranslation of foreign operation	0	-
	40	**-**

NOTE 31: SECURITIES SAFEGUARDED AND DEPOSITED; OFF BALANCE SHEET ITEMS

Foreign securities means amounts in security accounts of the counterparties.

	NOMINAL VALUE	
	31.12 2015	31.12 2014
SECURITIES		
Physical securities		
Physical securities HUF	365 678	144 733
Physical securities CHF	1 600	1 448
Physical securities USD	9	8
	367 287	**146 189**
Dematerialized securities		
Dematerialized sec. HUF	25 985 557	25 559 222
Dematerialized sec. AUD	612	75
Dematerialized sec. CAD	108	227
Dematerialized sec. CHF	41 943	41 397
Dematerialized sec. CZK	96 390	74 775
Dematerialized sec. EUR	2 522 650	2 348 691
Dematerialized sec. GBP	1 872	1 858
Dematerialized sec. HKD	41	26
Dematerialized sec. NOK	36	3
Dematerialized sec. PLN	66 832	20 284
Dematerialized sec. SEK	11	1
Dematerialized sec. SGD	12	11
Dematerialized sec. TRY	121	248
Dematerialized sec. USD	448 496	239 113
Dematerialized sec. ZAR	1	0
	29 164 682	**28 285 931**
	29 531 969	**28 432 120**

NOTE 32: OFF BALANCE SHEET ITEMS

	2015	2014
Guarantees received		
Cash in HUF	14 009	24 287
Cash in foreign currency	8 151	11 235
Security	24 083	29 170
Bank guarantee	3 263	3 290
	49 506	**67 982**

	2015	2014
Specific safeguards		
Cash in foreign currency	6 078	7 459
Bank guarantee	43	43
	6 121	**7 502**

NOTE 33: RELATED PARTY TRANSACTIONS

The Group provided housing loans to management. The outstanding amount was HUF 5 million as at 31 December 2015 and HUF 5 million as at 31 December 2014 respectively.

A number of transactions are entered into with related parties and owners of the Group in the normal course of business. These include deposit placed and services provided. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows.

Central Bank of Hungary		
	2015	2014
Term deposit placements	64 480	146 714
	64 480	**146 714**
Interest income	2 073	962
Other income	0	0
	2 073	**962**
Bank account costs	13	12
Other costs	2	0
	15	**12**

Members of the key managements are related parties.

Key management (during the period preparing the financial statements) :

Board of Directors

Lantos Csaba, chairman of BoD (till 22nd December 2015)
Dudás György, chief executive officer
Brauner Margit, director of operation
Vonnák Balázs, member of BoD (till 29th May 2015)
Nagy Márton, member of BoD (from 1st June 2015)
Tóth Attila, member of BoD
Katona Zsolt, member of BoD
Balogh Csaba Kornél, member of BoD

Supervisory Board:

Bartha Lajos, chairman of SB
Georg Zinner Varga Lóránt
Varga-Balázs Attila

Related parties (key management) benefits in 2015:

	Board of Directors	Supervisory Board	Total
Salary and similar	104	15	119
Fringe benefits	41	0	41
Sum	145	15	160

Related parties (key management) benefits in 2014:

	Board of Directors	Supervisory Board	Total
Salary and similar	91	12	103
Fringe benefits	44	0	44
Sum	135	12	147

These are all short term employee benefits.

NOTE 34: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Classification of financial instruments

31 December 2015

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	–	69 181	–	–	**69 181**	**69 181**
Placements with other banks	–	22 077	–	–	**22 077**	**22 077**
Available for sale financial assets	–	–	74 385	–	**74 385**	**74 385**
Receivables relating to clearing and depository activities	–	11 489	–	–	**11 489**	**11 489**
Deposits from customers	–	–	–	144 649	**144 649**	**144 649**
Accounts payable	–	–	–	5 103	**5 103**	**5 103**

31 December 2014

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	–	156 804	–	–	**156 804**	**156 804**
Placements with other banks	–	23 910	–	–	**23 910**	**23 910**
Financial assets at fair value through profit and loss	28 783	–	–	–	**28 783**	**28 783**
Receivables relating to clearing and depository activities	–	19 916	–	–	**19 916**	**19 916**
Deposits from customers	–	–	–	190 699	**190 699**	**190 699**
Accounts payable	–	–	–	12 117	**12 117**	**12 117**

b) Assets and liabilities measured at fair value – Fair value hierarchy

Assets and liabilities measured at fair value – Fair value hierarchy | As on 31 December 2015

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets available for sale	–	74 385	–	74 385

Assets and liabilities measured at fair value – Fair value hierarchy | As on 31 December 2014

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets at fair value through FVTPL items	–	28 783	–	28 783

c) Assets and liabilities measured at non-fair value – Fair value hierarchy

Assets and liabilities measured at non-fair value – Fair value hierarchy | As on 31 December 2015				
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	69 181	–	–	69 181
Placements with other banks	–	–	22 077	22 077
Receivables relating to clearing and depository activities	–	–	11 489	11 489
Deposits from customers	–	–	144 649	144 649
Accounts payable	–	–	5 103	5 103

Assets and liabilities measured at non-fair value – Fair value hierarchy | As on 31 December 2014				
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	156 804	–	–	156 804
Placements with other banks	–	–	23 910	23 910
Receivables relating to clearing and depository activities	–	–	19 916	19 916
Deposits from customers	–	–	190 699	190 699
Accounts payable	–	–	12 117	12 117

NOTE 35: SUBSEQUENT EVENTS

An extraordinary general shareholder's meeting was held on 8th January 2016, where certain members of the Board and the Supervisory Board were replaced.

The management proposes a zero dividend. These consolidated financial statements were approved by the Board of Directors on 4 May 2016. The financial statements are subject to shareholders' approval on the General Meeting to be held 25 May 2016.

NOTE 36: APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 4 May 2016.

NOTE 37: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The potential impact of revised IFRSs and IFRICs becoming effective after the reporting date on the Group's financial statements are described below in detail. The potential impact of ongoing amendments to IFRSs and IFRICs at the reporting date is not examined in detail as they do not have a significant impact on the financial statement and disregarding them will not affect the decisions of the users of the financial statements.

The following standards and interpretations (including amendments thereto) will become effective in FY 2015

Changes due to improvements to IFRSs in the 2010-2012 and 2011-2013 cycles

Minor adjustments were made to the following standards as part of the above improvements cycles.

As for the share-based payments standard, the definitions of 'vesting condition' and 'market condition' were amended and the definitions of 'performance condition' and a 'service condition' were added to the standard (no such distinction had been made previously). This amendment is applicable to services provided after 1 July 2014 and is not applicable to those currently outstanding.

Under the clarification relating to IFRS 3, contingent consideration is measured at fair value and all changes (regardless of how they are manifested) are recognized in profit or loss. The amendment is applicable for business combinations after 1 July 2014. The Group incorporated this rule in its accounting policies.

A scope exception under IFRS 3 applies to the separate financial statements of joint arrangements upon formation. Since the Group does not have any joint arrangements, this amendment has no impact.

IFRS 8 Operating Segments was clarified and a requirement was introduced which provides that, when certain segments are aggregated, the judgements made in doing so shall be disclosed; in addition, it was clarified that the reconciliation of the reportable segments' assets and the entity's total assets shall only be provided if it is examined by the chief operating decision-maker. This amendment does not result in a change in the current accounting policies as the Group already reports segment assets and will continue to do so in the future as well.

In terms of IFRS 13, it was confirmed that current receivables and payables with no stated interest rate may be measured at nominal value, provided that the impact of discounting is minimal. The standard was amended in regards to the so-called portfolio exception as well, allowing a group of financial assets and financial liabilities to be measured at fair value on a net basis (even if other standards do not allow offsetting in their case). The first topic (measurement of current items) is relevant to the Group. The Group already applies this approach to such assets. Under IFRS 13, portfolio valuation is permitted for a group of financial assets and liabilities even if such items should be recognised in accordance with IAS 39 but do not fit the definition of financial instruments.

IAS 16 and IAS 38 were clarified with respect to the new revaluation methodology. The amendment ensures the consistency of the new revaluation model and the method of recognising depreciation. (The Group does not use the revaluation model, which means that this amendment has no impact.)

For IAS 24, it was clarified that entities providing management personnel services which are related to a member of the Group qualify as related parties, which means that items payable (paid) to them shall be recognised and further disclosure requirements required under IAS 24 apply. However, payments made by such service providers to their own employees need not be presented. No such service providers are currently members of the Group.

As for IAS 40 and IFRS 3, it was clarified that neither standard is exclusively applicable to business combinations and both standards shall be applied at the same time when classifying real estate and in terms of the applicability of acquisition accounting. This amendment is not relevant to the Group.

Employee contributions to defined benefit plans (amendments to IAS 19)

The amendment to the standard impacts annual periods beginning after 1 July 2014 and regulates the accounting of contributions of employees (or third parties) to defined benefit plans. The rules make a distinction between contributions linked to and independent from the number of years of service. The Group does not operate a defined benefit scheme; therefore, this amendment has no impact.

Standards issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace the current IAS 39 standard. According to the 2014 amendments, the application of this standard is mandatory as of 1 January 2018. The Group has certain financial instruments (which are all debts instruments) that are valued at fair value since they are available for sale. That category will not exist in the upcoming standard. The Group concluded that these financial instruments are held to ensure the liquidity needs of the Group and also to yield considerable profit by holding these instruments. Therefore the business model is both 1) to hold these assets and 2) the trade with them. These instruments will most likely be classified as debts instruments in the fair value through other comprehensive income (FVTOCI) category. This means that these items will be remeasured at the end of every period with the gain or loss taken to OCI. This OCI will be reclassified to the net profit when the item will be derecognized.

The Group concluded that in case of the other financial instruments no change is expected to happen in terms of classification and measurement (other debt instruments are going to be classified as financial instruments at amortized cost).

IFRS 9 also reconsidered the impairment of financial instruments, introducing the expected loss model. Instead of incurred (actual) losses, the basis of accounting will be the expected loss. The expected loss model allows for an earlier recognition of impairment losses. The approved model contains a simplified method allowing entities to use simplified rules instead of the complex ones for certain financial assets (e.g. trade receivables and similar instruments). This solution is expected to be very similar to the approach which is already adopted by the entity in respect of such instruments. Since these items represent by far the largest share in the entity's financial instruments, adoption is not likely to have any significant numeric impact, although the calculation of such an impact is still in progress.

IFRS 9 also contains new regulations regarding hedge accounting which provide that a much wider range of relationships (economic events) will qualify for hedge accounting and the previously applicable compliance criteria (hedge effectiveness and evidence for the existence of effectiveness) will be less strict. The Group does not apply hedge accounting, which means that this change cannot have any impact on the financial statements.

IFRS 9 has not yet been endorsed by the EU and the Group is not planning to early apply IFRS 9 even if EU endorses it before the compulsory date of initial application.

IFRS 14 Regulatory Deferral Accounts

The new standard presents the conditions and approaches for the recognition and deferral of income and expenses for entities with rate-regulated activities. The standard will be effective as of 2016 and is not expected to have a significant impact on the Group as it is not engaged in an industry where such an impact is relevant. In addition, this temporary standard will likely not be endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers

This standard contains conceptual changes regarding the methodology for recognising revenue. The mandatory effective date of the standard is 1 January 2018. A range of standards and interpretations are no longer effective as a result of the amendment:

/ IAS 18 Revenue

/ IAS 11 Construction Contracts

/ IFRIC 13 Customer Loyalty Programmes

/ IFRIC 15 Agreements for the Construction of Real Estate

/ IFRIC 18 Transfers of Assets from Customers

/ SIC 31 Barter Transactions Involving Advertising Services

IFRS 15 provides a single model for revenues derived from contracts. The standard uses a single five-step model to determine the amount and timing of revenue recognition. This standard contains explicit requirements for situations where multiple items are transferred to a customer at once. IFRS 15 provides two methods for the timing of recognising revenue: recognition at a point in time or over time. IFRS 15 also introduces guidance on the treatment of costs associated with the acquisition of contracts and their provision (not elsewhere classified).

According to the Group's preliminary calculations, the amendments to IFRS 15 will not have a material impact on the Group's financial statements as it already recognises revenue from its goods and services in accordance with the principles set out in the standard. The Group will perform the final calculations for the 2016 financial year to allow a possible adoption in 2018 to be carried out efficiently.

The standard has not yet been endorsed by the EU and the Group is not planning to adopt the standard before the mandatory application date.

Leases (IFRS 16)

The Leases standard fundamentally changes the accounting treatment of leases: as a general rule, all leased items are recognised by the lessee as an asset in its statement of financial position, along with the related lease liability. Operating leases as a category will be effectively abolished. The accounting treatment on the lessor's side is not subject to change, but the classification of leases will be. In addition to the fundamental changes, the new standard also amends measurement rules and allows a wider range of variable items to be included in the calculation of lease fees. Furthermore, the definition of lease is also subject to change and certain capacity usage contracts will no longer qualify as leases. The application of the standard will be mandatory as from 2019.

The Group is currently examining the other potential changes in its financial statements that the standard may cause. This standard has not yet been endorsed by the EU.

Acquisition of an interest in a joint operation (amendments to IFRS 11)

The amendment clarifies the treatment of the acquisition of an interest in a joint operation which qualifies as a business under IFRS 3. In such cases, the guidance provided in IFRS 3 Business Combinations is applicable, along with other relevant standards (impairment losses, disclosures, etc.). However, on the formation of the joint operation, this rule will be applicable only if a member of the joint operation contributes a business on the formation of the operation. This guidance is applicable prospectively as of 1 January 2016. The Group has no joint arrangements and, as a result, no changes are involved.

Changes in the rules concerning depreciation methods (amendments to IAS 16 and IAS 38)

The amendments to the standards clarify that the revenue-based depreciation method is generally not applicable, except for cases where a direct relationship exists between the wear and tear of the asset and revenue. The Group does not adopt revenue-based depreciation and, therefore, this amendment (which is applicable prospectively as from 2016) will not have an impact on the Group's financial statements.

Amendment concerning bearer plants (amendments to IAS 41 and IAS 16)

Biological assets which are used in the production of agricultural produce and are expected to be in use for several years and are not likely to be sold will be regulated by IAS 16 instead of IAS 41 as of 1 January 2016, despite being live plants. The amendment requires retrospective application. The Group does not possess such assets, which means that these amendments have no impact on the financial statements.

Amendments concerning the presentation of financial statements (amendments to IAS 1)

The amendment to IAS 1 clarifies that information which is not material need not be presented in the financial statements. Therefore, it generally allows the preparer of the financial statements to exercise judgement when determining the scope of information to be disclosed. IAS 1 formulates the principle that immaterial figures may be aggregated and, vice versa, material balances of different nature should be presented separately.

The amendment clarifies that items relating to associates and joint ventures consolidated using the equity method should be presented separately within other comprehensive income.

Based on preliminary review, the proposed amendment will not impact the Group's financial statements.

Equity method in separate financial statements (amendments to IAS 27)

IAS 27 has been amended in such a way that, in addition to fair value measurement and measurement at cost, amounts derived using the equity method will also be accepted as a basis for measurement subsequent to initial recognition.

The Group does not currently prepare separate financial statements under IFRS and, therefore, this amendment does not have any direct impact on these financial statements at the moment.

Contribution of assets between an investor and its associate or joint venture

IFRS 10, IFRS 12 and IAS 28 have been amended so as to clarify the treatment of such events.

Any gain or loss on assets sold to an associate must be recognised by the investor in profit or loss in proportion to the share that the remaining members of the associate possess in that associate (provided that the assets contributed do not constitute a business under IFRS 3).

If the assets do constitute a business, the investor should recognise the entire amount of profit or loss.

Similarly, if an entity contributes a former associate which does not qualify as a business to one of the entity's associates or joint ventures, the resulting gain or loss will be recognised in proportion to the share of the remaining members. The amendment is effective as from January 2016. This amendment is not expected to have any impact on the Group's financial statements.

Investment entities (IFRS 10)

A clarification involving investment entities (which may not consolidate their investments in subsidiaries and instead must measure them at fair value) is that group companies providing investment, administrative and other similar services do not qualify as investments; therefore, these shall be consolidated in accordance with the general rules. The amendment is applicable as from 1 January 2016. The Group is not an investment entity and, as a result, this amendment is not expected to require significant changes to be made.

Changes in disclosure requirements relating to the statement of cash flows (amendments to IAS 7)

In connection with the statement of cash flows, the amendment requires entities to present both cash flow related and non-cash flow related reasons behind current-year changes in liabilities assumed for financing purposes. The amendment will be effective as from 1 January 2017 and will have an impact on the Group's financial statements (provided that the EU endorses the standard) as the Group possesses liabilities of such nature (e.g. bonds, non-current borrowings, etc.).

Amendment relating to losses carried forward (amendments to IAS 12)

IAS 12 clarifies the circumstances under which entities may recognise deferred tax assets arising from losses carried forward. The amendment will be effective as from 2017. The Group is currently assessing the impact this amendment is going to have on its financial statements.

18 / Organizational Structure of KELER

* Client Relations and Marketing - before 12 October 2015.
** Strategy and Product Management - before 12 October 2015.
*** Operates as of 2 May 2015.

19 / Management

Margit Brauner
Director

Operations

Károly Mátrai
Director

Risk Management
and Finance

András Katkó
Director

IT

Péter Csiszér
Director

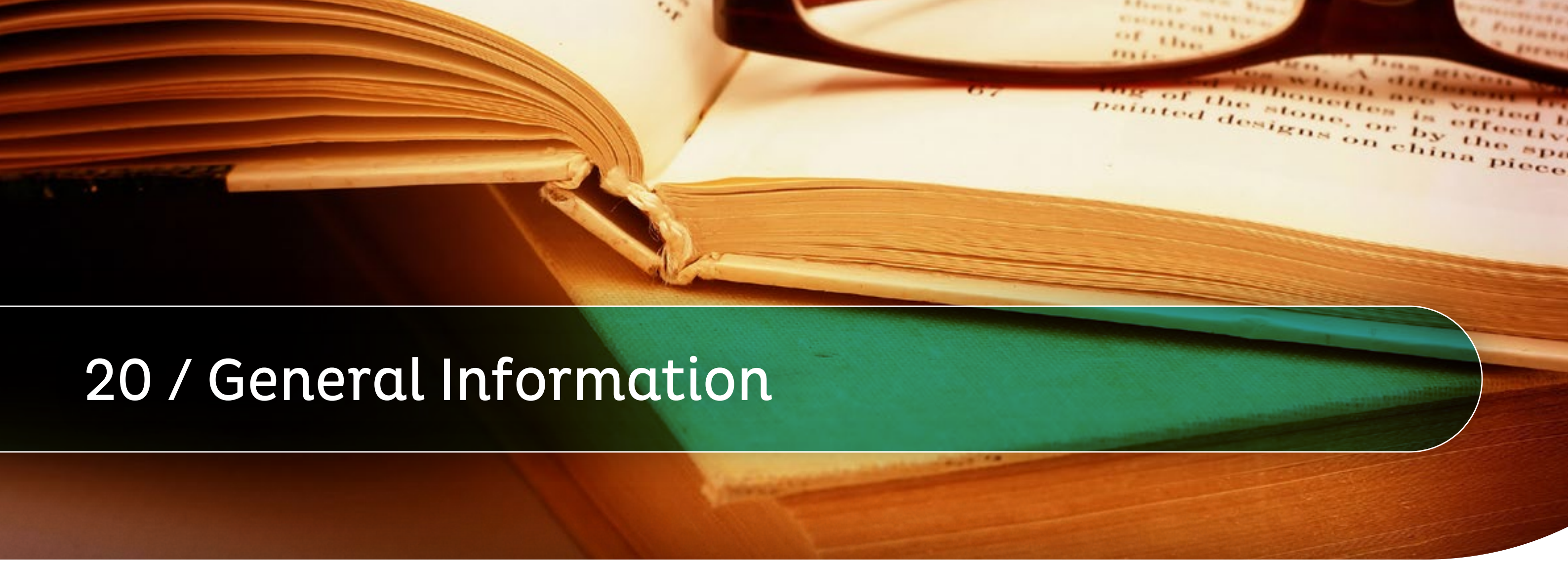
Strategy and
Client Relations

György Dudás
Chief Executive Officer

Sándor Szala
Deputy Director

Strategy and
Client Relations

as of 12 October 2015.



20 / General Information

Effective between January 1, 2015 and December 31, 2015

Ownership structure

Shareholders	Financial contribution	Ownership ratio
National Bank of Hungary (NBH)	HUF 2 400 000 000	53,33%
Budapest Stock Exchange (BSE)	HUF 2 100 000 000	46,67%
Total	HUF 4 500 000 000	100,00%

Members of the Board of Directors in 2015

Csaba Kornél Balogh
Margit Brauner
György Dudás
Zsolt Katona
Csaba Lantos
Balázs Vonnák*
Attila Tóth
Márton István Nagy**

*Membership ended on May 31, 2015
**Membership started on June 1, 2015

Members of the Supervisory Board in 2015

Lajos Bartha
Lóránt Varga
Georg Zinner
Attila Varga-Balázs

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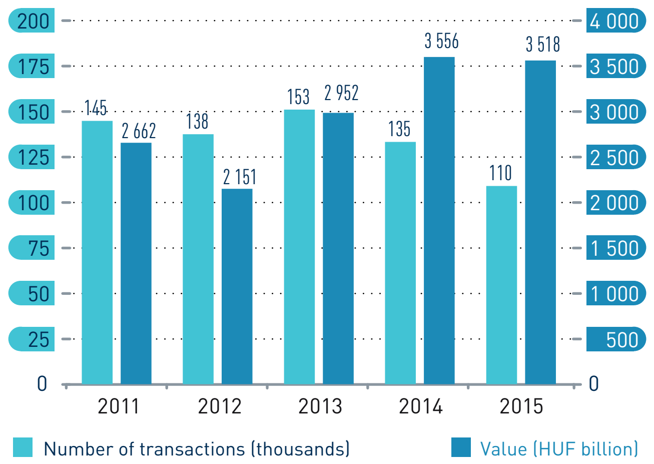
Monday to Friday
from 9.00 hrs until 15.00 hrs
Phone: (+36-1) 483-6240

Service Desk

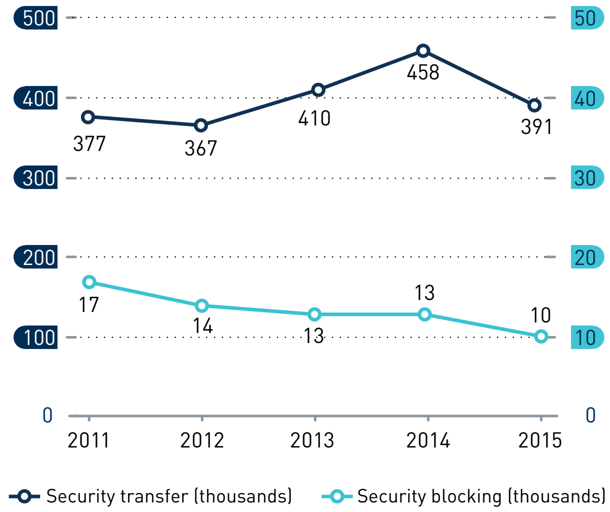
Available from 7.00 hrs until 20.00 hrs
Phone: (+36-1) 483-6228
or (+36-1) 483-6120

21 / Other statistics

Outgoing and incoming payments from/to client cash accounts with KELER / 2011 - 2015

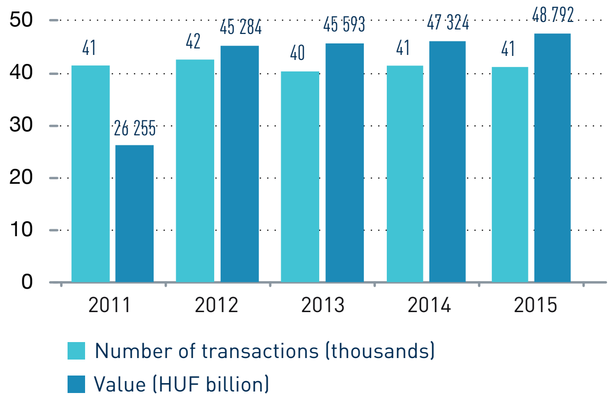


Number of other securities transactions 2011 - 2015

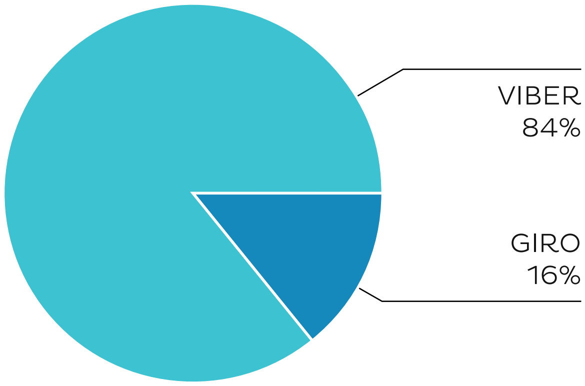


In-house debits and credits on client cash accounts with KELER / 2011 - 2015

in-house turnover



GIRO - VIBER payments / 2015



Number of transactions / 2015