ANNUAL REPORT | 2014

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1 | CHAIRMAN'S MESSAGE

In 2014, the global economy grappled with the consequences of the Russian-Ukrainian crisis and efforts were made to maintain the integrity of the European Union that has been facing a crisis due to the financial problems of member states with high public debt and worked to recover the stability of the common currency. In Hungary, the record low inflation rate was matched with similarly low base rates. As the indirect effect of low interest rates, financial performance by the KELER Group exceeded expectations.

The KELER Group continued in 2014 to focus on long term strategic developments that create the opportunity of serving markets at a high level, in line with market standards, in an increasingly competitive international environment.

In June 2010, KELER signed the so-called Memorandum of Understanding and joined the TARGET2-Securities (T2S) project, the initiative of the European Central Bank. In the past year, we made significant progress in terms of both regulatory compliance required by T2S and the replacement of the account management system. There is a strong cooperation by market participants to implement, after customization and testing, the BaNCS solution supplied by Tata Consultancy Services, selected through a tender.

2013 and operated by KELER, which is an order-routing platform for investment fund units went live in the spring of 2013 became the primary channel to issue and cancel open-ended investment fund units in December 2014. The major development, testing and implementation tasks with the involvement of all the concerned domestic capital market participants was completed successfully and the market players started to use the system, which improves the efficiency of the entire market.

As one of the landmark events of 2014, the European Securities and Market Authority (hereinafter: ESMA) licensed the first trade repositories, and accordingly, as of 12 February 2014 market participants are required to report all their derivative contracts conducted on the financial markets. The KELER Group, with its Trade Reporting (TR) system, is the sole trade reporting entity serving the domestic and regional organizations subject to the reporting requirement under EMIR, the European Market Infrastructure Regulation. KELER selected Regis-TR as its trade repository partner.

In parallel with the TR project the conditions were created to apply for the Legal Entity Identifier code (LEI code) through KELER. KELER and WM Datenservice, Germany, entered into an agreement for the cooperaton in issuing LEI codes.

Regarding KELER CCP, it provides services in a dynamically changing regulatory and competitive environment and reached a major milestone on 4 July 2014 when it received its EMIR license from the Central Bank of Hungary, with the agreement of the ESMA Supervisory College. The license crowned an organizational, regulatory and development process of several years and created the opportunity of further development.

KELER CCP established KELER CCP Luxembourg S.a.r.l., a 100 per cent owned subsidiary, based in Luxembourg. The subsidiary will assist KELER CCP to further expand in the international energy markets from the third quarter of 2015.

The number of KELER CCP clearing members continued to grow during 2014, mainly in the energy markets. The number of energy market non-clearing members increased strongly at the end of the year partly due to the fact that KELER CCP succesfully acquired a client portfolio of a competitor, and the majority of the clients selected us as general clearing member, in the markets of the European Commodity Clearing AG (ECC).

KELER Group performed a thorough client satisfaction survey in 2014 in order to receive feedback on the services, and developments of the KELER Group. Based on the results we can report that the positive perception of clients continued to improve in the past year. After the analysis of the survey feedback an action plan and a roadmap were finalized to integrate the recommendations and development ideas of our clients into the operation of the KELER Group as much as possible.

In order to visually express the changes and development of the KELER Group, the 20-year-old magenta-grey corporate brand was replaced with a more fresh design that reflects our strategic directions. Internal changes also resulted in spectacular renewal in other fields the KELER Group has relocated its offices to R70 Office Complex, a modern office building. Additionally, recognizing that KELER became a well-known brand not only in the domestic market but also internationally markets also, the name of KELER has changed to KELER Central Depository Ltd.

I would like to take this opportunity to say thank you to all the parties that contributed to the success of KELER Group in 2014 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. The KELER Group has continued to provide our clients with quality services and could focus on its professional duties.

Csaba Lantos

Chairman

2 | MARKETS

In 2014, the global economy grappled with the consequences of the Russian-Ukrainian crisis and efforts were made to maintain the integrity of the European Union that has been facing a crisis due to the financial problems of member states with high public debt and worked to recover the stability of the common currency. In Hungary, the record low inflation rate was matched with similarly low base rates.

The DJIA, the US equity index with a long history gained 7.52% in 2014 and was at 17 823 points on the last trading day. The major European indices showed mixed performance: the DAX in Frankfurt was up 2.65%, while the London FTSE lost 2.71%. Consequently, the DAX closed the year at 9 805 points and the FTSE was at 6 566 points on the last day.

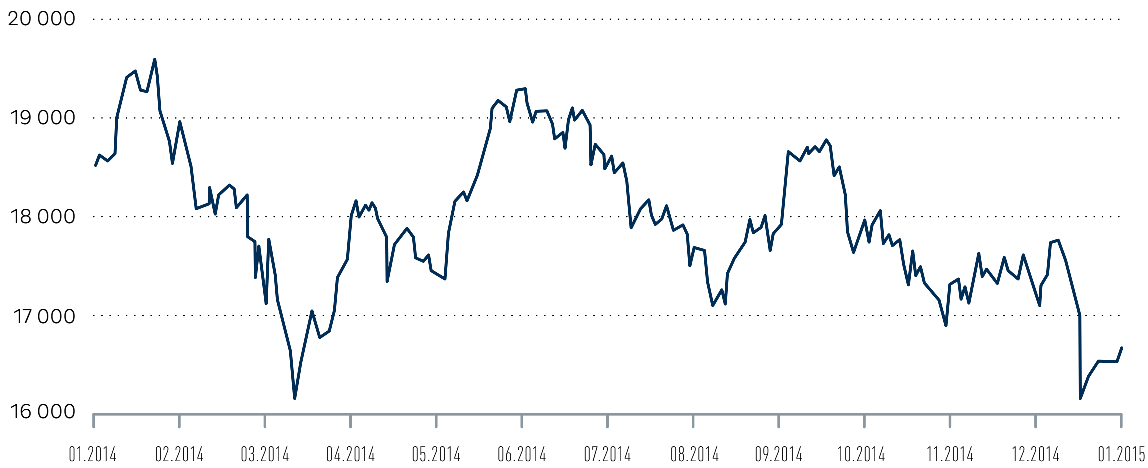
In the FX markets the Euro against the Swiss Franc was at around 1.2 throughout the year, in line with the commitment of the Swiss central bank, and after the previous year closing value of 1.2272 the Euro was at 1.2023 at the end of 2014. The US Dollar exchange rate moved along a much more spectacular curve. From the end of 2013 until July 2014 the Euro to US dollar foreign exchange rate was above 1.35, however, in July the Euro started to weaken against the US Dollar and was at 1.2162 at the end of the year, corresponding to a weakening of 13.2% compared to the rate at the beginning of the year.

During the year, our national currency against the Euro was rather volatile. Throughout 2014 the Forint was weaker than at the end of 2013 and closed the year at 314.89, a loss of 6% compared to the closing rate of 296.91 of 2013. In September the Forint rate hit the annual local maximum of 316.61. Early January and the months of May and June were the periods when the Forint was quoted against the Euro at rates permanently under HUF 305. The CHF/HUF rate shifted parallel with the Euro rate, although at a lower level. During the year the rate moved between 241.9 and 262.89. At the end of the year the MNB mid-rate was HUF 261.85, representing a HUF weakening of 8% compared to the previous year MNB mid-rate of 242.5. In 2014, the Forint weakened against the US currency. On 2 January 2014 the USD/HUF rate was 216.89, and after losing nearly 20% the rate was 259.13 at the end of the year.

During 2014, the Monetary Council of the Magyar Nemzeti Bank (Central Bank of Hungary) cut the base rate seven times. The extent of rate cuts varied during the year: the cut of 15 basis points at the beginning of the year was followed by four cuts of 10 basis points each and a cut of 20 basis points in July 2014. . As a result, the base rate dropped to 2.1% by 31 December 2014 from 3% at the end of 2013.

Unlike past years, the share of foreign investors financing Hungarian public debt increased slightly (+1.2%).The volume of government securities denominated in Hungarian Forint contracted 9.2% during this period to reach HUF 19 024 billion at year-end. While at the end of 2013 25.47% (HUF 5 336 billion) of outstanding debt was held by foreign investors, by December 2014, this went up to 26.67% (HUF 5 074 billion). As for the maturity structure, the share of securities with less than one year to maturity went below 30% in 2014 from 50% in the previous year. During 2014, the share of securities with remaining maturity between 1 and 2 years did not change, while the share of securities with longer remaining maturities grew significantly. The shares of securities with 2 to 5 years to maturity and securities with remaining maturities of more than 5 years both increased by more than 50% compared to last year (+53.2%; +55.6%).

Changes of the BUX index in 2014



BUX, the stock index of the Budapest Stock Exchange (hereinafter: BSE), closed 2014 at 16 634 points, this is 11.6% lower than the closing value in 2013. In 2014, the index peaked in January at 19 596 points. The rally at the beginning of the year is worth highlighting: the index gained 4.79% during 15 trade days to reach its annual peak. The index hit annual lows at the end of the year and in early March when it went below 16 500 points. The lowest index value of the year was 16 141 points. Investors witnessed similar index volatilities in 2014 and 2013; however, in 2013 the index was permanently above 18 000 points, but in 2014 we saw index values under this level.

3 | REGULATORY ENVIRONMENT

In 2014, KELER reviewed bills and was involved in the preparation of several regulations that influenced its operation.

In 2014, 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 2014:

/ 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 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 (amendments due to the new Credit Institutions Act and the new Civil Code),

/ Several amendments to Act CXX of 2001 on the Capital Market (due to the trade repository activity, the new Credit Institutions Act and the new Civil Code),

/ Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities (amendments due to the new Credit Institutions Act and the new Civil Code),

/ Act V of 2013 on the Civil Code (entered into force on 15 March 2014),

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

/ Act CXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter Credit Institutions Act) (entered into force on 1 January 2014),

/ 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 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 39/2013 (XII. 29.) on Mandatory Reporting of Master Data by Persons and Organizations under the Supervision of 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 48/2014 (XI. 24.) on the Reporting Requirements of the Central Bank Information System in order to Allow the Magyar Nemzeti Bank (Central Bank of Hungary) to Undertake Supervisory Responsibilities,

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- MNB Decree 52/2014 (XII. 9.) on the Reporting Requirements of Capital Market Organizations to the Central Bank Information System in order to Allow the Magyar Nemzeti Bank (Central Bank of Hungary) to Undertake Supervisory Responsibilities.

In 2014, the name and the registered office of KELER changed. The new name is KELER Central Depository Ltd., registered office: Budapest, 1074, Rákóczi út 70-72.

As clearing activity was transferred to KELER CCP Ltd. in 2013, KELER no longer operates as clearing house; the Articles of Association of the Company were amended accordingly.

GENERAL MEETING

The Annual General Meeting of KELER was held on 28 May 2014.

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

- report by the Board of Directors on the 2013 business activity,
- acceptance of the financial statements and the consolidated financial statement in line with the International Financial Reporting Standards (IFRS),
- determination of the remuneration of officers,
- amendment of the terms of the joint and several liability to KELER CCP,
- amendment of the Articles of Association.

4 | BUSINESS RESULTS OF KELER

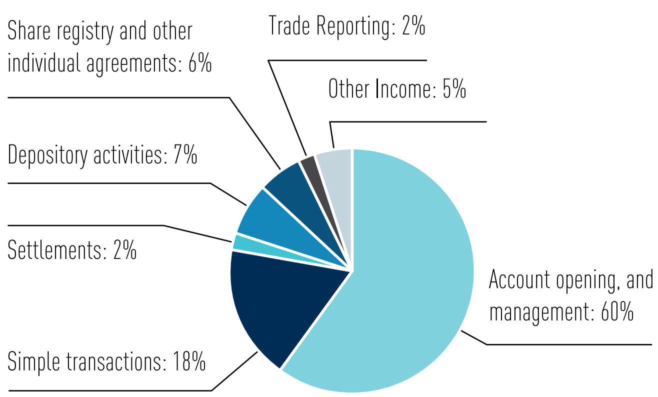
Source: KELER Ltd.'s Hungarian Statutory Financial Statement -individual (not consolidated)

- 2014 was a year of economic growth and declining inflation in Hungary, despite the prolonged debt crisis of Europe. Increasingly strong private consumption has been driving economic growth that started two years ago. The economic outlook for Hungary was positive throughout the year, which allowed further base rate cuts, and the base rate was 2.10% at year-end.

Financial result was about 30% higher than planned due to the joint result of higher than expected interest margin and income from trading (HUF 2 235.4 million).

The higher than planned result on services is partly due to the favorable income trend (HUF 4 348.3, 107.8 %), and partly to the operational costs savings. In terms of income structure, income from account opening and account management, similarly to the past years, continued to be key. Besides income from account management, income from simple transactions and depository activities were also higher than planned, and Trade Reporting, the new business service launched in 2014, also contributed to the approximately HUF 300 million extra income.

Structure of income from services / 2014



Costs and expenses were 95.6% of the planed figures and amounted to HUF 4 381.1 million. Saving is due to the items recognized as other expenses.

The result on ordinary activities, the sum of the financial and service result, was HUF 2 202.7 million, 88.5% higher than planned. After the recognized extraordinary loss of HUF 14 million, profit before tax was HUF 2 188.7 million.

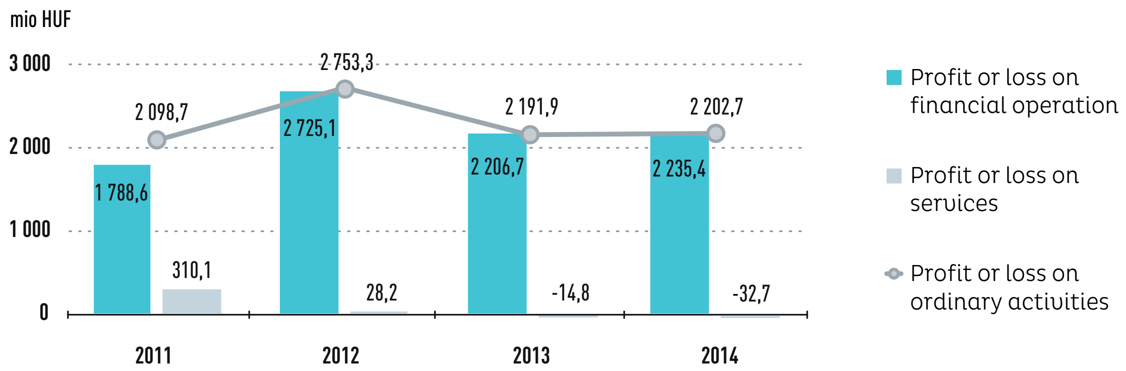
After deduction of the taxes on income (HUF 370.9 million) and general reserve formation (HUF 181.8 million), profit for **the financial year totals HUF 1 636.1 million.**

KELER PROFIT AND LOSS (mio HUF)

No.	Item description	2013 actual	2014 plan	2014 actual	2014 actual / 2014 plan (%)
A.	**Profit and loss on financial operation (A.=1.+2.+3.+4.)**	**2 206,7**	**1 715,0**	**2 235,4**	**130,3%**
B./1.	**Comissions and fees received (B./1.=5.+6.+7.)**	**3 786,7**	**3 718,1**	**3 998,8**	**107,5%**
5	Domestic income realized in line with the Fee Schedule	3 355,9	3 306,4	3 618,2	109,4%
6.	Income recognized as export (Fee schedule + Individual agreements)	141,3	136,7	130,4	95,4%
7.	Income from individual agreement and other service income	289,5	275,0	250,2	91,0%
B./2.	**Other income (B./2.=8.+9.)**	**345,5**	**317,1**	**349,5**	**110,2%**
B.	**Income from services (B.=B./1.+B./2.)**	**4 132,2**	**4 035,2**	**4 348,3**	**107,8%**
10.	**Commissions and fees paid or payable**	**178,2**	**133,8**	**194,6**	**145,5%**
11.	**General administrative expenses**	**2 826,4**	**3 041,8**	**3 015,5**	**99,1%**
	a) staff costs	1 609,3	1 637,0	1688,5	13,1%
12.	**Depreciation**	**621,8**	**698,7**	**669,6**	**95,8%**
C.	**Total costs of operation (C.=10.+11.+12.)**	**3 626,5**	**3 874,3**	**3 879,7**	**100,1%**
D.	**Other expenses**	**529,6**	**707,3**	**501,3**	**70,9%**
F.	**Costs and expenses of services (F.=C.+D.+E.)**	**4 156,0**	**4 581,6**	**4 381,1**	**95,6%**
G.	Profit or loss on services (G.=B.-C.-D.)	-23,8	-546,4	-32,7	6,0%
H.	**Profit or loss on ordinary activities (financial and services) (H.=A.+G.)**	**2 182,9**	**1 168,6**	**2 202,7**	**188,5%**
I.	**Extraordinary profit or loss**	**378,5**	**0,0**	**-14,0**	
J.	**PROFIT OR LOSS BEFORE TAX (J=H+I)**	**2 561,0**	**1 168,6**	**2 188,7**	**187,3%**
13.	Corporate Tax (10% up to HUF 500 million, 19% above)	397,4	207,0	370,9	179,1%
K.	**PROFIT OR LOSS AFTER TAX (K=J.-13.)**	**2 164,0**	**961,6**	**1 817,9**	**189,0%**
14.	General reserve (10% of profit after tax)	216,4	96,2	181,8	189,0%
L.	**PROFIT OR LOSS FOR THE FINANCIAL YEAR**	**1 947,6**	**865,4**	**1 636,1**	**189,0%**

In 2014, profit before tax exceeded both the planned amount and the previous year figure.

Profit or loss on financial operation, services and ordinary activities / 2011-2014



5 | TREASURY

From the point of view of Treasury operation 2014 was a highly successful year. Treasury closed the year with a result of HUF 2 235 million that is 30% more than the planned HUF 1 715 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 97% of assets. There was a significant restructuring on the asset side resulting in an increased share of deposits as the MNB bond was replaced by the two-week MNB deposit. The duration of the government securities portfolio was under one year.

The average share of obligatory reserve within the entire asset portfolio remained under 1.68%.

In addition to trading government securities, KELER was an active player in the government securities lending market in 2014, as well. By the end of the year, the total repo turnover reached HUF 1 150 billion.

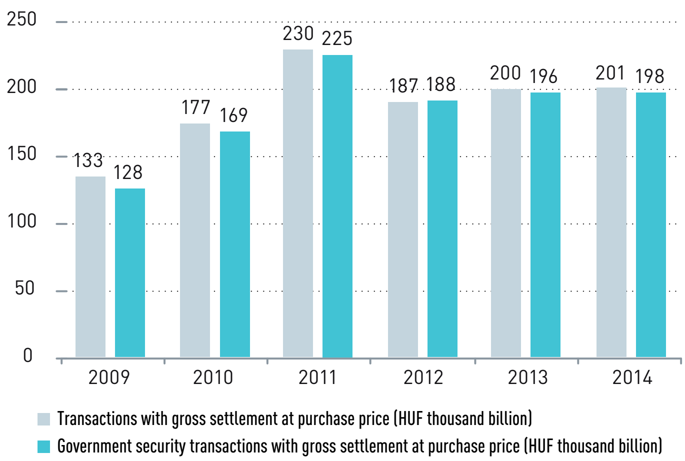
In order to support this activity KELER expands the client base continuously both on the Hungarian and the international markets.

6 | CENTRAL SECURITIES DEPOSITORY ACTIVITY AND SETTLEMENTS

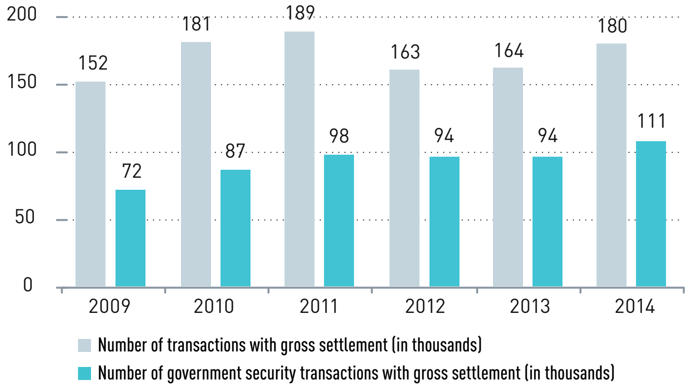
OVER-THE-COUNTER SETTLEMENT

In 2014, the turnover of KELER in OTC transactions with gross settlement, calculated at purchase price, was HUF 201 264 billion. Within this the turnover of government securities amounted to HUF 198 114 billion. This government securities turnover consisted of 111 thousand deals; the total number of OTC deals was 180 thousand.

Turnover of transactions with gross settlement 2009-2014



Number of transactions with gross settlement 2009 - 2014



Source of data: Banking Operations / Account Management Department

INTERNATIONAL SETTLEMENT

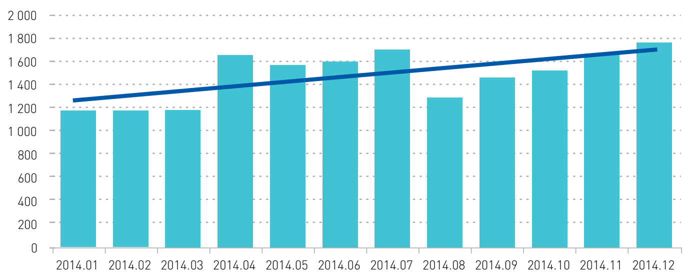
In 2014, the portfolio of international securities was up 7.69 % to reach EUR 1 485 million. After the low levels of client activity in the past years, outflow settlements showed signs of picking up in 2014 as the number of cross-border transactions by resident clients increased by more than 6%. The settlement of trades made at the Deutsche Börse increased by more than 50%, corresponding to turnover increase of nearly 40%.

Following the successful change of sub-custodian in early November 2013, the portfolio was migrated to the new custodian (SIX Securities Services) without any problems. With the new sub-custodian KELER provided clients higher level of service and access to more new markets in 2014.

In August 2014, KELER successfully changed the FX account managers (Citi London, New York) in the major currencies (EUR, USD, GBP and CHF) to improve the efficiency of settlement.

The activity of non-resident clients with respect to securities issued in Hungary (inflow) went down by 15% and the portfolio in custody increased slightly. By the end of 2014 the value of the international client portfolio was up 3% and reached HUF 683 billion.

Cross-border securities monthly volume in 2014 / mio EUR



Owing to regulatory changes as of 2014 KELER provides custody services to the Resolution Fund in addition to the National Deposit Insurance Fund and the Investor Protection Fund. KELER successfully completed the related legal, subject matter, business and IT preparation and the portfolio transfer.

The new standards issued by SWFIT and primarily affecting business communication related to corporate action management were introduced, the new event codes allowed more sophisticated and detailed information flows.

CENTRAL SECURITIES DEPOSITORY ACTIVITY

Dematerialized securities series

As of 31 December 2014, there were 4 338 active dematerialized securities series registered in the securities accounts kept by KELER, compared to the 4 226 series as of 31 December 2013, the increase is in line with the trend of earlier periods. The increase was 3%. This moderate decrease is due to the number of municipality bonds and mortgage bonds issues that went down.

Dematerialized securities in the central securities accounts

As of 31 December 2014, the securities portfolio of HUF 27 903 billion registered in central securities accounts was 5.4% less than the HUF 29 508 billion at the end of 2013.

Management of dematerialized securities

The online e-DEMAT application available on the website of KELER was launched in November 2012 to allow issuers to manage the entire process of demat securities issuance and demat events related to the change of data of the series already issued. With the development of services (change of certificate, issue in the name of partial fund) in 2014, eDEMAT provides innovative, secure and rapid event execution to an increasing number of issuers; as a result this system was the most favored system of issuers in 2014.

Issuance of ISIN codes

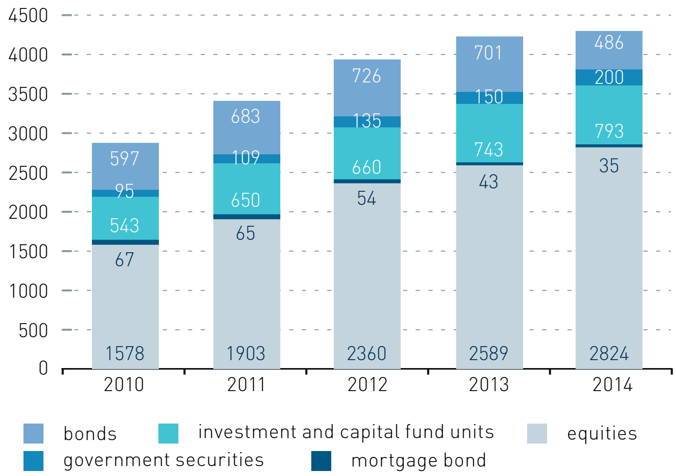
In line with the trend of past years, the number of ISIN requests increased again in 2014. More than 64% of ISIN requests were submitted by eISIN. Upon further investigation, we found that clients submit application on paper if they cannot pay the ISIN fee with bank card.

GENERAL DEPOSITORY ACTIVITY

Custody of physical securities

By the end of 2014, the volume of physical securities increased by 5% compared to the figure at the end of 2013. The volume of securities in fungible custody decreased by 14% due to the conversion of the last physical securities series into dematerialized series, and the volume of securities in individual custody increased by 9% compared to the previous period. As of 31 December 2014, there were 840 240 physical securities in custody with KELER.

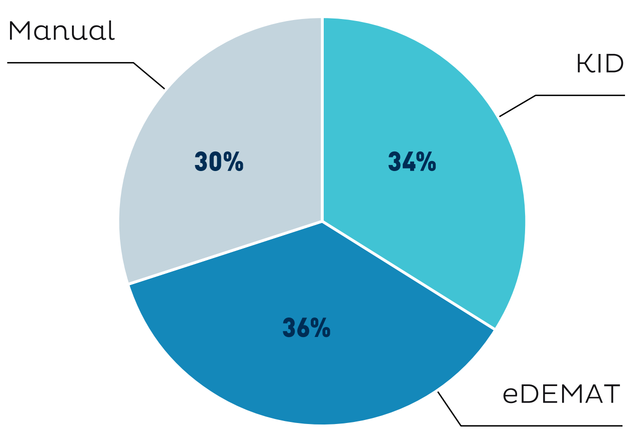
Number of DEMAT securities series by securities type / 2010-2014



Change in the volume of dematerialized securities by securities type (%)

	2010	2011	2012	2013	2014
equities	4,46	17,00	25,42	-2,44	4,00
mortgage bond	-5,83	-16,84	-8,65	-2,44	-12,36
investment fund units	20,86	-14,17	-0,20	28,68	19,17
government securities	2,07	0,98	17,45	19,62	-9,18
bonds	32,69	10,64	-7,80	-24,13	-21,58
total	**5,64**	**0,52**	**13,22**	**13,04**	**-5,44**

Demat events in 2014

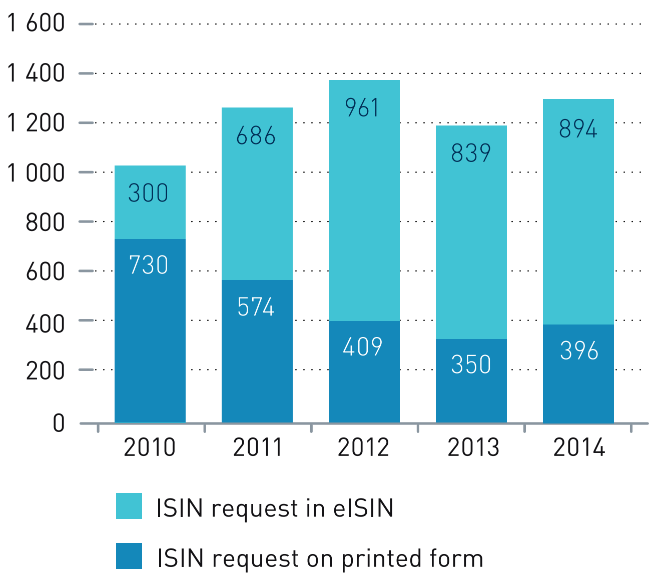


Corporate action management

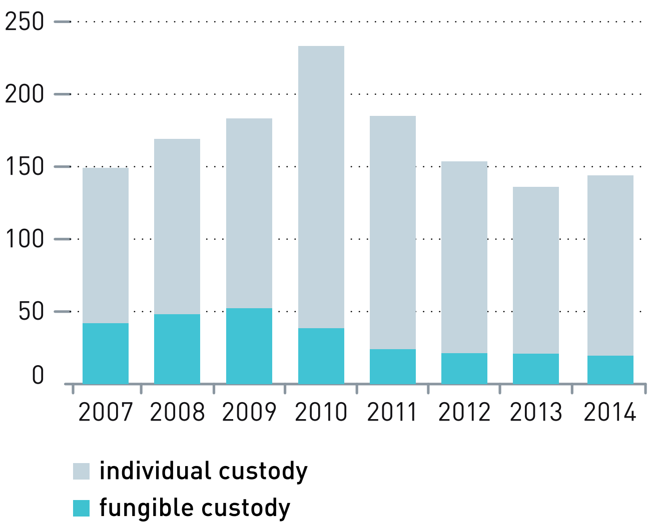
In 2014, issuers already used KELER payment services for corporate actions with payment related to privately issued securities series, aswell. This payment service is the combination of the securities account status on the date (record date) determined by the issuer and the cash account number linked to the securities account given. In 2014, KELER offered issuers and their payment agents this service electronically, too..

In 2014, distributors requested the acceptance statement of KELER for 157 international securities series for listing on the Budapest Stock Exchange.

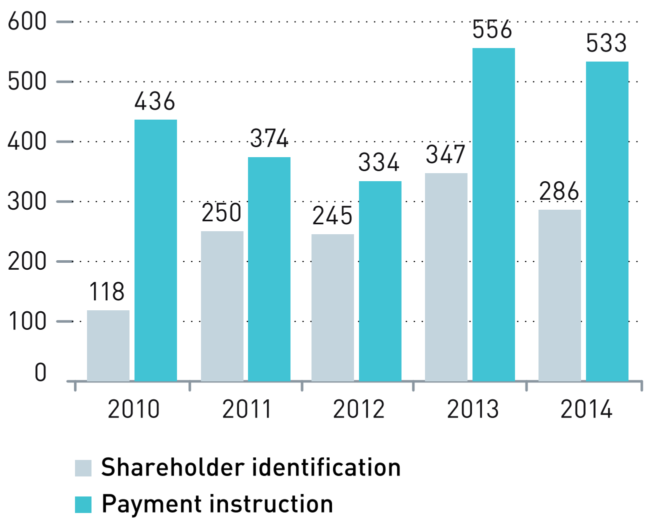
Number of ISIN requests by origin / 2010 - 2014



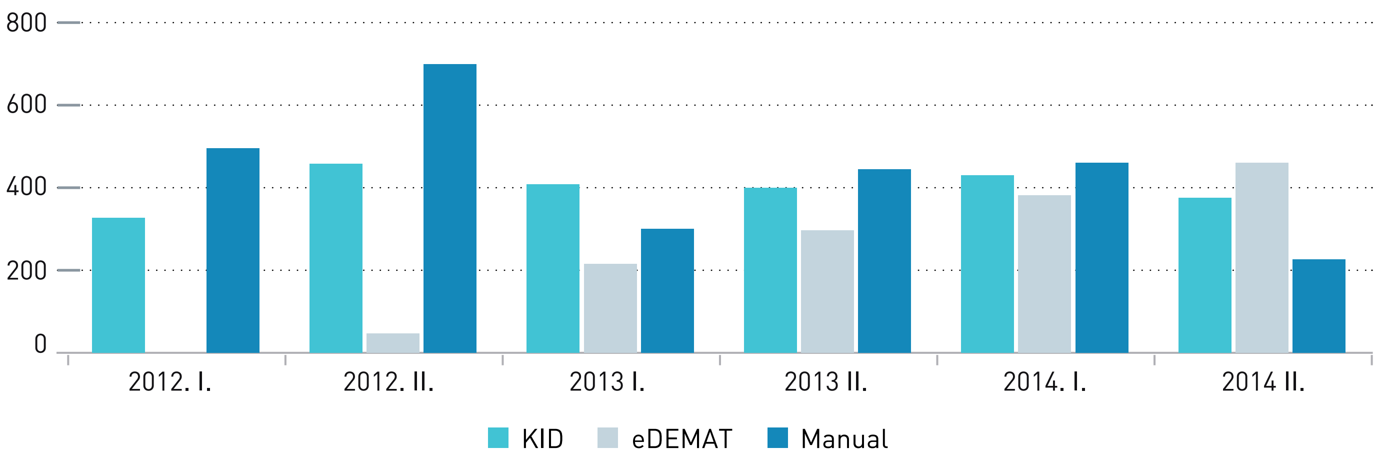
Physical securities in custody 2007-2014 (bio HUF)



Corporate actions 2010-2014



Demat events by method of execution / 2012–2014



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. Until 2017 T2S will create the standard European securities clearing system, participant central securities depositories join in 4 waives between 2015 and 2017. KELER was already an active participant in the international project in 2011, when jointly with domestic market players the opportunities and the consequences of the new system were investigated. 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).

As part of the SMP, KELER introduces a new central securities depository account management system in three phases. In September 2013, assessment and selection, the first phase of the program, was closed successfully, in line with plans. In this phase, the new central securities depository system meeting the needs of KELER and the market and the system supplier were selected: the BaNCS solution of TATA Consultancy Services Ltd. (TCS) will be implemented. With this solution KELER purchased and will customize the off-the-shelf product of an internationally recognized supplier with strong references that meets industry standards and best practices.

In September 2013, the second phase of SMP was launched to prepare for the introduction of the new system. Business requirements and system specifications were finalized in the second quarter of 2014, following the period of development internal testing by KELER was started in September 2014.

The new system is planned to go live in the third quarter of 2015, clients are informed continuously and in detail on the progress made.

In the third phase of the program (2015-2016), jointly with other European central securities depositories, KELER will test with its new system with T2S capabilities the T2S platform based in Frankfurt. FKELER clients will be directly involved in international testing from February 2016. The T2S-KELER link is planned to go live in September 2016.

Trade Reporting (TR)

On 7 November 2013, the European Securities and Market Authority (hereinafter: ESMA) licensed the first trade repositories to which market participants are required to report their derivative contracts as of 12 February 2014.

The purpose of the KELER Trade Reporting (in short: TR) project is to help market participants meet the derivative reporting obligation stated in EMIR. The Board of KELER decided that from the start of the reporting obligation KELER will act as reporting agent, i.e. it collects and forwards to the selected trade repository the data of derivative trades concluded by market participants. In order to act as reporting agent, KELER developed its Trade Reporting system and the new service was launched. KELER selected Regis-TR as trade repository. A smaller project was set up to complete the developments required to meet the reporting obligation of KELER CCP.

In addition to the KELER CCP development, parallel with the TR project, we created the terms of Legal Entity Identifier (LEI code) application through KELER. In due time, LEI will become a mandatory element of reports to be sent to trade repositories. With this new role KELER intends to provide comprehensive services. KELER concluded a co-operation agreement with the German WM Datenservice on LEI code issuance.

The system forwarding the client reports submitted and the developments to meet the KELER CCP reporting requirements were finalized on time, thus on the starting date of the reporting obligation, the KELER Group and its clients were ready to meet the reporting requirement stated in EMIR.

The number of market participants that selected the KELER Trade Reporting (TR) service was higher than expected, thus we can state that a large part of the Hungarian capital market players use the service of KELER to meet the reporting requirement under EMIR.

Wide Application Routing Platform (WARP)

In line with the strategic decision of KELER, WARP, the investment unit settlement system of KELER that went live in the spring of 2013, became the primary system to create and cancel open-ended investment fund units daily after the parallel KID functions were terminated in December 2014. Following intense development, testing and implementation with the participation of all Hungarian capital market players, WARP was launched successfully.

Since the transition in December, WARP settles all domestic investment unit transactions. The additional high priority development, modification needs related to the launch are planned to be addressed in the second and third quarters of 2015.

KELER Group transformation – new premises, new corporate style, new name

2014 was an eventful year for the KELER Group for many reasons. In March 2014, the parent company moved to a modern office center that supports high quality work, inspires cooperation and further business development.

Parallel with the relocation, the name of KELER has changed; we continue to rely on the well-known and recognized brand name.

The new name and registered office of KELER Ltd. are as follows:

Company name: KELER Central Depository Ltd.

Registered office: Rákóczi út 70-72., Budapest, H-1074

The KELER Group brand was replaced with a fresh design that reflects our strategic directions of dynamism, added value to clients through developments and opening to new markets.

Legal compliance

Civil Code- preparation

On 26 February 2013 Act V of 2013 on the Civil Code (hereinafter: new Civil Code) was published after more than a decade of legislative work. The new Civil Code includes a number of provisions that affect the operation and the activities of KELER. The new Civil Code enters into force on 15 March 2014, however, in certain cases the current draft provides for a transitional period for compliance. In general, KELER complied with most of the legal requirements of the Civil Code with the amendment of regulations and/or processes; IT system development is needed in a few cases. The new account management system of KELER will ensure full compliance with the provisions of the new Civil Code.

FATCA

On 4 February 2014, the Government of Hungary and the Government of the United States of America signed an Intergovernmental Agreement to exchange data between the tax authorities of the two countries and to support the tasks determined in the provisions of FATCA.

The KELER Group completed the mandatory FATCA registration on the website of the US tax authority (IRS). The Global Intermediary Identification Number (GIIN) received proves that the KELER Group operates as a cooperative financial institution under FATCA.

In line with FATCA the KELER Group introduced new client identification, due diligence and registration processes to be able to identify the accounts kept for US residents and make the related reporting through the National Tax and Customs Administration of Hungary to the US tax authority.

Recovery plan

In line with the definition stated in the Credit Institutions Act the recovery plan is a scheme that contains the measures to be taken by the credit institution to stabilize financial position should its liquidity or solvency be at serious risk without extraordinary financial support by the state. KELER finalized the recovery plan for the credit institution function in line with the Credit Institutions Act in force and the methodology guidance issued by the Supervisory Authority, the recovery plan is documented in an internal regulation that entered into force and was submitted to the Supervisory Authority in line with the valid regulations.

In the recovery plan KELER defines the cases that can be traced back to external or internal circumstances that are considered crisis situations and the organizational unit(s) in charge of crisis management.

CSDR

In the summer of 2014, the European Union approved the Central Securities Depositories Regulation (CSDR), a new directive and regulation affecting settlement and CSDs in terms of post trade infrastructures, to create the uniform EU market, increase competition and ensure freedom of choice. The new directive enhances interoperability, harmonizes settlements, and improves security and transparency, and makes regulation complete in the field of MIFID II – EMIR – CSDR and CPSS-IOSCO. In order to comply with the new regulation, preparatory work was started to acquire the new license of operation. The Technical Standards with the detailed rules of CSDR prepared and approved by ESMA and the Committees are planned to be released in the summer of 2015.

8 | CLIENT RELATIONS

CLIENT FORUMS

After 2013 client forums were a part of life in 2014, as well. While in 2013 KELER informed market participants mainly on the major changes of markets and the regulatory environment (EMIR, T2S, new Civil Code), the impact of changes and the solutions offered by KELER, in 2014 communication focused on KELER and events closely related to its activity.

The full market launch of WARP and the system replacement project (SMP) were the hot topics in 2014 related to which KELER organized forums. Both topics had a major influence on the operation of KELER clients as electronic communication with KELER changes materially owing to these two projects.

With the representatives of the Association of Hungarian Investment Fund and Asset Management Companies, the Banking Association and the Association of Investment Companies in attendance, KELER introduced in detail the changes, tasks related to the full market launch of WARP in December 2014, covered the timeline of the launch and the fees. Before the test periods KELER introduced the system to its clients and their IT system suppliers.

All our clients were invited to the KELER System Replacement Forum that was the most important client forum related to the System Replacement Project. More than one hundred participants attended the forum where they were informed on the launch of the BaNCS system and could ask questions of the representatives of KELER and Tata Consultancy Services, the supplier of the system.

In 2013 communication focused on the trade reporting requirement stated in EMIR. We started 2014 with an event to summarize the most important information of the service provided by KELER and the tasks related to the forthcoming reporting requirement.

In September 2014, KELER hosted the semi-annually organized European MIG (E-MIG) meeting, the European level gathering of the national Market Implementation Groups (MIG). MIG intends to create uniform European rules on corporate actions and the exercise of shareholder rights. KELER represented the interests of the Hungarian market at the successful event.

The traditional Custody Forum was a great success in the summer of 2014 also and covered highly relevant issues for the custody clients of KELER: T2S, KELER System Replacement Project, WARP launch.

CLIENT SATISFACTION SURVEY

After the 2013 personal and online client satisfaction survey of the KELER Group, in 2014, our partners were contacted online. 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 we 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 Western European CSDs where currently 37 countries are represented by 40 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.

Similarly to ESCDA, KELER plays a role in the management of ANNA also, thus it contributes to the adoption of the global best practices.

10 | INFORMATION TECHNOLOGY

In 2014, IT activity at KELER followed the 2014-2016 IT strategy that entered into force in the autumn of 2013 and was updated last autumn. 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 systems to clients was 99.977%, which proves the efforts made in this field came to fruition.

In 2014, IT completed successfully the following major tasks:

/ The data center migration in 2013 was completed by moving data and telecommunication services from the Asbóth utca data center to two data centers that are backups to each other also, and should any error occur, either of them is capable of serving KELER operations on its own. Simultaneously, a new telephone switchboard with redundant lines was put into operation.

/ At the new premises a new IT network of modern components was built before the relocation.

/ Disaster Recovery was tested to check IT infrastructure: 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.

/ A new backup system was introduced that reduced the time of not only backup but the time of restoring also, and allows KELER to revert to any earlier status in terms of business data, even at the elemental level, any time.

/ In 2014, developments focused on the Strategic Modernization Program (SMP) that aims at replacing the account management system. The selected TC BaNCS application will replace 20 currently running applications – the go-live of this new system will be the most important task of 2015.

/ Accordingly, only minor modifications were completed in the current systems that support existing business services:

- in February a new Trade Reporting support system was launched;
- during the summer the eKID system went live after a go-live process of several phases, consequently, the KELER front-end system was upgraded, it became more user-friendly and complies with the applicable security requirements at a higher level;
- the fee calculation support application was modernized as a three-layer application in line with the KELER architecture, there are two Fee Module versions running now, one is used by KELER, the other by KELER CCP, and upon SMP go-live the KELER version will be switched off.

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.

The CRR exerted material influence on the capital adequacy of KELER, as institutions are expected to have higher levels of coverage than before. The requirements on the quality of capital became stricter as well, however, this has less influence on compliance by KELER as currently own funds consist of primarily Tier 1 items. Besides capital adequacy requirements, the tightening provisions on liquidity risk management were a great challenge for the banking industry. KELER has a large portfolio of government securities and MNB deposits that are considered first class in terms of liquidity, therefore, apart from the reporting requirements, compliance requires no additional measures. Due to the simple portfolio structure, the changes in the calculation of capital requirements affected KELER to a small extent.

On 4 July 2014, KELER CCP was licensed to operate under EMIR, at the same time the joint and several liability of HUF 4 billion by KELER ceased to exist. With the termination of this liability the banking book large exposures of KELER went below the maximum level stated in the CRR.

KELER reviews risk exposures as required but at least annually and presents a detailed report to the Board 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 2014. FX swaps for HUF funding were concluded less frequently. As of 1 January 2014, in line with CRR, a new type of capital requirement is also to be determined for FX swaps, KELER complies with this obligation. Counterparty risk management, aggregation is completed at client group level where applicable. 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

There was no significant change in terms of market risks in 2014. Risk Management completes 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.

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, due to the high level of operational reliance between KELER and KELER CCP, it is necessary to apply, on a voluntary basis, the Basel requirements and directives to KELER CCP also..

In 2014, the Operational Risk Management Committee (hereinafter: ORMC) 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 2014 and in early 2015, KRIs (key risk indicators) were reviewed and self-assessment interviews, important elements in the calculation of the capital need, were completed. Additionally, stress test scenarios and loss parameters affecting the entire KELER Group were updated, the results of these also form part of the capital requirement under the second pillar.

The KELER Group operational risk management model also includes the application of theoretical loss events to determine Tier 2 capital.

12 | HUMAN RESOURCES

In addition to making sure that KELER provides high quality services daily, in 2014, the main task of Human Resources was to provide the human resources needed by the Strategic Modernization Program and compliance with law. KELER completed the greater number of tasks with the headcount of 2013.

Due to the outstanding importance of the projects 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.

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 2014, KELER was able to provide the human resources necessary to reach its objectives.

13 | INTERNAL AUDIT

In 2014, 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 processes and controls with inherent risks and high priority was considered an essential aspect. Internal Audit also reviewed new or updated regulatory documents.

In 2014, there were 9 IT / bank security and 9 non-IT reviews undertaken in KELER. Within the reviews completed, 12 reviews covered specific topics and 2 follow-up and 4 targeted audits were completed.

Specific topic reviews covered the following fields:

/ Physical securities depository activities;

/ Remuneration policy;

/ Internal capital adequacy;

/ eDEMAT services;

/ Treasury dealing process;

/ Remuneration system;

/ Strategy and Product Management Department activity;

/ Compliance activity;

/ Management and recording of rights;

/ Execution of developments;

/ Management of macros;

/ IT security settings.

Specific purpose reviews covered the execution of disaster recovery tests, W08 reporting and the depositing of source codes.

The two follow-up reviews covered the measures related to the overseer audit completed by the MNB and the independent review of business applications.

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 2014, 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 descriptions of value creating business processes, the catalogue of daily KELER services by cut-off times and the BCPs and support IT system DRPs to be followed in the case of service and process interruption were updated and tested.

  / 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 2014, an e-learning system was employed to help increase the efficiency and convenience of security awareness training.

  / The system (CyberArk) to manage and supervise power rights, to keep an electronic record on power users and to supervise the activity of power users was introduced.

  / Following the testing of two systems to prevent data leak (DLP – Data Loss/Leak Prevention), in 2014, the solution most suitable for KELER was selected, the system to guarantee the protection of sensitive data was introduced, fine-tuning is to be finalized in early 2015.

  / With respect to KELER relocating to new premises, Security Management planned and implemented the physical security systems of the new premises, and the relocation was a good opportunity to complete a full alternative site test.

  / 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 2014, several network security systems (firewall, breach detector and prevention, systems ensuring remote access) were reviewed and replaced.

  / 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 the Green Office Program of the KELER Group 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 part of the implementation of the Green Office Program in 2010, the KELER Group joined the Green Office competition of the KÖVET Association, and it was awarded the 1st prize in the medium-sized enterprises category. In 2012, the KELER Group entered the 'Ablakon Bedobott Pénz' (How To Avoid Waste) competition of the KÖVET Association announced for the 10th time and was awarded 'The Office Green Savings Special Prize'. In light of these results, the KELER Group will continue to take environmentally conscious measures as much as possible in the coming years also.

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.

The mix of modern, natural and environmentally friendly materials and solutions in the building includes a fully flexible air conditioning system and windows that can be opened; the energy saving solutions applied include a lighting control system equipped with sensors to reduce electricity consumption.

The KELER Group designed the office and relaxation areas with a traditional environmentally conscious approach in mind, and strived to contribute to the protection of the environment when the high quality premises were finalized, and made sure that space is used efficiently. The office areas were designed in line with the principles and rules of LEED (Leadership in Energy and Environmental Design).

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 2014 the Supervisory Board met 5 times and on 3 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 2014; 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 2014 Internal Audit reviewed trading book management, the Internal Capital Adequacy Assessment Process (ICCAP), source code depositing, the disaster recovery tests completed in 2013, the process of macro preparation, testing, maintenance and the invoicing processes KELER.

The Supervisory Board discussed the review report on securities inventory taking and depository activity, the report on the annual checking of the 2014 DRP tests, the report on following up the recommendations relevant to KELER of the MNB self-assessment report entitled „comprehensive review of the domestic securities clearing and settlement system in line with international recommendations", the audit reports on the Remuneration Policy and W08 reporting. It also discussed the audit reports on the remuneration system of the KELER Group, eDEMAT services related processes, compliance activity and on the follow-up of the independent audit of business applications.

The internal audit reports and related action plans discussed by the Supervisory Board included the shortcomings identified in the audits and the recommended tasks to eliminate them, the responsible persons and the deadline to complete the relevant tasks. Based on the reports by the management the Supervisory Board of KELER Ltd. monitored continuously the implementation of the measures recommended in the internal audit reports.

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 the minutes of the Operational Risk Committee meetings. The Supervisory Board received reports on the activity of the Compliance Officer in 2013 and the work schedule of the Compliance Officer for 2014. The Supervisory Board discussed regularly periodic reports on the business and the management of KELER Ltd.

The Supervisory Board consented to the amendment of the Remuneration Policy and the Remuneration Regulation.

The Supervisory Board discussed the annual general ICAAP analysis and approved the amendment of 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 level service quality 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 makes a proposal to the General Meeting to accept the annual financial statements of KELER Ltd. for 2014 with total assets/total liabilities HUF 207 911 million and HUF 1 612 million profit or loss for the financial year.

Budapest, 16 April 2015

Lajos Bartha
Supervisory Board Chairman

17 | KELER LTD.'S IFRS CONSOLIDATED FINANCIAL STATEMENT

17.1 | Report by the Independent Auditor

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This is an English translation of the Independent Auditors' Report on the 2014 statutory Consolidated Financial Statements of KELER Központi Értéktár Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory Consolidated Financial Statements it refers to.

Independent Auditors' Report

To the shareholders of KELER Központi Értéktár Zrt.

Report on the Consolidated Financial Statements

We have audited the accompanying 2014 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 2014, which shows total assets of MHUF 232,247 the consolidated statement of comprehensive income, which shows profit for the year of MHUF 2,367 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 2014, 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.

We have audited the accompanying 2014 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 2014 consolidated business report of KELER Központi Értéktár Zrt. and its subsidiaries is consistent with the data included in the 2014 consolidated financial statements of KELER Központi Értéktár Zrt. and its subsidiaries.

Budapest, 29 April 2015

KPMG Hungária Kft.
Registration number: 000202

Gábor Agócs
Gábor Agócs
Partner

István Henye
István Henye
Professional Accountant
Registration number: 005674

17.2 | STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position as at 31 December 2014 (All amounts in MHUF, unless stated otherwise)			
		31.12.2014	31.12.2013
Cash and cash equivalents	5	151 751	11 397
Placements with other banks	5	23 910	11 273
Financial assets at fair value through profit or loss	6	33 836	143 423
Receivables relating to clearing and depository activities	7	509	435
Current tax assets		271	201
Trade receivables	9	12 058	11 898
Other assets		7 518	4 439
Other investments	8	0	20
Intangible assets	10	1 925	1 695
Property, plant and equipment	11	469	356
TOTAL ASSETS		**232 247**	**185 137**
Placement and loans from other banks	12	147 330	94 796
Deposits from customers	13	43 141	51 075
Accrued interest payable		228	348
Current tax liabilities		72	49
Deferred tax liabilities	21	518	447
Accounts payable	14	12 117	12 105
Other liabilities		426	273
TOTAL LIABILITIES		**203 832**	**159 093**
Share capital	15	4 500	4 500
Retained earnings		21 621	19 359
Statutory reserves	16	2 287	2 178
Non-controlling interest		7	7
TOTAL SHAREHOLDERS' EQUITY		**28 415**	**26 044**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**232 247**	**185 137**

17.3 | STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income for the year ended 31 December 2013
(All amounts in MHUF, unless stated otherwise)

		01.01.2014 – 31.12.2014	01.01.2013 – 31.12.2013
Income from clearing and depository activity	17	**4 852**	**4 565**
Interest incomes	18	4 180	6 449
Interest expenses	18	(2 347)	(4 382)
Net interest income		**1 833**	**2 067**
Gains on securities, net		727	274
Other incomes		187	66
Net other operating income		**914**	**340**
Fee and commission expenses		(196)	(180)
Other expenses		–	–
Personnel expenses	19	(1 858)	(1 748)
Depreciation and amortization	10, 11	(727)	(672)
Other expenses	20	(1 958)	(1 811)
Operating expenses		**(4 740)**	**(4 411)**
PROFIT BEFORE INCOME TAX		**2 858**	**2 561**
Income tax expense	21	(491)	(406)
NET PROFIT FOR THE YEAR		**2 367**	**2 155**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2 367**	**2 155**
NET PROFIT ATTRIBTABLE TO:			
Shareholders of the Company		2 367	2 217
Non-controlling interest		0	-62
NET PROFIT FOR THE YEAR		**2 367**	**2 155**
TOTAL COMPREHENSIVE INCOME ATTRIBTABLE TO:			
Shareholders of the Company		2 367	2 217
Non-controlling interest		0	-62
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2 367**	**2 155**

17.4 | STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the year ended 31 December 2014
(All amounts in MHUF, unless stated otherwise)

	Share Capital	Retained Earnings	General reserve	General risk reserve	Restricted reserve	Non-controlling interest	Total
Balance as of 1 January 2012	**4 500**	**17 150**	**1 769**	**76**	**325**	**69**	**23 889**
Total comprehensive income for the year	–	2 217	–	–	–	(62)	2 155
Statutory reserves	–	(8)	217	46	(255)	–	–
Balance as of 1 January 2013	**4 500**	**19 359**	**1 986**	**122**	**70**	**7**	**26 044**
Total comprehensive income for the year	–	2 367	–	–	–	–	2 367
Statutory reserves	–	(105)	179	–	(70)	–	4
Balance as of 31 December 2013	**4 500**	**21 621**	**2 165**	**122**	**–**	**7**	**28 415**

17.5 | STATEMENT OF CASH FLOWS

Statement of Cash Flows For the year ended 31 December 2014 (All amounts in MHUF, unless stated otherwise)		
	01.01.2014–31.12.2014	01.01.2013–31.12.2013
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	**2 155**	**2 155**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Income Taxes	640	552
Depreciation and amortization	727	672
Unrealised (gains) / losses on fair value adjustment on financial assets at fair value through profit or loss	(2 423)	(2 503)
Changes in operating assets and liabilities:		
Net (increase) / decrease in financial assets at fair value through profit or loss	112 010	(28 266)
Net (increase) / decrease in Receivables relating to clearing and depository activities	(74)	(54)
Net (increase) / decrease in other assets	(3 256)	(1 134)
Net increase / (decrease) in accrued interest payable	(120)	(332)
Net increase / (decrease) in other liabilities	187	1 622
Income Taxes paid	(616)	(638)
Net cash provided by operating activities	**109 441**	**(27 476)**
CASH FLOW FROM INVESTING ACTIVITIES		
Net (increase) / decrease in placements with other banks, net of allowance for placement losses	(12 671)	(3 257)
Net (increase) / decrease in securities available-for-sale	–	–
Net (increase) / decrease in associates and other investments	20	–
Net (increase) / decrease in securities held-to-maturity	–	–
Net additions to premises, equipments and intangible assets	(1 070)	(1 163)
Net cash used in investing activities	**(13 720)**	**(4 420)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase / (decrease) in due to banks and deposits from the National Bank of Hungary and other banks	52 534	1 242
Net increase / (decrease) in deposits from customers	(7 934)	27 487
Net increase / (decrease) in the compulsory reserve established by the National Bank of Hungary	34	(584)
Dividends paid	–	–
Net cash flow from financing activities	**44 634**	**28 145**
Net increase / (decrease) in cash and cash equivalents	**140 354**	**(3 752)**
Cash and cash equivalents at the beginning of the year	11 397	15 149
Cash and cash equivalents at the end of the year	151 751	11 397
Net (decrease)/increase in cash and cash equivalents	**140 354**	**(3 752)**

17.6 | NOTES ON FINANCIAL STATEMENTS

NOTE 1: GENERAL

Central Clearing House and Depository (Budapest) Ltd. ("the Company" or "KELER") is a limited liability company incorporated under the laws of the Republic of Hungary on 12 October 1993. The official address of the company: H-1075 Budapest, Asbóth utca 9-11. General Meeting will make a decision changing our Company's seat (H-1074 Budapest, Rákóczi str. 70-72.) from June 2014.

The Company's primary activities is being a clearing house for the Budapest Stock Exchange ("BSE"). The Company also handles the BSE customers' cash accounts and safekeeping of securities, OTC government securities clearing and settlement between the National Bank of Hungary ("NBH"), banks and brokers. From the beginning of 2004, the Company has been operating as a specialized credit institution under the Act CXII of 1996 on Credit Institutions and Financial Enterprises ("Act on Credit Institutions").

In accordance with the decision made by the NBH (KELER's majority shareholder), as a result of the functional separation, the activity of the central contractual party (CCP) was transferred into KELER CCP Ltd. ("KELER CCP"), while the clearing and settlement functions remained at 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-1075 Budapest, Asbóth str. 9-11. General Meeting will make a decision changing our Company's seat (H-1074 Budapest, Rákóczi str. 70-72.) from June 2014.

KELER CCP's owners on 31 December 2014

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 has founded a company in 2014. KELER CCP Luxembourg s.a.r.l. was founded with a share capital of EUR 50,000.00 and 100% owned by KELER CCP. The newly established company will take part in the settlement process of physically delivered gas market and other energy market transactions.

KELER, KELER CCP and KELER CCP Luxembourg (hereinafter the "Group") service their clients in Hungary only.

NOTE 2: BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("EU IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the EU and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC), as adopted by the EU. These consolidated financial statements have been prepared for statutory filing purposes.

The English version of the consolidated financial statement is the translated version of the Hungarian one. In case of any difference the basis is the Hungarian consolidated financial statement.

These consolidated financial statements were approved by the Board of Directors on 29 April 2015. The financial statements are subject to shareholders' approval on the General Meeting to be held 29 May 2015.

b) 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.

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

c) Functional 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').

d) Use of estimates and judgements

The preparation of consolidated financial statements in accordance with EU 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.

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

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until that control effectively ceases. KELER' s only subsidiary is KELER CCP.

Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associated companies are accounted for under the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the investee. The income statement reflects the Group's share of the result of operations of the investee and any goodwill impairment losses. KELER has no investment in associates.

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.

c) Cash and cash equivalents

Cash equivalents are liquid investments with original maturity of three months or less.

d) Financial assets and financial liabilities

Classification

Financial assets or financial liabilities at fair value through profit or loss are financial assets and financial liabilities that are classified as held for trading mainly for the purpose of profit-taking or are derivative instruments that are not designated as effective hedging instruments at upon initial recognition but designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss contain state bonds, treasury bills and discount bonds issued by the NBH.

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.

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.

The classification and fair value of financial instruments is detailed in Note 5-6.

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 gains and loss on securities.

A gain or loss on an available-for-sale financial asset shall be recognised directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity 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.

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.

Fair value measurement

Fair value hierarchy:

Level 1: The fair value of financial instruments is based on their quoted market price at the balance sheet date.

Level 2: 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. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed through the statement of comprehensive income, as other operating income.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the statement of comprehensive income, even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in the statement of comprehensive income shall be the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

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 the statement of comprehensive income.

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

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) Impairment of non-financial assets

If there is any indication that the carrying amount of a non-financial (within the scope of IAS 36) asset exceeds its recoverable amount, the Group makes estimates for the recoverable amount of the asset. The Group considers external and internal information in assessing the amount of impairment. Impairment loss is recognised or reversed according to the individual rating of the asset.

Inventories within the scope of IAS 2 are measured at the lower of cost and net realisable value. The Group makes estimates for the realisable amount on a quarterly basis. Write-downs are recognised or reversed according to these estimates.

If the carrying amount / cost of the non-financial asset exceeds its recoverable amount / realisable value, write-down shall be recognised, if not, write-down shall be reversed to increase the carrying amount of the asset. The carrying amount of the asset after reversal cannot exceed the original net carrying amount.

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, 14.5% for office machines and 33% for office equipment and computers.

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 17% depreciation rate is used on a straight-line basis.

h) Trading on gas market

Based on the theory 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 or supplier) during the buying and selling transactions. The stock 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 and advances to customers. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield 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 yield 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 marked.

Dividends
Dividends receivable are recognised in the Group's financial statements in the period in which they are approved by the shareholders.

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 directly in equity, in which case it is recognized in equity.

Deferred income tax is provided, using the balance sheet liability 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 balance sheet date.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, 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.

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) 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. The general risk reserve is treated as appropriations against retained earnings.

III) Restricted reserve

Based on corporate income tax law the group set up restricted reserve, to fund capital expansion (PPE) in the next four years.

Such amount is transferred from Retained earnings into Restricted reserve, up to an annual maximum of 500 MHUF. In financial year 2014 and 2013 the utilization amounted to MHUF 70 and 255, respectively.

o) Hedging

The Group is not engaged in any hedging activity.

p) 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 and placements with the National Bank of Hungary except those with more than three months maturity.

q) Events after the balance sheet date

Events after the balance sheet date 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 balance sheet date are presented in Note 27.

r) 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.

NOTE 4: FINANCIAL RISK MANAGEMENT

As at 31 December 2014, 100% (31 December 2013 10.2%) of the Group's financial assets held for trading portfolio consisted of securities issued by the Hungarian State. The Group's investment activity is regulated by the Act CXX of 2001 on Capital Market ("Act on Capital Market"), according to which KELER as a central depository may invest its free liquid assets from its own capital into:

a) government securities issued in Zone "A" countries;

b) debt securities issued by credit institutions established in Zone "A" countries;

c) deposits placed in the MNB and in credit institutions established in Zone "A" countries; and

d) repo transactions.

Zone "A" countries are EU and OECD countries.

The Group has policies in place to ensure that services are made to customers with an appropriate credit history. Repurchase agreements are limited to high credit quality brokers and financial institutions. Group has policies that limit the amount of credit exposure to any broker and financial institution. As at 31 December 2014, there were no open repurchase agreements.

The main elements of the Group's counterparty risk management approach are as follows:

(i) The performance and financials of members are continuously monitored and the Group constantly monitors bankruptcy. Member banks and investment firms are rated at least yearly, based on financial statements, publicly available information and subjective aspects.

(ii) In case of capital markets a two-level clearing membership system is operated by KELER CCP on every prompt and derivative market which is cleared and guaranteed by KELER CCP. In case of gas markets (CEEGEX, and EP) there is no client clearing. On the energy markets, KELER CCP offers its services for its non-clearing members as a general clearing member of ECC. Clearing members and energy market non clearing members have to comply with specified requirements including equity capital criteria.

(iii) A real-time price monitoring system is operated on the prompt- and derivative markets of BSE and MTS Hungary. KELER CCP is entitled to dispose prompt intraday clearing in case the price change exceeds certain limits. On the gas and energy markets diversified trading limits were introduced.

(iv) A multi-level guarantee system is operated on every prompt and derivative market, which is guaranteed and cleared by KELER CCP. The elements of the guarantee system are: individual collaterals, collective guarantee elements, KELER CCP's dedicated own resources, and other financial resources.

Individual collaterals include: basic financial collateral, variation margin, turnover margin, initial margin and additional collateral.

The collective guarantee elements are as follows: collective guarantee funds for both derivative and prompt markets, EP and CEEGEX gas market collective guarantee funds for gas market.

(v) A capital position limit is set for clearing members on BSE, and CEEGEX, and gas market position limit for clearing members on EP gas markets. Limits are regularly monitored, and in case of limit breach additional collateral could be applied.

Credit risk management

The most significant credit risk of the Group is concentrated in the KELER CCP due to the clearing membership. The main elements of the risk management procedures are described above. KELER's credit risk arises from its fee claims to clients and the exposures against treasury counterparties. KELER manages credit risk through a Treasury limit system, which main elements are: partner limit, partner group limit, pre-settlement and settlement limit.

Foreign currency risk management

The majority of assets and liabilities denominated in foreign currency are cash accounts owned by customers. The balance of own foreign currency cash accounts of KELER is relatively low compared to total balances. Accordingly the Group does not have significant exposure to foreign currency risk. In relation with the GCM status of KELER CCP at ECC regarding energy market clearing services - KELER CCP faces the currency risk of its contribution at ECC guarantee fund (denominated in EUR).

From the end of 2011 KELER Treasury has been entitled to enter into swap transactions. Only foreign currency funds owned by customers can be converted into HUF in overnight transactions. The purpose of swap deals is to increase HUF liquidity. The amount of swap deals is limited.

Foreign currency denominated assets amounted to HUF 23 856 million and HUF 11 194 million, while the foreign currency denominated liabilities amounted to HUF 23 748 million and HUF 11 098 million as at 31 December 2014 and 31 December 2013, respectively. The net own foreign currency position during the period was around the average amount of 108 HUF million.

Details of compositions of assets and liabilities denominated in foreign currency are presented by the following tables.

31 December 2014						
FX	Assets		Liabilities		Net	
	in FX	In HUF mn	in FX	In HUF mn	in FX	In HUF mn
AUD	2 372 982	504	2 333 522	496	39 460	8
CAD	89 656	20	47 077	11	42 579	9
CHF	151 043	40	135 287	34	15 756	6
CZK	1 265 438	14	410 942	5	854 496	9
DKK	299 957	13	0	0	299 957	13
EUR	66 568 072	20 962	66 535 990	20 952	32 082	10
GBP	112 211	45	85 867	35	26 344	10
HKD	34 176	1	33 576	1	600	0
HUF	155 758 723	156	155 692 546	156	66 177	0
JPY	2 937 275	6	509 384	1	2 427 891	5
NOK	148 140	5	104 098	4	44 042	1
NZD	1 244	0	1 244	0	0	0
PLN	140 039	10	72 274	5	67 765	5
RON	11 312	1	11 312	1	0	0
SEK	298 800	10	23 438	1	275 362	9
TRY	6 043	1	3 143	0	2 900	1
USD	7 980 420	2 068	7 895 848	2 046	84 572	22
ZAR	883	0	883	0	0	0
TOTAL		**23 856**		**23 748**		**108**

Maturity analysis of assets and liabilities and liquidity risk

The main purpose of liquidity activity is to ensure the Group's continuous solvency and thereby originate a secure liquidity of capital market transactions. Additionally, liquidity management analyses the liquidity gap between assets and liabilities.

The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

31 December 2013						
FX	Assets		Liabilities		Net	
	in FX	In HUF mn	in FX	In HUF mn	in FX	In HUF mn
AUD	40 201	8	741	0	39 460	8
CAD	99 892	20	57 614	12	42 278	8
CHF	167 295	41	142 378	34	24 917	7
CZK	1 060 403	11	215 786	2	844 617	9
DKK	657	0	657	0	0	0
EUR	32 438 024	9 631	32 430 273	9 602	7 751	29
GBP	134 878	48	94 334	34	40 544	14
HKD	165 145	5	117 545	3	47 600	2
HUF	257 683 563	258	257 588 838	258	94 725	0
JPY	3 037 431	6	609 540	1	2 427 891	5
NOK	144 243	5	100 201	4	44 042	1
PLN	130 652	9	65 441	5	65 211	4
RON	11 312	1	11 312	1	0	0
SEK	205 573	7	23 396	1	182 177	6
TRY	6 039	1	3 139	0	2 900	1
USD	5 296 974	1 142	5 291 000	1 141	5 974	1
ZAR	65 880	1	0	0	65 880	1
TOTAL		**11 194**		**11 098**		**96**

As on 31 December 2014 (All amounts in MHUF)

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	151 751	–	–	–	–	**151 751**
Placements with other banks	23 910	–	–	–	–	**23 910**
Financial assets at fair value through profit or loss	10 617	10 629	7 284	5 306	–	**33 836**
Receivables relating to clearing and depository activities	509	–	–	–	–	**509**
Current tax assets	271	–	–	–	–	**271**
Trade receivables	12 058	–	–	–	–	**12 058**
Other assets	7 503	3	10	2	–	**7 518**
Other investments	–	–	–	–	–	**-**
Intangible assets	–	–	–	–	1 925	**1 925**
Property plant and equipment	–	–	–	–	469	**469**
TOTAL ASSETS	**206 619**	**10 632**	**7 294**	**5 308**	**2 394**	**232 247**
Placement and loans from other banks	147 330	–	–	–	–	**147 330**
Deposits from customers	43 141	–	–	–	–	**43 141**
Accrued interest payable	228	–	–	–	–	**228**
Current tax liabilities	72	–	–	–	–	**72**
Deferred tax liabilities	518	–	–	–	–	**518**
Accounts payable	12 117	–	–	–	–	**12 117**
Other liabilities	426	–	–	–	–	**426**
TOTAL LIABILITIES	**203 832**	**–**	**–**	**–**	**–**	**203 832**
Share capital	–	–	–	–	4 500	**4 500**
Retained earnings	–	–	–	–	21 621	**21 621**
Reserves	–	–	–	–	2 287	**2 287**
Non-controlling interest	–	–	–	–	7	**7**
TOTAL SHAREHOLDERS' EQUITY	**–**	**–**	**–**	**–**	**28 415**	**28 415**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**203 832**	**–**	**–**	**–**	**28 415**	**232 247**
LIQUIDITY (DEFICIENCY)/EXCESS	**2 787**	**10 632**	**7 294**	**5 308**	**(26 021)**	**-**

As on 31 December 2013 (All amounts in MHUF)

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	11 397	–	–	–	–	**11 397**
Placements with other banks	11 273	–	–	–	–	**11 273**
Financial assets at fair value through profit or loss	129 678	1 755	7 188	4 802	–	**143 423**
Receivables relating to clearing and depository activities	435	–	–	–	–	**435**
Current tax assets	201	–	–	–	–	**201**
Trade receivables	11 898	–	–	–	–	**11 898**
Other assets	4 422	3	10	4	–	**4 439**
Other investments	–	–	–	–	20	**20**
Intangible assets	–	–	–	–	1 695	**1 695**
Property plant and equipment	–	–	–	–	356	**356**
TOTAL ASSETS	**169 304**	**1 758**	**7 198**	**4 806**	**2 071**	**185 137**
Placement and loans from other banks	94 796	**–**	**–**	**–**	**–**	**94 796**
Deposits from customers	51 075	–	–	–	–	**51 075**
Accrued interest payable	348	–	–	–	–	**348**
Current tax liabilities	49	–	–	–	–	**49**
Deferred tax liabilities	447	–	–	–	–	**447**
Accounts payable	12 105	–	–	–	–	**12 105**
Other liabilities	273	–	–	–	–	**273**
TOTAL LIABILITIES	**159 093**	**–**	**–**	**–**	**–**	**159 093**
Share capital	–	–	–	–	4 500	**4 500**
Retained earnings	–	–	–	–	19 359	**19 359**
Reserves	–	–	–	–	2 178	**2 178**
Non-controlling interest	–	–	–	–	7	**7**
TOTAL SHAREHOLDERS' EQUITY	–	**–**	**–**	**–**	**26 044**	**26 044**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**159 093**	**–**	**–**	**–**	**26 044**	**185 137**
LIQUIDITY (DEFICIENCY)/EXCESS	**10 211**	**1 758**	**7 198**	**4 806**	**(23 973)**	**–**

Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Therefore the length of time for which the rate of interest is fixed on a financial instrument indicates to what extent it is exposed to interest rate risk.

The majority of the Group's assets and liabilities have interest risk. Interest rate risk is mitigated through low asset duration, and that the cost of liabilities is binded to the base rate set by the Hungarian Central Bank.

The following table presents the interest reprising dates of the Group's balance sheet items. Variable yield assets and liabilities have been reported according to their next reprising date. Fixed income assets and liabilities have been reported according to their maturity.

INTEREST RATE RISK MANAGEMENT as on December 31 2014 (in HUF mn)

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Without maturity		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**151 961**	**23 700**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**151 961**	**23 700**	**175 661**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	151 961	23 700	–	–	–	–	–	–	–	–	–	–	151 961	23 700	175 661
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held for trading	**–**	**–**	**10 617**	**–**	**10 629**	**–**	**2 145**	**–**	**10 445**	**–**	**–**	**–**	**33 836**	**–**	**33 836**
fixed interest / discounted	–	–	10 617	–	10 629	–	2 145	–	10 445	–	–	–	33 836	–	33 836
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interes-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held to maturity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans (other assets)	**–**	**–**	**1**	**–**	**3**	**–**	**2**	**–**	**10**	**–**	**–**	**–**	**16**	**–**	**16**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	1	–	3	–	2	–	10	–	–	–	16	–	16

INTEREST RATE RISK MANAGEMENT as on December 31 2014 (in HUF mn)

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-Interest		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**140 098**	**7 232**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**140 098**	**7 232**	**147 330**
fixed interest	122 310	–	–	–	–	–	–	–	–	–	–	–	122 310	–	122 310
variable interest	17 788	7 232	–	–	–	–	–	–	–	–	–	–	17 788	7 232	25 020
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits from customers	**16 020**	**27 121**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16 020**	**27 121**	**43 141**
fixed interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	15 914	10 761	–	–	–	–	–	–	–	–	–	–	15 914	10 761	26 675
non-interes-bearing	106	16 360	–	–	–	–	–	–	–	–	–	–	106	16 360	16 466
NET POSITION	(4 157)	(10 653)	10 618	–	10 632	–	2 147	–	10 455	–	–	–	29 695	(10 653)	19 042

INTEREST RATE RISK MANAGEMENT as on December 31 2013 (in HUF mn)

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Without maturity		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**11 734**	**10 936**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11 734**	**10 936**	**22 670**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	11 734	10 936	–	–	–	–	–	–	–	–	–	–	11 734	10 936	22 670
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held for trading	**–**	**–**	**129 678**	**–**	**1 755**	**–**	**3 182**	**–**	**8 808**	**–**	**–**	**–**	**143 423**	**–**	**143 423**
fixed interest / discounted	–	–	129 678	–	1 755	–	3 182	–	8 808	–	–	–	143 423	–	143 423
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interes-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held to maturity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans (other assets)	**–**	**–**	**1**	**–**	**3**	**–**	**3**	**–**	**11**	**–**	**–**	**–**	**18**	**–**	**18**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	1	–	3	–	3	–	11	–	–	–	18	–	18

INTEREST RATE RISK MANAGEMENT as on December 31 2013 (in HUF mn)

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-Interest		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**89 745**	**5 051**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89 745**	**5 051**	**94 796**
fixed interest	83 214	–	–	–	–	–	–	–	–	–	–	–	83 214	–	83 214
variable interest	6 531	5 051	–	–	–	–	–	–	–	–	–	–	6 531	5 051	11 582
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits from customers	**40 857**	**10 218**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**40 857**	**10 218**	**51 075**
fixed interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	40 720	4 429	–	–	–	–	–	–	–	–	–	–	40 720	4 429	**45 149**
non-interes-bearing	137	5 789	–	–	–	–	–	–	–	–	–	–	137	5 789	**5 926**
NET POSITION	(118 868)	(4 333)	129 679	–	1 758	–	3 185	–	8 819	–	–	–	24 573	(4 333)	20 240

Application of VaR methodologies

VaR (Value at Risk) estimates the maximum potential loss arising from value change of a certain portfolio i.e the maximum theoretical, not yet realized loss over a given period at a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

Considering the fact that the Group is not affected significantly by either the foreign currency risk or by the risk of fluctuation in equity instrument prices, the majority of VaR exposure is related to HUF interest rate risk of KELER.

Risks exposures of KELER computed by the VaR methodology are summarized in the following table. Calculation of the VaR amounts assumes 99% probability and one-day relative shift. Foreign currency VaR relates to own foreign currency denominated balances of KELER. Interest VaR is related to KELER's portfolio of securities issued by the Hungarian Government or Central Bank and secured and non-secured deposits.

(HUF million)	31 December 2014	31 December 2013
Interest Var		
By 250-daily standard deviation	116.7	106.8
Foreign currency VaR		
By 250-daily standard deviation	3.7	1.4

Sensitivity analyses

While VaR captures KELER's daily exposure to foreign currency and interest rate risk based on recent data showing real market volatility, sensitivity analysis indicates that if the value of the main, determining element of a rate changes to a certain extent, what level of change is generated in the value of the portfolio.

• Foreign currency sensitivity analysis

KELER performs foreign currency sensitivity analysis based on its own foreign currency positions. The data in the following table shows the relative (expressed in percentage) and absolute change of HUF value of foreign currency positions in case of weakening of EUR and USD prices.

(HUF million)	31 December 2014	31 December 2013
1% Weakening of EUR		
Sensitivity of portfolio (%)	0.09%	0.30%
Sensitivity of portfolio (HUF mil.)	0.10	0.29
1% Weakening of USD		
Sensitivity of portfolio (%)	0.20%	0.01%
Sensitivity of portfolio (HUF mil.)	0.22	0.12

• Interest rate sensitivity analysis

KELER measures HUF interest rate sensitivity of assets on a daily basis. The interest rate sensitivity of assets (i.e the potential loss expected in the case of a 100 base point parallel positive shift of the yield curve) was HUF 654.5 million and HUF 492.7 million as at 31 December 2014 and 31 December 2013, respectively.

Capital management

KELER applies the regulations of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, and the REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR).

The Group doesn't cover under consolidated supervision. The management interested in only KELER's regulatory capital and capital adequacy ratio.

In accordance with CRR credit institution - for the purpose of maintaining solvency and the ability to fulfill liabilities - must have a solvency margin complying at all times (in all survey periods) with the amount of the risk of the financial and investment activities performed thereby, and must continuously maintain the proper adequacy ratio. The eligible capital and the capital adequacy ratio are determined in accordance with CRR.

The supervision of complying with capital management regulations was performed by the Central Bank of Hungary.

KELER has complied with the regulatory and prudential regulations during 2014 and 2013, the capital adequacy ratio exceeded significantly the required level.

The following table contains the calculation of the KELER's regulatory capital and capital adequacy ratio.

	2014	2013
I. Calculation of Regulatory Capital		
Share capital	4 500	4 500
Restricted reserve	–	70
Retained earnings	17 460	15 434
Net profit for the year	1 612	1 956
General reserve	2 166	1 987
General risk reserve	100	122
Capital base	**25 838**	**24 047**
Items to be deducted (-)		
Intangible assets	(1 589)	(1 155)
Investment restrictions	-	-
Large exposures of restrictions	(909)	(1 882)
Total amount of deducted items	**(2 498)**	**(4 483)**
Regulatory Capital available for hedging risks	**23 340**	**19 564**
II. Calculation of Capital Requirement		
Total capital requirement for credit risk	874	778
Total capital requirement for exchange rate risk	425	308
Total capital requirement for operating risk	934	930
Total Capital Requirement	**2 233**	**2 016**
Risk weighted exposure	**10 921**	**9 736**
III. Capital adequacy ratio		
Bazel I.	**84%**	**82%**
Bazel II.	**46%**	**47%**

The actual level of own funds of KELER is likely to remain the same during 2015.

Capital requirement has increased in 2015 due to the changes in the guidelines for supervised institutions. It is envisaged that later on the capital requirement will further increase because of the CSDR (Regulation (EU) No 909/2014).

The minimum level of capital adequacy ratio will increase gradually from 2016. Based on the current level, further capital accumulation wil not be neccessary.

NOTE 5: CASH AND CASH EQUIVALENTS

	2014	2013
Due from banks and balances with NBH		
Within one year In HUF	151 751	11 397
	151 751	**11 397**
Placements with other banks		
Within one year In HUF	23 910	11 273
	23 910	**11 273**

Based on the requirements for compulsory reserves set by the NBH, the balance of compulsory reserves amounted to approximately HUF 2 683 million and HUF 2 099 million on average in 2013 and 2012, respectively.

Daily balance was HUF 11 397 million and HUF 15 149 million as at 31 December 2013 and 2012, respectively.

Interbank placements include bank accounts at Clearstream Bank, Citibank A.G., NBH and OTP Bank Plc.

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

Financial assets at fair value through profit or loss
Securities held for trading

	2014	2013
Hungarian Government Discount Treasury Bills	18 279	1 142
Hungarian Government Bonds	15 558	13 356
NBH Bonds	–	128 925
	33 837	**143 423**

In the Group's security portfolio, the proportion of the Hungarian Government Discount Treasury Bills is 54% and 1% as at 31 December 2014 and 31 December, 2013, respectively. The main purpose is to assure the continuous liquidity within one year. The remaining portfolio includes government bonds and NBH Bonds with fixed interest rate. The annual average yield was 7.44% and 9.53% in year 2014 and 2013, respectively.

NOTE 7: RECEIVABLES RELATING TO CLEARING AND DEPOSITORY ACTIVITIES

Receivables relating to clearing and depository activities

	2014	2013
Receivables from custodian services	321	81
Receivables from customers on stock exchange transactions	188	354
	509	**435**

NOTE 8: OTHER INVESTMENTS

Investments

	2014	2013
GIRO	–	20
	–	**20**

No impairment was charged against these investments.

NOTE 9: TRADE RECEIVABLES

Trade receivables

	2014	2013
Receivable from the gas market	11 831	11 753
Other receivables	227	145
	12 058	**11 898**

NOTE 10: INTANGIBLE ASSETS

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	–	1 092	1 096
Disposals	6	-	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	542	542
Disposals	–	–	22	22
Balance as on 31 December 2014	104	47	6 265	6 416
Net book value				
Balance as on 1 January 2014	6	-	1 689	1 695
Balance as on 31 December 2014	4	-	1 921	1 925

Intangible assets				
Cost	**Concessions and similar rights**	**Goodwill**	**Intellectual property**	**Total**
Balance as on 1 January 2013	115	47	7 035	7 197
Additions	–	–	1 389	1389
Disposals	5	–	990	995
Balance as on 31 December 2013	110	47	7 434	7 591
Cumulated Depreciation and Amortization				
Balance as on 1 January 2013	90	47	5 801	5 938
Additions	14	0	462	476
Disposals	–	–	518	518
Balance as on 31 December 2013	104	47	5 745	5 896
Net book value				
Balance as on 1 January 2013	25	–	1 234	1 259
Balance as on 31 December 2013	6	–	1 689	1 695

NOTE 11: PROPERTY PLANT AND EQUIPMENT

Property plant and equipment			
Cost	Buildings and improvements	Machinery and equipments	Total
Balance as on 1 January 2014	363	1 691	2 054
Additions	64	1 194	1 258
Disposals	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
Additions	39	146	185
Disposals	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

Property plant and equipment			
Cost	Buildings and improvements	Machinery and equipments	Total
Balance as on 1 January 2013	368	1 665	2 033
Additions	-	923	923
Disposals	5	897	902
Balance as on 31 December 2013	363	1 691	2 054
Cumulated Depreciation and Amortization			
Balance as on 1 January 2013	235	1 496	1 731
Additions	92	104	196
Disposals	–	229	229
Balance as on 31 December 2013	327	1 371	1 698
Net book value			
Balance as on 1 January 2013	133	169	302
Balance as on 31 December 2013	36	320	356

NOTE 12: PLACEMENT AND LOANS FROM OTHER BANKS

Placement and loans from other banks		
	2014	**2013**
Within one year in HUF	140 098	89 745
Within one year in foreign currency	7 232	5 051
	147 330	94 796

The above balance includes deposit placed by banks to the collective guarantee fund in the amount of 533 MHUF (752 MHUF in year 2013).

NOTE 13: DEPOSITS FROM CUSTOMERS

	2014	**2013**
Interest-bearing		
Within one year in HUF	15 914	40 720
Within one year in foreign currency	10 761	–
Non interest-bearing		
Within one year in HUF	106	137
Within one year in foreign currency	16 359	10 218
	43 140	**51 075**

The Group paid an annual average rate of 1.82% and 3.73% in year 2014 and 2013 for the HUF interest-bearing deposits. In 2014 and 2013, the Group did not pay interests for the foreign exchange deposits.

The above balance includes deposit placed by clients to the collective guarantee fund in the amount of 2 341 MHUF (3 136 MHUF in year 2013).

NOTE 14: ACCOUNTS PAYABLE

Accounts payable		
	2014	2013
Accounts payable from the gas market	12 028	11 880
Other accounts	89	225
	12 117	**12 105**

NOTE 15: 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 2014. All 900 shares have been authorized, issued and fully paid.

Share capital		
	2014	2013
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 2014 and 31 December 2013.

Budapesti Értéktőzsde (Budapest Stock Exchange) held 46.67% of the shares directly as on 31 December 2014 and 31 December 2013.

Minority interest represents the 0.13% share of BSE in KELER CCP (0,13% in year 2013).

NOTE 16: STATUTORY RESERVES

Statutory Reserves		
	2014	2013
General reserve	2 165	1 986
General risk reserve	122	122
Restricted reserve	–	70
	2 287	**2 178**

NOTE 17: INCOME FROM CLEARING AND DEPOSITORY ACTIVITY

Income from Clearing and Depository Activity		
	2014	2013
Clearing fees	2 203	2 127
Other commission income	672	909
Transaction fees	946	553
Security transaction fees	699	636
Clearing fees from the gas market	190	182
Account maintenance fees	141	158
	4 851	**4 565**

NOTE 18: NET INTEREST INCOME

Interest income		
	2014	2013
Loans	173	182
Due from banks and balances with the National Bank of Hungary and other banks	1 029	112
Held for trading securities	2 978	6 155
	4 180	**6 449**
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	(299)	(412)
Deposits from customers	(2 046)	(3 970)
	(2 347)	**(4 382)**
NET INTEREST INCOME	**1 833**	**2 067**

NOTE 19: PERSONNEL EXPENSES

Personnel expenses	2014	2013
Wages	1252	1 147
Base wages	975	961
Premium	277	186
Social security and other contributions	400	375
Other cost of personnel	206	226
	1 858	**1 748**

The average number of employees was 137 on 31 December 2014 (134 in 2013).

NOTE 20: OTHER EXPENSES

Other expenses	2014	2013
Contracted services	858	858
Taxes	333	334
Rental fees	160	171
Postage and phone fees	200	80
Material type expenses	89	65
Lawyer's fee	60	69
Fees paid for education	76	33
Fees paid to experts	45	23
Fees paid to authorities	88	20
Insurance fees	33	8
Marketing cost	10	3
Other	6	147
	1 958	**1 811**

NOTE 21: INCOME TAX EXPENSE

The income tax rate was 19% and 10% (up to HUF 500 million profit) in Hungary in 2014 and 2013.

A breakdown of the income tax expense is:

Income Taxes	2014	2013
Current tax	420	404
Deferred tax	71	2
	491	**406**

A reconciliation of the deferred tax liabilities is as follows:

Deferred tax assets (+) / liabilities (-)	2014	2013
Balance as on 1 January	(447)	(445)
Deferred tax charge	(71)	(2)
Balance as on 31 December	**(518)**	**(447)**

A breakdown of the deferred tax liabilities is as follows:

Deferred tax assets (+) / liabilities (-)	2014	2013
Fair value adjustment of held for trading and held-to-maturity securities	(463)	(390)
General risk provisions	(23)	(23)
Restricted reserve	–	(13)
Software for non-deductible VAT on	(34)	(16)
Other	2	(5)
	(518)	**(447)**

Temporary differences result primarily from timing differences arising on the different valuation principles of financial assets held for trading for tax and accounting purposes.

A reconciliation of the income tax charge is as follows:

	2014	2013
Net income before income taxes	2 858	2 561
Income tax with statutory tax rate (19%)	448	392
Income tax with statutory tax rate (10%)	50	50
Total tax, as computed	**498**	**442**

Income tax adjustments are as follows:

		2014		2013
Income tax	0.70%	20	-1.69%	(43)
Dividend income	0.00%	–	-0.10%	(3)
Effect of general risk reserve	-0.81%	(23)	-0.90%	(23)
Restricted reserve	0.00%	–	-0.51%	(13)
Software for non-deductible VAT on	-1.19%	(34)	-0.62%	(16)
Other	1.05%	30	2.42%	62
Income tax, effective		**491**		**406**
Effective tax rate		17%		16%

NOTE 22: SECURITIES SAFEGUARDED AND DEPOSITED; OFF BALANCE SHEET ITEMS

Foreign securities means amounts in security accounts of the counterparties.

SECURITIES	NOMINAL VALUE	
	31.12.2014	31.12.2013
Physical securities		
Securities introduced to the stock exchange-Physical	–	–
Securities not introduced to the stock exchange-Physical		
Corporate bonds	1 660	3
Shares	19 741	22 925
	21 401	**22 928**
Dematerialized securities		
Introduced to the stock exchange	16 540 555	12 589 056
Not introduced to the stock exchange	11 331 227	15 919 478
	27 871 782	**29 508 534**
TOTAL	**27 893 183**	**29 531 462**
Materialized securities denominated in foreign currency		
Share denominated in foreign currency (CHF)	1 448	1 339
Share denominated in foreign currency (USD)	8	7
Dematerialized securities denominated in foreign currency		
Government securities (EUR)	1 047 796	759 347
Investment Fund coupons (EUR)	348 187	302 712
Investment Fund coupons (USD)	66 620	90 675
Investment Fund coupons (PLN)	20 265	13 809
Investment Fund coupons (CZK)	74 775	44 288
Investment Fund coupons (BGN)	–	92
Investment Fund coupons (TRY)	126	115
Share denominated in foreign currency (EUR)	472 758	440 277
Share denominated in foreign currency (USD)	2 829	2 355
Mortgage bonds denominated in foreign currency (EUR)	33 347	99 584
Mortgage bonds denominated in foreign currency (CHF)	–	13 560
Capital bonds denominated in foreign currency (EUR)	6 298	29 691
Bonds (CHF)	40 294	203 863
Bonds (EUR)	189 660	217 451
Bonds (USD)	9 603	7 244
TOTAL	**2 314 014**	**2 226 409**

NOTE 23: OFF BALANCE SHEET ITEMS

Guarantees received

	2014	2013
Cash in HUF	24 287	13 814
Cash in foreign currency	11 235	5 490
Security	29 170	35 053
Bank guarantee	3 290	3 338
	67 982	**57 695**

Specific safeguards

	2014	2013
Cash in foreign currency	7 459	4 420
Bank guarantee	43	43
	7 502	**4 463**

NOTE 24: RELATED PARTY TRANSACTIONS

The Group had provide housing loans to management. The outstanding amount was HUF 5 million as at 31 December 2014 and HUF 5 million as at 31 December 2013 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.

National Bank of Hungary

	2014	2013
Term deposit placements	146 714	10 717
	146 714	**10 717**
Interest income	962	7
Other income	–	13
	962	**20**
Bank account costs	12	10
Other costs	–	–
	12	**10**

Transactions with directors and officers

	2014	2013
Remuneration of the members of the Board of Directors	42	29
Remuneration of the members of the Supervisory Board	15	6
Remuneration of the members of the Board of Management	240	220
Loans given to management	86	86
Loan repayment by management	83	82

NOTE 25: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Classification of financial instruments

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	–	151 751	–	–	**151 751**	**151 751**
Placements with other banks	–	23 910	–	–	**23 910**	**23 910**
Financial assets at fair value through profit and loss	33 836	–	–	–	**33 836**	**33 836**
Receivables relating to clearing and depository activities	–	509	–	–	**509**	**509**
Other investments	–	–	0	–	**0**	**0**
Placement and loans from other banks	–	–	–	147 330	**147 330**	**147 330**
Deposits from customers	–	–	–	43 141	**43 141**	**43 141**
Accounts payable	–	–	–	12 117	**12 117**	**12 117**

31 December 2013

	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	–	11 397	–	–	**11 397**	**11 397**
Placements with other banks	–	11 273	–	–	**11 273**	**11 273**
Financial assets at fair value through profit and loss	143 423	–	–	–	**143 423**	**143 423**
Receivables relating to clearing and depository activities	–	435	–	–	**435**	**435**
Other investments	–	–	20	–	**20**	**20**
Placement and loans from other banks	–	–	–	94 796	**94 796**	**94 796**
Deposits from customers	–	–	–	51 075	**51 075**	**51 075**
Accounts payable	–	–	–	12 105	**12 105**	**12 105**

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 2014

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets at fair value through profit and loss	33 836	–	–	33 836
Other investments	–	–	0	0

Assets and liabilities measured at fair value – Fair value hierarchy | As on 31 December 2013

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets at fair value through profit and loss	143 423	–	–	143 423
Other investments	–	–	20	20

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 2014

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	–	–	151 751	151 751
Placements with other banks	–	–	23 910	23 910
Receivables relating to clearing and depository activities	–	–	509	509
Placement and loans from other banks	–	–	147 330	147 330
Deposits from customers	–	–	43 141	43 141
Accounts payable	–	–	12 117	12 117

Assets and liabilities measured at non-fair value – Fair value hierarchy | As on 31 December 2013

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	–	–	11 397	11 397
Placements with other banks	-	–	11 273	11 273
Receivables relating to clearing and depository activities	–	–	435	435
Placement and loans from other banks	–	–	94 796	94 796
Deposits from customers	–	–	51 075	51 075
Accounts payable	–	–	12 105	12 105

NOTE 26: SUBSEQUENT EVENTS

The dividend for the financial year 2014 may be approved at the General Meeting to be held the 29th May 2015.

NOTE 27: PRESENTATION OF THE DIFFERENCE BETWEEN HAS AND EU IFRS INCOME

This Note presents the difference of KELER and KELER CCP earnings according to Hungarian accounting standards and the consolidated EU IFRS earnings.

Presentation of the difference between HAS and EU IFRS

	Net profit under HAS	Financial assets	General reserve	Software for non-deductible VAT on	Deferred tax	Adjusting items under EU IFRS	Adjusting items under Consolidations (transfer of assets)	Net profit under EU IFRS
Net profit of KELER	1 612	–	–	–	–	**582**	**–**	**2 194**
Exchange gains and losses of securities	–	384	–	–	–	**384**	–	**–**
Other expenses (General risk reserve)	–	–	179	–	–	**179**	–	**–**
Software for non-deductible VAT on	–	–	–	97	–	**97**	–	**–**
Income tax	–	–	–	–	(78)	**(78)**	–	**–**
Adjusting items:	–	384	179	97	(78)	**582**	**–**	**–**
Net profit of CCP	173	–	–	–	–	**(5)**	**–**	**173**
Adjusting items under Consolidations (transfer of assets)	–	–	–	–	–	**–**	–	**–**
Consolidated profit of KELER	1 785	–	–	–	–	**582**	**–**	**2 367**

NOTE 28: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new Standards and Interpretations are not yet effective for the annual financial reporting period ended 31 December 2014 and have not been applied in preparing these financial statements: *[IAS 8.30 (a)]:*

Standard / Interpretation [IAS 8.31 (a), 8.31(c)]	Nature of impending change in accounting policy [IAS 8.31 (b)]	Example wording regarding the possible impact on financial statements [IAS 8.31 (e)]
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)	The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are: / set out in the formal terms of the plan; / linked to service; and / independent of the number of years of service. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.	It is expected that the Amendment, when initially applied, will have a significant impact on the financial statements, since the entity will recognise contributions to defined benefit plans from employees and third parties as a reduction of the service cost in the period in which the related service is rendered instead of being included when calculating net current service cost and the defined benefit obligation. OR The entity does not expect the Amendment to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

IFRIC 21 Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)	The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.	The impact of the initial application of the Interpretation will depend on the specific levies imposed by government, applicable at the date of initial application. The Entity does not intend to adopt the Interpretation early; therefore it is not possible to estimate the impact adoption of the Interpretation will have on the Entity's financial statements. OR It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the entity's accounting policy regarding levies imposed by governments.

18 | ORGANIZATIONAL STRUCTURE OF KELER

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

20 | GENERAL INFORMATION

Ownership structure

Shareholders	Shareholding (%)
National Bank of Hungary (NBH) HUF 2,400 million	53.33%
Budapest Stock Exchange (BSE) HUF 2,100 million	46.67%
Total HUF 4,500 million	100.00%

Members of the Board of Directors

Csaba Lantos – Chairman
Csaba Balogh – Vice Chairman
Zsolt Katona
Attila Tóth**
Balázs Vonnák
Hannes A. Takacs*
György Dudás
Margit Brauner

* until 28 May 2014
** since 28 May 2014

Members of the Supervisory Board

Lajos Bartha – Chairman
Attila Tóth*
Georg Zinner
Attila Varga-Balázs**
Lóránt Varga

* until 28 May 2014
** since 28 May 2014

Contact

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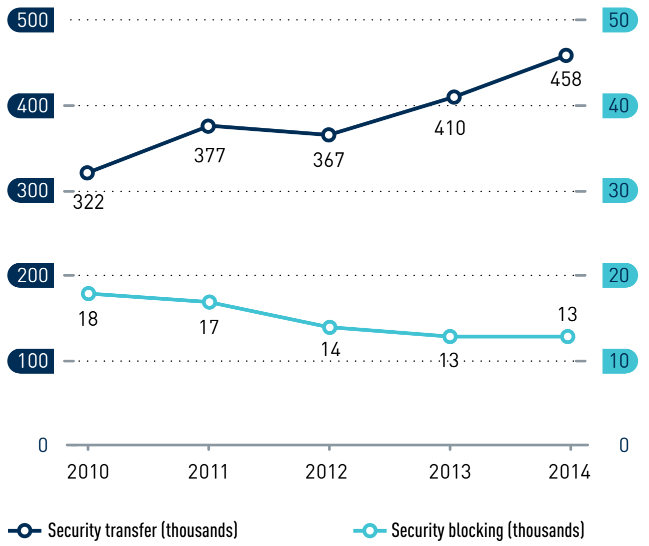
Phone: (+36-1) 483-6240

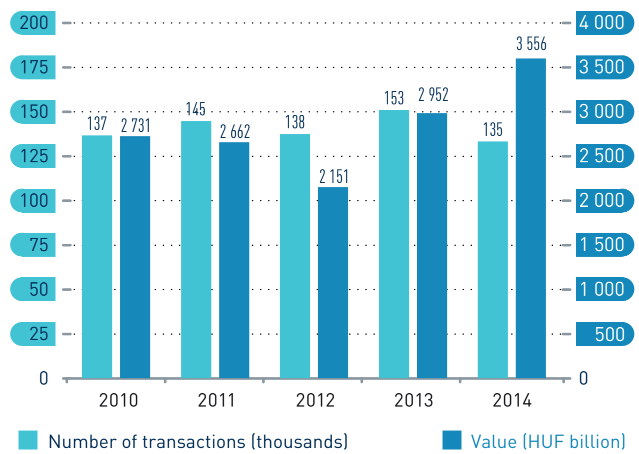
Service Desk
Available from 7.00 hrs until 20.00 hrs
Phone: (+36-1) 483-6228
or (+36-1) 483-6120

21 | OTHER STATISTICS

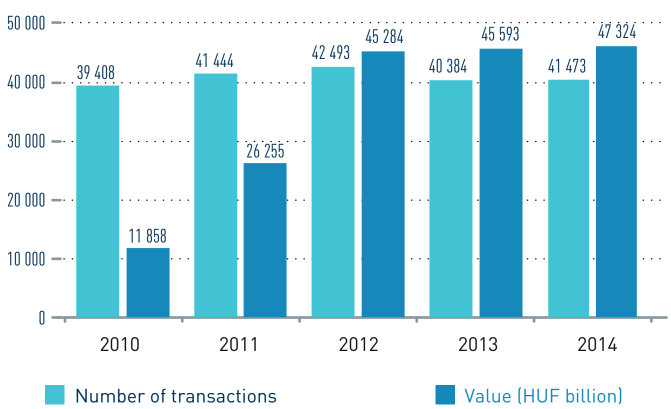
Number of other securities transactions / 2010 - 2014



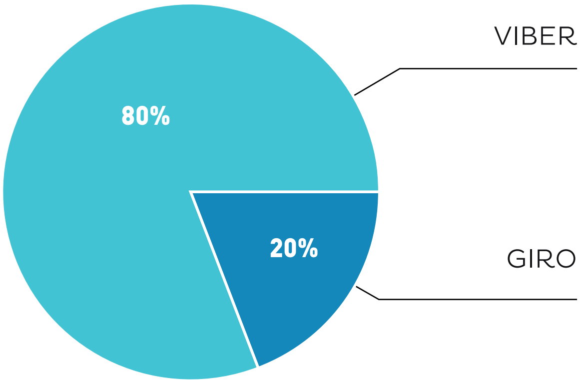
Outgoing and incoming payments from/to client cash accounts with KELER 2010 - 2014



In-house debits and credits on client cash accounts with KELER (in-house turnover) 2010 - 2014



GIRO - VIBER payments in 2014



Number of transactions in 2014