KELER CCP LTD.

Standalone Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union
and
Independent Auditor's Report

for the year ended 31 December 2019

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Explanation of the abbreviations used in the financial statements:

AC	Debt instrument measured at amortized cost
AFS	Available-for-sale (financial instruments)
CBH	Central Bank of Hungary
CCP	Central Counterparty
CGU	Cash Generating Unit
DKJ	Discount treasury bill
EAD	Exposure at default
ECC	European Commodity Clearing
ECL	Expected Credit Loss
EMIR	European Market Infrastructure Regulation
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GCM	General Clearing Member
HAS	Hungarian Accounting Regulation
HTM	Held-to-maturity (financial instruments)
IAS	International Accounting Standards
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
LGD	Loss given default
LR	Loans and receivables (financial instruments)
MHUF	Million Hungarian Forint
OTC	Over the counter market
PD	Probability of default
PO	Performance Obiligation
ROU	Right of use asset
SPPI	Solely Payments of Principal and Interest
THUF	Thousand Hungarian Forint
WACC	Weighted average cost of capital

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders KELER CCP Ltd.

Report on Audit of Standalone Financial Statements

Opinion

We have audited the financial statements of KELER CCP Ltd. (the „Company") for the year 2019 which comprise the statement of financial position as at December 31, 2019 – which shows a total assets of thHUF 54.794.310 –, and the related statement of comprehensive income – which shows a total comprehensive income of thHUF 441.701 –, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act") relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the "Rules of conduct (ethical rules) of the auditor profession and the disciplinary process" of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the "Code of Ethics for Professional Accountants" (the IESBA Code) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

Other Information: The Business Report

Other information includes the business report of the Company for 2019. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled *„Opinion"* does not apply to the business report.

Our responsibility in connection with our audit of the financial statements is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the business report is consistent with the financial statements.

In our opinion, the business report of the Company for 2019 corresponds to the financial statements of the Company for 2019 and the relevant provisions of the Accounting Act in all material respects. As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Company's internal control that we identify during the audit.

Budapest, 5th May, 2020

(The original Hungarian version has been signed.)

Nagyváradiné Szépfalvi Zsuzsanna
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor
Registration number of statutory registered auditor: 005313

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
Registration number: 000083

		31.12.2019	**31.12.2018**
Cash and cash equivalents	6	19 765 012	19 853 295
Debt instruments measured at fair value through other comprehensive income	7	3 999 775	2 993 668
Trade receivables relating to gas market	8	2 485 215	4 940 661
Trade receivables relating to central counterparty and other service	9	222 074	203 678
Other receivables	10	620 611	893 885
Receivables from repurchase agreements	10	8 942 350	9 336 276
Receivables from foreign clearing houses	11	18 175 567	19 753 319
Income Tax - Current tax receivables	10	0	1 877
Intangible assets	12	532 146	526 439
Property, plant and equipment	13	41 683	13 606
Income Tax - Deferred tax assets	20	9 877	12 805
TOTAL ASSETS		**54 794 310**	**58 529 509**
Trade payables	14	346 048	207 926
Trade payable from gas market activity	8	2 465 314	4 908 000
Other payables	15	166 973	280 736
Income Tax - Current tax liability	15	18 693	0
Default Fund liabilities	16	6 950 315	8 275 897
Financial guarantee contract liability	17	5 747	5 427
Collateral held from energy market participants	18	36 231 222	36 715 380
Lease liability	19	32 154	-
TOTAL LIABILITIES		**46 216 466**	**50 393 366**
Share capital	21	2 623 200	2 623 200
Capital reserve	21	3 934 800	3 934 800
Retained earnings	21	2 019 580	1 577 266
Reserves of financial instruments measured ad fair value through other comprehensive income	21	264	877
TOTAL SHAREHOLDERS' EQUITY		**8 577 844**	**8 136 143**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**54 794 310**	**58 529 509**

		01.01.2019 - 31.12.2019	01.01.2018 - 31.12.2018
Revenues from counterparty services	23	**1 713 156**	**1 371 739**
Other non-counterparty services	24	**196 866**	**195 055**
Bank service fees	26	-78 993	-66 892
Personnel expenses	27	-469 759	-401 156
Depreciation and amortization	12,13	-92 747	-125 380
Other operating expenses	28	-794 444	-722 258
Impairment of financial assets	29	-152	-3 354
Impairment of non-financial assets	12	-23 708	-89 507
Expense/(income) from changes in financial guarantee funds liabilities	17	-320	-454
Operating expenses		**-1 460 123**	**-1 409 001**
Net operating income		**449 899**	**157 793**
Interest incomes for items measured at AC		220 614	157 014
Interest incomes for items measured at FVTOCI		11 296	2 949
		231 910	*159 963*
Interest expenses		-239 736	-168 621
Net interest income	30	**-7 826**	**-8 658**
Other financial gains/(losses)	31	**45 618**	**43 924**
Financial income		**37 792**	**35 266**
INCOME BEFORE INCOME TAX		**487 691**	**193 059**
Income taxes	32	-45 377	-19 303
PROFIT OR LOSS FOR THE PERIOD		**442 314**	**173 756**

The accompanying notes (NOTE 1- NOTE 46) of the financial statements form an integral part of these separate financial statements

		01.01.2019 - 31.12.2019	**01.01.2018 - 31.12.2018**
Other comprehensive income, net:			
Remeasurement gains/losses of financial instruments measured at fair value through other comprehensive income	33	-674	460
Income tax of other comprehensive income	33	61	-41
Other comprehensive income for the period		**-613**	**419**
Of which later to be reclassified to net income:		**-613**	**419**
Of which later not to be reclassified to net income:		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**441 701**	**174 175**

The accompanying notes (NOTE 1- NOTE 46) of the financial statements form an integral part of these separate financial statements

(All amounts in THUF)

	Share Capital	**Capital reserve**	**Reserves of financial instruments measured ad fair value through other comprehensive income**	**Retained Earnings**	**Total**
Balance on 1 January 2018	**1 823 200**	**2 734 800**	**458**	**1 403 510**	**5 961 968**
Capital contribution	800 000	1 200 000	0	0	2 000 000
Total comprehensive income	0	0	419	173 756	174 175
Balance on 1 January 2019	**2 623 200**	**3 934 800**	**877**	**1 577 266**	**8 136 143**
Total comprehensive income	0	0	-613	442 314	441 701
Balance on 31 December 2019	**2 623 200**	**3 934 800**	**264**	**2 019 580**	**8 577 844**

The accompanying notes (NOTE 1- NOTE 46) of the financial statements form an integral part of these separate financial statements

	Notes	**01.01.2019 31.12.2019**	**01.01.2018 31.12.2018**
CASH FLOW FROM OPERATING ACTIVITIES			
INCOME BEFORE INCOME TAX		487 691	193 059
Interest expense	30	239 736	168 621
		727 427	*361 680*
Non cash items - adjustments			
Interest income	30	(231 910)	(159 963)
Depreciation and amortization charged	12,13	92 747	125 380
Impairment loss / reversal		23 734	92 859
Foreign exchange rate losses/(gains)		(47 810)	(42 350)
Recognition / release of financial guarantee contract	17	320	454
Operating cash-flow before working capital adjustments		**564 508**	**378 060**
Changes in the net balance of gas market transactions, net	8	12 760	(3 410)
Changes in the net balance of security funds	16, 18	(1 809 740)	15 803 335
Changes in the receivables from balance with other clearing houses	11	1 607 965	(6 122 161)
Changes in trade and other receivables	9, 10	662 675	(3 047 552)
Changes in trade and other payables	14,15	31 658	94 428
		1 069 826	*7 102 700*
Interest paid		(245 593)	(174 026)
Taxes paid		(21 819)	(22 829)
Cash generated (+) / used (-) in operation		**802 414**	**6 905 845**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of financial assets	7	(6 949 982)	(3 987 271)
Cash proceeds from financial instruments held for investment purposes	7	5 954 704	3 496 719
Acquisition of property, plant and equipment		(2 281)	(14 535)
Acquisition of intangible asset		(110 739)	(82 417)
Cash proceeds from disposal of property, plant and equipment		88	2
Proceeds from interest		206 841	142 261
Cash generated (+) / used (-) from investing activity		**(901 369)**	**(445 241)**

CASH FLOW FROM FINANCING ACTIVITIES

		01.01.2019 31.12.2019	01.01.2018 31.12.2018
Proceeds from capital contribution		-	2 000 000
Lease payments		(7 549)	-
Cash generated (+) / used (-) from/in financing activity		**(7 549)**	**2 000 000**
Net increase (+) / decrease (-) in cash and cash equivalents		**(106 504)**	**8 460 604**
Opening cash and cash equivalents	6	19 853 295	11 403 060
Foreign exchange rate difference on closing cash and equivalents		18 351	(5 371)
Expected credit loss balance on cash and equivalents		(130)	**(4 998)**
Closing cash and cash equivalents	6	19 765 012	19 853 295
Net (decrease)/increase in cash and cash equivalents		**(106 504)**	**8 460 604**

NOTE 1: GENERAL

Statement of IFRS compliance

These financial statements of KELER CCP Central Counterparty private company limited by shares (hereinafter referred as the "Company" or "KELER CCP") and its' Separate subsidiary (together also referred to as the 'Entity') were prepared in accordance with IFRSs, as adopted by the EU. The management declares that the Entity fully complies with the provisions of IFRSs/IASs and IFRICs/SICs as endorsed by the European Union. The management made this declaration in full awareness of its responsibility.

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

These financial statements were prepared using the accrual basis, which means that the business transactions are accounted for regardless of the financial settlements.

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

The Company (legal form, seat)

KELER CCP was founded as a limited liability company according to the Hungarian laws, on 6 June, 2008. In 2011 KELER CCP was transformed to a private company limited by shares. Company's seat is H-1074 Budapest, Rákóczi str. 70-72.

Shareholders

The current ownership structure of the company is valid since 25th October 2018.

KELER Central Depository Ltd.	99.81%
Central Bank of Hungary	0.1%
Budapest Stock Exchange (BSE)	0.09%

Before this date the shareholder structure of the Entity was (since 7th July 2013):

KELER Central Depository Ltd.	99.72%
Central Bank of Hungary	0.15%
Budapest Stock Exchange (BSE)	0.13%

The ultimate parent of KELER CCP Ltd. is the Central Bank of Hungary (major shareholder of KELER Central Depository Ltd. The major shareholder of BSE is also the CBH). The sole shareholder of CBH is the Hungarian State. The seat of the ultimate parent is 1054 Budapest, Szabadság tér 9.

The activity of the Entity

KELER CCP is a central counterparty business association pursuant to the requirements of the Act CXX of 2000 on the Capital Market of Hungary (hereinafter "Tpt.") and Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories ("EMIR (EU) No

648/2012"). KELER CCP as central counterparty undertakes guarantee for transactions concluded on the Budapest Stock Exchange ("BSE"), and for the financial performance of gas market KELER CCP as a general clearing member undertakes guarantee for the financial performance of energy market transactions towards European Commodity Clearing AG. KELER CCP's direct partners are financial institutions (credit institutions and investment firms), commodities service providers, energy trading license holders and participants of an organized market. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

KELER CCP has obtained the EMIR license on 4 July 2014 from the Central Bank of Hungary

The upper limit of the of the guarantee payment of KELER KSZF is derived from the equity of the Entity (ie. basic guaranteeing equity and supplementary guaranteeing equity).

NOTE 2: BASIS OF PREPARATION

Basis of measurement

The Entity generally measures its assets and liabilities on historical cost basis, except for cases where a given item should be measured at fair value under IFRS. Latter includes derivatives and available for sale financial assets that are stated at fair value.

Functional currency, presentation currency

These Separate financial statements are presented in Hungarian Forints, which is the primary economic environment in which the Entity operates (functional currency).
All amounts in the financial statements of the Entity are rounded to the nearest thousand ("THUF").

Use of estimates and judgment's

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

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

- The fair value of the financial instruments are valued at fair value as required by the IFRSs. These fair values are mostly quoted prices or based on quoted prices (Level 1 and Level 2). However, they may change significantly over time leading to significantly different values as expected at the measurement day. Items measured at fair value which is Level 3 measurement is especially judgmental, since the input date was determined based on information not directly observable. The information regarding the level of measurement of the items is provided in Note 37.

- The management's judgment in calculating the expected credit loss (ECL) of financial assets is an important decision. These estimations are done by risk management experts using wildly accepted principles and assumptions. Due to the nature of these estimations the actual credit loss may differ from the expected amount.

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

- The Entity has a right-of-use asset where the underlying asset is the office building The value of this asset was arrived to by discounting back the future cash flows from the lease agreement. For this computation the incremental interest rate was estimated. This was a material estimation since it effects both the value of the ROU and the value of the lease liability.

- Certain items of the Entity's assets can be tested for impairment at CGU level only. Identifying CGUs requires complex professional judgment. In addition, when determining the recoverable value of CGUs, the Entity's management relies on certain forecasts which are uncertain by nature. Current estimation suggests that the entity as whole qualifies as a CGU.

- The Entity applies estimates and judgments to determine the value of the Costumer relationship asset (recognized as an intangible). The recoverable amount of this asset is reviewed annually. This estimation is a major judgment and source of uncertainty (See Note 12).

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

- The Entity recognized a financial guarantee liability that was measured at fair value. The value depends on the predictions and expectations about the future. The nature of the estimation makes this a material judgement.

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) 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 end of reporting period are translated to Hungarian Forint at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Hungarian Forint at foreign exchange rates effective at the dates the values were determined.

From the Entity's perspective the following foreign currencies are relevant:

	2019 closing	2019 average	2018 closing	2018 average
€	330,52	325,35	321,51	318,87

b) Cash and cash equivalents

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

c) Financial assets and financial liabilities

Classification

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

The Entity does not have any financial instruments at the end of this period, which is classified to the category FVTPL due to it's nature being held for trading.

Debt instruments that meet both SPPI test and the business model of it is hold to collect will be classified at AC category and will be carried at amortized cost. This category include: accounts and other receivables, receivables from foreign clearing houses etc.

Debt instruments meeting the SPPI test with a business model of held to collect and sell will be classified at FVTOCI category

The treasury bills held by the entity are classified to th FVTOCI debt category

The Entity classifies its equity instruments -unless they are held for trading- into FVTOCI, meaning that the asset is measured at fair value at each reporting date (with the cost being considered as fair value in some cases) and the gain/loss is related to other comprehensive income.

The Entity does not holds any instruments at the end of this period.

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 guarantee activities.

Recognition

Financial assets and liabilities are recognised in the Entity's books on the settlement date, except for derivative assets, which are entered on the trade date. 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 derecognized when the rights to receive cash flows from the financial assets expire or the Entity transfers substantially all risks and rewards of ownership of the financial asset (without retaining significant right).

Measurement

Subsequent to initial recognition, all financial assets not falling under AC category and financial liabilities at fair value through profit or loss are measured at fair value. If no quoted market price exists from an active market and fair value cannot be reliably measured, the Entity uses valuation techniques to determine fair value.

Financial assets categorized to the AC category and all financial liabilities other than at fair value through profit or loss, are measured at amortized cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized 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 recognized in profit or loss, as financial income or expense.

For financial assets in the AC category and financial liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortization process (as net income).

Income from effective interest on a FVTOCI instrument will be taken to net profit separately from the expected credit loss of this instrument (which is recognized in a different category of net profit). The valuation gain or loss of such a financial asset shall be recognized in other comprehensive income. Gain or loss on disposal (sale or expiration) of FVTOCI financial assets are recognized in net profit, while the previously accumulated other comprehensive income is reclassified to the income statement.

For equity instruments under FVTOCI, the accumulated gain or loss on revaluation will not be reclassified to the net profit once disposed, but it will be transferred directly to retained earnings.

Fair value measurement

The fair value of financial instruments is determined based on the requirements of *IFRS 13 Fair Value Measurement* ("IFRS 13") and internal policies established in accordance with that
The fair value of financial instruments is based on their quoted market price at the end of reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow techniques.

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

Level 1: The input for the fair value is the unadjusted quoted price, no other input is used for the valuation.
Level 2: All inputs are directly or indirectly observable but there are inputs other than the quoted price.
Level 3: The fair value of derivatives that are not exchange-traded are estimated at the amount that the Entity would receive upon normal business conditions to terminate the contract at the end of reporting period taking into account current market conditions and the current creditworthiness of the counterparties.

The fair value of the treasury bills of the Entity is classified into Level 2. The fair value is based mainly on observable prices however, when the fair value of these assets cannot be determined based on such quoted prices, instrument are measured based on yields remarkable for similar financial instruments .

Amortized cost measurement

The amortized 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 uncollectibility.

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

Impairment of financial assets (expected credit loss)

For financial assets measured at AC or FVTOCI expected credit loss is recognized. The credit loss is the cash shortfall throughout the life of the financial asset. The expected credit loss is determined from multiplying:

- exposure at default (EAD);
- loss given default (ratio) (LGD);
- probability of default (PD) for the relevant period.

When items are recognized the 12-month ECL is considered. This is arrived to using the 12 month PD, reflecting the probability of default happening in the next 12 months. This is referred to as stage 1 ECL. This loss is recognized in net profit, without lowering the carrying amount of the instrument but a contra-active asset is used (allowance). The gross carrying amount of the asset remains unchanged.

If the credit quality of the asset deteriorates the instrument is reclassified into stage 2, where lifetime PD is considered. This is arrived to using the lifetime PD. This loss is recognized in net profit, without lowering the carrying amount of the instrument but a contra-active asset is used (allowance). The gross carrying amount of the asset remains unchanged.

It is assumed that the credit quality of the asset is deteriorated when any of following conditions is met or based on assessment of the management this is occurred.

- the contractual cash flows are more than 30 days past due ('DPD 30 days rule'), excluding that case, when the delay has another reason. Regardless DPD 30 days rule, increase in risk shall be assumed, if based on market information the financial status of the partner is deteriorated, that can cause shortfall if cash flows.

It is assumed that there is significant detoriation in the credit quality if any of the following situations exist:

- severe financial difficulties of the issuer or the borrower;
- breach of the contract, missing repayment of capital or principal repayment;
- renegotiation of the contract or other reliefs due to the financial difficulties of the counterparty;
- it becomes probable that borrower will be subject to liquidation or other similar reorganizational procedure

- disappearance of an active market
- it can be concluded that the contractual cash flows are not going to be collected.

If the credit quality of the asset deteriorates even further – so the asset becomes impaired – the item will be classified into stage 3. In this case the item's carrying amount is lowered directly any previously recognized allowance will be deducted from the carrying amount.

If the quality of the financial asset later improves the asset may be reclassified back from stage 3 to stage 2 and from stage 2 to stage 1.

It is considered that an item is defaulted if the contractual cash flow are 90 days past due, although if market conditions suggest the defaulted status may be concluded earlier.

The entity presumes that the credit quality detoriates once the contractual cash flows are more than 30 days past due.

The default (impaired status) is a situation when the contractual cash flow is more than 90 days past due (90 DPD rule), unless the reason of the delay may be traced back to a clear reason other than detoriation in the credit quality. The default can be identified before the missing cash flow becoming 90 days past due, if market information suggest that.

The following singes are considered to be deteriorations in the credit quality:

- market data
- change in the economic environment
- independent rating agencies
- comparable data
- conclusions of the risk assessors
- forbearance
- payment behaviour

For certain individually small balance receivables ECL is calculated on a collective basis. For accounts receivables the simplified method is applied, where immediately the lifetime ECL is charged but there is no continuous tracking of the credit quality.

For this purpose the Entity splits the accounts receivables into two portfolios: receivables from the gas activity and other account receivables. The ECL is determined using the following ratios:

Past due	**ECL ratio**
Less than 90 DPD	1%
Between 90 – 180 DPD	50%
Over 181 DPD	100%

For the gas portfolio:

Past due	**ECL ratio**
Less than 90 DPD	0,001%
Between 90 – 180 DPD	1%
Between 181 – 365 DPD	25%
Between 366 – 550 DPD	90%
Over 551 DPD	100%

If an expected credit loss is reversed it shall be recognized in net profit (decreasing the expected credit loss expense).

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

The Entity tests its assets for impairment each year. Testing consists of two stages. The first stage is to examine whether there are signs indicating that the assets in question are impaired. The following are signs that a given asset is impaired:
- damage;
- decline in income;
- unfavourable changes in market conditions and a decline in demand;
- increase in market interest rates.

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

If the value in use of a Entity of assets cannot be determined as it does not generate any cash flows itself (it is not in use), the test is performed with respect to the cash-generating units (CGUs).
First the impairment is determined on the level of the individual asset (if possible).

If the value in use can only be determined with respect to the CGUs and impairment needs to be accounted for, impairment losses are recognized as follows:
- first, damaged assets are impaired;
- second, the goodwill is reduced;
- third, the remaining amount of impairment losses are split among property, plant and equipment (PPE) and intangible assets in the CGU in proportion to their carrying amount prior to impairment.

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

Impairment testing is performed by the Entity at the end of reporting period or when it is clear that impairment needs to be recognized.

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

The Entity has concluded that it has a cash-generating unit, the CCP activity (clearing house and central counterparty).

e) *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 Entity are 14.5% for fixtures and fittings, 25% for office equipment and computers, 20% for vehicles and 50% for mobile phones.
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 profit or loss as expense as incurred.

f) Right-of-use-asset (ROU)

The Entity discloses the assets acquired through a lease transaction as a right-of-use asset. The ROUs are subsequently measured using the cost model and the amortization of this asset is mostly based on the contractual period. The ROUs are tested for impairment using the regulation of IAS 36. The ROU is presented together with the asset Company of which the underlying asset belongs to. The ROUs are disclosed separately in the Notes.

g) Intangible assets

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

Acquired customer relationship is an intangible asset with indefinite useful life, therefore no systematic amortization is charged on them. It represents contracts, concessions, licenses and similar rights in the course of the contribution of the clearing line of business in 2013 from KELER CCP's parent Company (KELER Ltd.). These are subject to yearly impairment test. No impairment charge was required based on the impairment test performed at the end of 2019 reporting period.

The intangible assets include a purchased customer list which was determined to be an indefinite useful life asset, so no systematic amortization was charged for that asset. The asset is tested for impairment annually. The impairment is charged when the relationship with the customer is no longer ongoing.

h) Trading on gas market

Based on the principle of the anonymity of the customers and the suppliers on the Balancing Platform, Trading Platform, CEEGEX and HUDEX the transactions are made with the participation of KELER CCP. KELER CCP stands between the counterparties as a technical partner (customer and supplier) during the buying and selling transactions. The inventory of gas held by KELER CCP is always zero at the end of a day. Therefore, buying and selling of the gas is recorded by net method settlement in the statement of 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 its Non-clearing Members towards ECC. KELER CCP receives all relevant information from ECC who is acting as central counterparty of all trades of the energy market, and KELER CCP does guarantee all account transfer according the received information between ECC and the Non-clearing Members.

j) Sale and repurchase agreements and lending of securities

The sale and repurchase agreement ("repo") do not qualify for derecognition under IFRSs, so these items – which are legally considered sold – remain recognized in the financial statements and a liability is recognized embodying the settlement liability in the future periods. Analogically, reverse (passive) repo transaction not results recognition, instruments acquired under reverse (passive) repo are not recognized in the statement of financial position, but a receivable is recognized (debt instrument) together with the related interest income over the period of the repo agreement. The difference between the purchase and selling price is recognized as interest by the Group. Repos between the Group entities are eliminated in the consolidated financial statements. The ECL requirements defined by IFRS 9 are applicable for all outstanding receivables from repo deals, considering the credit quality of the underlying security.

The account rules to security lending agreement are similar to repo agreement, i.e. those do no result derecognition. Thus, security lent in the frame of lending deals for customers are no recognised from Consolidated Statement of Financial Position.

k) Treatment of differences due to not identical trading days

In certain cases the trading day on the markets are not identical (ie. some markets do trade on certain days, some markets are closed – especially around the yearend). This situation may lead to certain transactions on the clearing market not accounted for fully (ie. the transaction is settled with the CCP but not settled with the CCP's client on the same day or vica versa). Differences arising from these technical issues are accounted for as receivables and payables. Those items are considered to be AC financial assets and other liabilities carried at amortized cost.

l) Revenue recognition

Fee revenue

KELER CCP receives revenue for its guarantee undertaking and clearing activities, such revenue are recognized when these services are performed.

Interest income

Interest income is recognized in the profit or loss for all interest bearing instruments on an accrual basis using the effective interest method as per IFRS 9.

Trading activity

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

The performance obligations (PO) of the Entity are not complex, so all revenue is accounted for in the period when the service was rendered or the goods were sold (cleared).

If the Entity acts as an agent (as defined by IFRS 15) in a transaction the revenue and the relating expense is netted.

Non-refundable fees (received in advance)

The Entity received two non-refundable upfront payments which was invoiced close to signing the contract (AIX and NCLE project). The Entity assessed if these fees are in connection with a future performance obligation or an already completed performance obligation. If it is a completed performance obligation the fee will be taken to income otherwise it will be recognized as a liability.

m) Income taxes

The Entity assess on tax-by-tax basis if the a legally payable tax qualifies for income tax under IAS 12 standard.

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

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Other taxes are presented separately from income taxes.

n) Provisions

A provision is recognized when the Entity 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.

o) Financial guarantee contract liability

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

p) Default fund liability

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

q) Hedging

The Company do not establish accounting policies related to the accounting of hedging transactions. In the case of any hedging, the general relevant rules of IFRS 9 are used. (Currently the Entity did not identify hedge relationships.)

r) Statement of cash flows

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

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

s) Events after end of the reporting period

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

All adjusting events after the end of reporting period have been taken into account in the preparation of the Separate financial statements of the Entity. The material non-adjusting events after the end of the reporting period are presented in Note 44.

t) Off balance sheet items

KELER CCP is entitled to require collateral from its Clearing Members using its central counterparty services. The form of collateral can be cash (HUF and foreign currency) and securities. As a General Clearing Member of European Commodity Clearing AG (ECC) KELER CCP has to provide collateral for ECC regarding the settlement of its position of non-clearing members of KELER CCP.

NOTE 4: FINANCIAL RISK MANAGEMENT

The main elements of the Entity's counterparty risk management approach

As central counterparty, the Entity undertakes guarantee for transactions concluded on guaranteed markets. CCP's activity ensures that market participants' guaranteed trades are settled risk free. In order to provide this service, the Entity operates a clearing membership system, with guarantee and margin elements, combined with monitoring and limit functions.

A two-level clearing membership system is operated by KELER CCP on spot and derivative capital markets from 1 January 2009. KELER CCP operates a clearing membership system on Balancing and Trading Platform. Starting from 20 July 2010 KELER CCP as a general clearing member of the ECC is entitled to provide energy market non-clearing membership services to its partners. From 1st January 2013 KELER CCP operates a clearing membership system on Central Eastern European Gas Exchange (CEEGEX) and from 03.01.2018 operates a clearing membership system on HUDEX / Gas segment.

Besides the clearing membership system, KELER CCP operates a multi-level guarantee system on the guaranteed markets. The elements of the guarantee system are: variation margin, individual margins and collective guarantee elements. The guarantee elements can be divided into two groups. The first group of the elements contains individual elements and only belong to cover the clearing members own default risks. On the other hand there are collective guarantee elements, which based on the collective risk taking approach, where all clearing member should take a portion of risk of the overall market.

Individual margins:
- basic financial collateral – for derivative, multinet, gas and energy market settlement,
- additional financial collateral – for derivative, multinet, gas and energy market settlement,
- initial margin – for derivative and multinet settlement,
- turnover margin – for gas market settlement,
- energy market turnover margin – for energy market settlement on day-ahead and intraday markets (ECC acting as a central counterparty determines the amounts),
- energy market initial margin– for derivative markets (ECC acting as a central counterparty determines the amounts).

The collective guarantee elements are as follows: default funds for derivative (Collective Guarantee Fund "KGA"), multinet (Exchange Settlement Fund "TEA") and gas markets (Trading Platform Default Fund "GKGA" and CEEGEX / HUDEX/Gas Collective Guarantee Fund "CKGA") settlement.

All collateral collected on margin calls are placed in cash and securities accounts kept by KELER. The collateral placed by the clearing members can be cash, securities or bank guarantee placed in KELER with a beneficiary of KELER CCP. In case of energy market some of the collaterals are forwarded to ECC and kept on ECC accounts with the beneficiary of ECC AG. In specific case, collateral assets of energy market non-clearing members seated in Serbia are kept with OTP banka Srbija.

A real-time price monitoring system is operated on the cash and derivative markets of BSE. KELER CCP is entitled to execute intraday margin calls, in case price changes exceed certain previously announced limits.

A capital position limit is set for each clearing member on the derivative market and it is calculated on a regular basis. On the spot energy markets cleared by ECC, KELER CCP applies spot pre-trade limits where the limits are partially collateralized and calculated based on the internal rating of KELER CCP. On the derivative energy markets cleared by ECC, KELER CCP applies total margin limit, where the total margin requirement of the non-clearing member should not exceed the value of the set limit. In case of limit breach the suspension of the NCM's trading right is automatic and immediate. The partner has to place additional collateral to cease the limit breach and in that case it can be re-entered to trading.

The financial performance of the clearing members and energy market non-clearing members are continuously monitored.

Further, the Entity constantly monitors the official bankruptcy databases. Partners are rated regularly by the Entity.

In case of any default, the margin element can be used in a given order ("default waterfall") to fulfill any payment commitment on behalf of the clearing or energy market non-clearing member. Accordingly the rules in the General Business Terms of KELER CCP, the utilization of guarantee element are the follows:

Segregation principle:
Collateral deposited on Client accounts cannot be used in case of default on the own account of the Clearing Member. However, initial margin and collateral deposited by the Clearing Member can be fully used also in case of default by the Client.

Default waterfall:

In case of default on own account:

- balance of own bank account in the currency of settlement of the Clearing Member in case of a credit institution, debit to the bank account kept with CBH through VIBER
- own initial margin and financial collaterals of the Clearing Member
- free balance of bank accounts of Clearing Member kept in currencies other than the currency of settlement
- disposable securities of Clearing Member and/ or bank guarantee
- default fund contribution by the Clearing Member
- dedicated own resources of KELER CCP allocated to the given markets
- the default fund
- use of derivative/spot market own initial margin of the Clearing Member in case of derivative/spot positions of the Clearing Member being fully terminated. Following this the basic financial collateral related to the clearing right concerned and the default fund contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP

In case of default by the Principal:
- balance of the bank account of the Principal in the currency of settlement (HUF/foreign currency)
- balance of the bank account of the Clearing Member in the currency of settlement (HUF/foreign currency)
- free balance of the bank account of the Principal in currencies other than the currency of settlement
- free balance of the bank account of the Clearing Member in currencies other than the currency of settlement
- basic financial collateral of the Clearing Member, additional financial collateral and supplementary collateral of the Clearing Member provided with respect to the clearing member function
- own, disposable securities and/or bank guarantee of the Clearing Member
- default fund contribution by the Clearing Member
- initial margin and supplementary collateral and additional financial collaterals of the Principals
- initial margin, supplementary collateral and additional financial collateral of Non-clearing Member with individual account
- dedicated own resources of KELER CCP allocated to the given markets
- the default fund
- the own initial margin of the Clearing Member in the case of full termination of spot/derivative positions of the Clearing Member. Following this the basic financial collateral related to the clearing right concerned and the default fund contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP

In the year 2019, KELER CCP and the default funds had not suffered any losses on the guarantee activities.

Foreign currency risk management

The Entity operates not only domestically. In connection with the energy market settlement, the Entity is exposed to foreign exchange risk which is monitored continuously by the Entity.

As at 31 December 2019, KELER CCP contributed to the energy market settlement (via contribution to ECC's default fund) by 4,300,000 EUR as a deposit (5,500,000 EUR in 2018). This sum stems from own funds.
1% weakening in the currency rate of EUR results in a 14 212 THUF loss (17 600 THUF in 2018), while the strengthening of EUR would result in the same amount of profit.

Maturity analysis of assets and liabilities and liquidity risk

The main purpose of liquidity activity is to ensure KELER CCP's continuous solvency and thereby originate the secure liquidity of capital and energy market transactions.

KELER CCP has zero coupon government securities with less than a year maturity, and all of its liquid assets are deposited and held at KELER. KELER as a parent company of KELER CCP operates as a central securities depository with specialized credit institution license. Since KELER is regulated, and operates with a very conservative investment policy, KELER represents a very low credit and liquidity risk for KELER CCP.

As a general clearing member of ECC, KELER CCP has to comply with margin and default fund requirements. On the international market ECC operates as central counterparty and also has a low credit risk.

When the maturity of an item is not determinable the Entity classifies the asset as being without a maturity, the liability to the within 3 months category.

As on 31 December 2019	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	19 765 012	0	0	0	0	19 765 012
Fair value through other comprehensive income debt instruments	0	3 999 775	0	0	0	3 999 775
Trade receivables relating to gas market	2 485 215	0	0	0	0	2 485 215
Trade receivables relating to central counterparty and other service	222 074	0	0	0	0	222 074
Other receivables	615 821	1 500	3 085	205	0	620 611
Receivables from repurchase agreements	8 942 350	0	0	0	0	8 942 350
Receivables from foreign clearing houses	18 175 567	0	0	0	0	18 175 567
Intangible assets	0	0	0	0	532 146	532 146
Property, plant and equipment	0	0	0	0	41 683	41 683
Deferred tax assets	0	9 877	0	0	0	9 877
TOTAL ASSETS	**50 206 039**	**4 011 152**	**3 085**	**205**	**573 829**	**54 794 310**
Trade payables	346 048	0	0	0	0	346 048
Trade payable from gas market activity	2 465 314	0	0	0	0	2 465 314
Accruals and other liabilities	139 706	0	14 280	12 987	0	166 973
Income tax payable	0	18 693	0	0	0	18 693
Default Fund liabilities	6 950 315	0	0	0	0	6 950 315
Financial guarantee contract liability	5 747	0	0	0	0	5 747
Collateral held from energy market participants	36 231 222	0	0	0	0	36 231 222
Lease liability	0	7 400	24 754	0	0	32 154
TOTAL LIABILITIES	**46 138 352**	**26 093**	**39 034**	**12 987**	**-**	**46 216 466**
Accumulated balance of the positon	**4 067 687**	**8 052 746**	**8 016 797**	**8 004 016**	**8 577 844**	
Covered by the equity					**8 577 844**	

As on 31 December 2018	**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	19 853 295	0	0	0	0	19 853 295
Fair value through other comprehensive income debt instruments	0	2 993 668	0	0	0	2 993 668
Trade receivables relating to gas market	4 940 661	0	0	0	0	4 940 661
Trade receivables relating to central counterparty and other service	203 678	0	0	0	0	203 678
Other receivables	887 113	1 275	4 792	705	0	893 885
Receivables from repurchase agreements	9 336 276	0	0	0	0	9 336 276
Receivables from foreign clearing houses	19 753 319	0	0	0	0	19 753 319
Income tax receivable	0	1 877	0	0	0	1 877
Intangible assets	0	0	0	0	526 439	526 439
Property, plant and equipment	0	0	0	0	13 606	13 606
Deferred tax assets	0	12 805	0	0	0	12 805
TOTAL ASSETS	**54 974 342**	**3 009 625**	**4 792**	**705**	**540 045**	**58 529 509**
Trade payables	207 926	0	0	0	0	207 926
Trade payable from gas market activity	4 908 000	0	0	0	0	4 908 000
Accruals and other liabilities	242 435	0	32 670	5 631	0	280 736
Default Fund liabilities	8 275 897	0	0	0	0	8 275 897
Financial guarantee contract liability	5 427	0	0	0	0	5 427
Collateral held from energy market participants	36 715 380	0	0	0	0	36 715 380
TOTAL LIABILITIES	**50 355 065**	**0**	**32 670**	**5 631**	**0**	**50 393 366**
Accumulated balance of the position	**4 619 277**	**7 628 902**	**7 601 024**	**7 596 098**	**8 136 143**	
Covered by the equity					**8 136 143**	

When the maturity of an item is not determinable the Entity classifies the asset as being without a maturity, the liability to the within 3 months category.

Interest rate risk management

The Entity's assets and liabilities have interest rate risk, of which magnitude is in line with the Entity's size. KELER CCP has deposits at ECC. This deposit bears negative interest rate, therefore it leads to interest expense (negative interest income). The interest rate is floating and is fixed at the end of each day. KELER CCP also holds zero coupon government bonds until maturity, where interest is fixed.

Regulation on the investment policy of the Entity

The Entity consists of legal entities where the investment possibilities are strictly regulated due to the nature of the activity.

The Entity may only keep investments that are fulfilling all of the following criteria:

- must have minimal credit and market risk;
- shall not have any possibility of a significant loss on the disposal;
- must be available for same day withdrawal;
- must be issued by a state or guaranteed by the government or a similar institution
- the Entity must have access to a market where these instruments are actively traded and where sale and repurchase deals are available
- the investments may not have any limitations (such as pledges, legal constraints on transfers etc.) attached to them.

NOTE 5: SPECIFIC REGULATION RELEVANT TO THE ENTITY AND IMPOSED CAPITAL MANAGEMENT

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

In 2018 the general assembly of KELER CCP decided to raise the company's capital by 2 billion HUF. In 2019, there was no similar capital increase.

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

- capital requirement on credit and counterparty risks,
- capital requirement on operational and legal risks;
- capital requirement on market risks (FX rate and securities position risk),
- capital requirement on winding up or restructuring of the activity of the central counterparty,
- capital requirement on business risk

Determination of available capital

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

- Subscribed Capital
- Issued but not paid Capital (-)
- Capital Reserves
- Retained Earnings
- Allocated Reserves

- Revaluation Reserve
- Retained Earnings of the year

And the following items should be deducted:
- Intangible assets contribution to the guarantee fund of other CCPs (ECC Euro guarantee fund contribution)
- contribution to own guarantee fund
- participations in subsidiaries if any

The available capital is required to cover the following elements:
- Minimum required capital
- Dedicated own resources = (0,25 * MAX (Capital requirement I., Capital requirement II.)
- Other financial resources (remaining amount after deduction of the above two items)

The following table shows KELER CCP capital adequacy at the end of 2019 and 2018:

data in HUF million	**2019**	**2018**
Available capital	6 584	5 790
Minimum capital requirement	2 727	2 697
Dedicated own resources	620	613
Other financial resources	3 238	2 480

The Entity is required to comply with these indicators according to national accounts. Therefore the calculation of capital adequacy should be determined in accordance with Hungarian Accounting Rules available values.

NOTE 6: CASH AND CASH EQUIVALENTS

	31.12.2019	**31.12.2018**
Bank accounts		
In HUF	6 668	7 280
In EUR	19 763 472	19 851 013
Closing balance	**19 770 140**	**19 858 293**
Demand deposit	19 770 140	18 929 174
Designated deposits	-	929 119
Closing balance	**19 770 140**	**19 858 293**
Opening balance of expected credit loss (ECL)	(4 998)	-
Effect of transition to IFRS 9	-	(2 962)
Changes in the balance of expected credit loss (ECL)	(130)	(2 036)
Closing balance of expected credit loss (ECL)	**(5 128)**	**(4 998)**
Closing balance, net of ECL	**19 765 012**	**19 853 295**

The bank accounts are demand deposits, available immediately for withdrawal. The interest on the bank account is between -1%-1% for HUF deposits, and –0,6% -0,3% for EUR deposits. These expenses are recorded as interest paid in the statement of incomes.

The cash balance of the Entity in HUF currency is maintained at low level due to corresponding regulation from 2017. All available funds are borrowed in the form of a reverse repo at the end of each day (including the yearend from this year on).

The designated deposit balance includes deposits that are received from the clients as contribution to the Default funds (see Note 16). These cash balances may only be used for certain purposes, strictly regulated by EMIR.

All bank balances are subject to ECL. The bank balances are considered to be in the stage 1 category for this purpose. The EAD is the balance at the end of the period and LGD was estimed at 45%, and 12-month PD was estimated between 0,003 – 0,006%.

NOTE 7: FAIR VALUE TROUGH OTHER COMPREHENSIVE INCOME DEBT INSTRUMENTS

	31.12.2019	31.12.2018
Treasury bills		
Classified as fair value trough other comprehensive income	3 999 775	2 993 668
	3 999 775	**2 993 668**

	31.12.2019	31.122018
Treasury bills		
Opening balance	2 994 072	2 500 013
Acquistion	6 949 982	3 987 270
Derecognition at maturity	(5 445 851)	(3 496 079)
Derecognition at maturity	(498 866)	-
Impairment loss (3rd stage ECL)	-	-
Interest accrued (Amortization)	690	2 408
Remeasurement (Fair Value Adjustment)	288	460
Closing balance on 31 December	**4 000 315**	**2 994 072**
Opening balance of expected credit loss (ECL)	(404)	-
Effect of transition to IFRS 9	-	(337)
Changes in the balance of expected credit loss (ECL)	(136)	(67)
Closing balance of expected credit loss (ECL)	**(540)**	**(404)**
Closing balance, net of ECL	**3 999 775**	**2 993 668**

The interest of the FVTOCI instruments was taken to the Separate Statement of Comprehensive Income using the effective interest method, and the changes in the fair value from the recognition date until the end of the reporting period was recognized as other comprehensive income (OCI). This OCI will be reclassified to the profit or loss when the underlying financial asset is derecognized.

The fair value of these assets can be determined based on readily available quoted prices published by Hungarian Debt Agency (Level 1). However, when the fair value of these assets cannot be determined based on such quoted prices, instrument are measured based on yields remarkable for similar financial instruments and generally used valuation techniques (Level 2).

The ECL of these instruments are based on the credit quality of these instruments, derived from the classification of the issuer (Hungarian State) also considering the requirements of the so called 'standard risk management methodology'.

The treasury bills are all classified in the Stage 1 category.

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

	31.12.2019	31.12.2018
Trade receivables to gas market		
Receivable balance	2 485 240	4 940 710
Accumulated impairment losses	(25)	(49)
Receivable balance net of impairment (book value)	**2 485 215**	**4 940 661**

	31.12.2019	31.12.2018
Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	(49)	-
Transition to IFRS 9	-	(41)
Impairment losses recognized in the current period	24	(8)
Impairment losses derecognized in the current period	-	-
Closing accumulated impairment losses	**(25)**	**(49)**

Accounting policies relating to the trading on the gas market is explained in Note 3. This balance relates to receivables from the participants on the foresaid gas market. These are paid – according to the contract – in less than 5 days (this deadline was 15 days in 2018).

The receivable from the gas market services are also subject to ECL. Here – due ot the nature of the receivable – the Entity uses the simplified method, so immediately the life-time ECL is recorded without further tracking of the individual credit quality. Due to the collateral behind these transactions the loss ratio is low (see accounting policy for details).

The gas market guarantee system guarantees the settlement of claims.

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

The liabilities from the gas market embodies the other component of the clearing transaction is. what the CCP needs to pay to the actual seller of the gas. The payables are – by contractual agreement – due on the same day as the corresponding receivable. This value was 2 465 314 THUF in 2019 and 4 908 000 THUF in 2018.

The fair value of these receivables and payables are close to their book value (the payment is done in a short time and no other issues require adjustment).

NOTE 9: TRADE RECEIVABLES RELATING TO CENTRAL COUNTERPARTY AND OTHER SERVICES

	31.12.2019	31.12.2018
Trade receivables from central counterparty and other services		
Receivable balance	228 276	209 694
Accumulated impairment losses	(6 202)	(6 016)
Receivable balance net of impairment (book value)	**222 074**	**203 678**

	31.12.2019	31.12.2018
Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	(6 016)	(3 959)
Transition to IFRS 9	-	(2 016)
Impairment losses recognized in the current period	(186)	(41)
Impairment losses derecognized in the current period	-	-
Closing accumulated impairment losses	**(6 202)**	**(6 016)**

These trade receivables include the not yet paid part of the rendered CCP and similar clearing related services. Accounts receivable are stated at the value of the invoiced service.
The impairment loss of the receivables is assessed individually due to the low number of the partners and the materiality of the individual balances. The Entity calculates the loss based on an aging analysis, but on individual level. This analysis builds on historical evidence and is updated frequently.

The derecognized impairment loss is due to the recovery of receivables that were previously identified as impaired and impairment loss was recognized.
The impairment loss or gain of the reversal – if any – is reported on a separate line in Separate Statement of Comprehensive Income, on a net basis.

The trade receivable are also subject to ECL. Here – due to the nature of the receivable – the Entity uses the simplified method, so immediately the life-time ECL is recorded without further tracking of the individual credit quality. The ECL balance of each receivable – if not assessed individually – is calculated based on loss ratios which is the function of how many days the item is past due (for details see Note 3).

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

NOTE 10: OTHER RECEIVABLES, INCOME TAX RECEIVABLE AND REPURCHASE AGREEMENTS

	31.12.2019	31.12.2018
Other receivables		
Balances from technical date missmatch	-	843 901
Loans to employees	4 790	7 262
Interest	38 666	24 893
Tax receivables (other than income taxes)	556 790	5 172
Sundry other receivables	20 366	12 669
	620 612	**893 897**
Opening balance of expected credit loss (ECL)	(12)	-
Effect of transition to IFRS 9	-	(1)
Changes in the balance of expected credit loss (ECL)	11	(11)
Closing balance of expected credit loss (ECL)	**(1)**	**(12)**
Closing balance, net of ECL	**620 611**	**893 885**

The tax receivables and prepaid expenses are not under the scope of IFRS 9, therefore not ECL was recognized for those balances.

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

The financial assets within the other receivables are subject to IFRS 9. There is one material item in this category, the receivable coming from the technical difference resulting from different trading days on the markets. The expected credit loss was charged on the net position. The receivable is in Stage 1. The material receivable was settled with the client on the first banking day of 2019. The amount was settled fully. There are no items recognized from technical mismatch at the end of 2019.

The other tax receivables consist of the following balances:

	31.12.2019	31.12.2018
Tax receivables (other than income taxes)		
Innovation contribution	-	1 196
Value added tax	550 526	-
Local tax	6 264	3 976
	556 790	**5 172**

Receivables from current tax

The income tax receivable is disclosed on a separate balance sheet position (closing balance in 2019: 0, in 2018: 1,877 THUF). The Entity considers only corporate income tax to be income tax for accounting purposes.

- Income tax: Act LXXXI of 1996 on Corporate Income Tax and Dividend Tax (TAO)

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

Receivables from repurchase agreements (repos)

This balance includes the receivables from repurchase agreements still outstanding at the end of the period. Under this agreement KELER CCP purchased high quality debt instruments at the end of the year. Those instruments are sold back to the seller on the next banking day. These instruments are not recognized by KELER CCP, but the amounts paid is considered as loan receivables. The difference between the purchase price and the selling price is recorded as interest income, which was in this period negative. The instruments are considered to be security on the loan.

	31.12.2019	**31.12.2018**
Repurchase agreement (repo) – closing balance		
Purchase price of the repo	8 943 681	9 337 666
Interest accrued	(124)	(130)
	8 943 557	**9 337 536**
Opening balance of expected credit loss (ECL)	(1 260)	-
Effect of transition to IFRS 9	-	(900)
Changes in the balance of expected credit loss (ECL)	53	(360)
Closing balance of expected credit loss (ECL)	**(1 207)**	**(1 260)**
Closing balance, net of ECL	**8 942 350**	**9 336 276**

The fair value of the instruments backing up this receivable is the same with the fair value of the receivable. This repo was finalized on the first banking day in 2019.

The repo receivable is subject to ECL. The receivable was classified in Stage 1 category.

The fair value of the receivable is close to its book value.

NOTE 11: RECEIVABLES FROM FOREIGN CLEARING HOUSES

KELER CCP as a general clearing member of the ECC is entitled to provide energy market non-clearing membership services from 20 July 2010 on the spot power market, and 1 July 2011 on the futures power market and from 2012 on any other markets cleared by ECC without limitation (eg. gas, EUA emission, etc). According to the GCM status clearing members have to comply with specified margin and collective guarantee requirements of ECC.

The receivable is denominated in euro. In the original currency the receivable from energy market is: 54,998,250 EUR on 31 December 2019 and 61,447,500 EUR on 31 December 2018.

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

	31.12.2019	31.12.2018
Receivables from foreign clearing houses	18 178 021	19 755 986
	18 178 021	**19 755 986**
Opening balance of expected credit loss (ECL)	(2 667)	-
Effect of transition to IFRS 9	-	(1 836)
Changes in the balance of expected credit loss (ECL)	213	(831)
Closing balance of expected credit loss (ECL)	**(2 454)**	**(2 667)**
Closing balance, net of ECL	**18 175 567**	**19 753 319**

The clearing receivable is subject to IFRS 9 with respect in ECL. The receivable was classified in Stage 1 category. The full receivable is with one counterparty therefore it embodies risk concentration.

The fair value of the receivable is close to its book value.

NOTE 12: INTANGIBLE ASSETS

For the year ended 31 December 2019:

Cost	**Customer relationship**	**Software**	**Total**
Balance as of 1 January 2019	398 811	699 202	1 098 013
Acquisition	-	110 739	110 739
Acquisition	-	-	-
Partial disposal	-	-	-
Impairment of intangible assets	-	-	-
Balance as of 31 December 2019	**398 811**	**809 941**	**1 208 752**
Accumulated Amortization			
Balance as of 1 January 2019	-	571 574	571 574
Current year amortization	-	81 324	81 324
Disposals	-	-	-
Impairment of intangible assets	1 623	22 085	23 708
Balance as of 31 December 2019	**1 623**	**674 983**	**676 606**
Net book value			
Balance as of 1 January 2019	**398 811**	**127 628**	**526 439**
Balance as of 31 December 2019	**397 188**	**134 958**	**532 146**

For the year ended 31 December 2018:

Cost	**Customer relationship**	**Software**	**Total**
Balance as of 1 January 2018	398 811	608 427	1 007 238
Acquisition	-	90 775	90 775
Acquisition	-	-	-
Partial disposal	-	-	-
Impairment of intangible assets	-	-	-
Balance as of 31 December 2018	**398 811**	**699 202**	**1 098 013**
Accumulated Amortization			
Balance as of 1 January 2018	-	359 927	359 927
Current year amortization	-	122 141	122 141
Disposals	-	-	-
Impairment of intangible assets	-	89 506	89 506
Balance as of 31 December 2018	-	**571 574**	**571 574**
Net book value			
Balance as of 1 January 2018	**398 811**	**248 500**	**647 311**
Balance as of 31 December 2018	**398 811**	**127 628**	**526 439**

The acquisition only include purchases.

The Company accounted for impairment for the following two assets during 2019:

- a reporting system which could not be used due to the change in the IT environment and the change in the business logics, therefore the reporting system cannot be used further;
- one of the customer on the acquired customer does not have business relation with the Group anymore, therefore the customer list was partially impaired.

All the amortization and derecognition is taken to profit or loss.

Performance of the impairment review test – Customer Relationship

Customer relationship is an intangible asset with indefinite useful life. It represents contracts, concessions, licenses and similar rights in the course of the contribution of the clearing line of business in 2013 from the parent Company, KELER. This item was recognized at fair value when the contribution was made. This item is tested annually for impairment. The recoverable amount was based on a value in use calculation. The value in use calculation utilized projected cash flows from the next three years derived from this asset together with the terminal value. These values are the latest estimations of the management. The terminal value is based on a decreasing cash flows. The projected cash flows were discounted back using an entity specific discount rate ie. the WACC of KELER CCP. The most important elements of the calculation were:

	2019	**2018**
Cash flow estimation (pre-tax)	886	981
Pre-tax discount rate used	6,8%	8%
Value in use	880	879
Book value	508	508
Impairment loss	-	-

Based on the results of impairment review test to this asset, no such circumstances have been identified which refer to impairment loss.

Another customer list was acquired (purchased) that is also considered to be having an indefinite useful life (book value: 18,661 THUF). This customer list became impaired in 2019, as one of its partners terminated its business relationship with KELER CCP (no impairment was recognized in 2018). The value of the amount to be withdrawn was calculated by the Company on the basis of revenues, the amount of which was HUF 1,623 THUF

Performance of the impairment review test – Software, development

The software products are contributing to the clearing activity. The software are specific to the Entity and were all provided by external supplier. The amortization period is four years on average. There are no current commitment for purchase of intangible assets. There are no pledges or similar items limiting the transfer or use of these assets. Based on the results of impairment review test to intangible assets other than assets related to development process described above, no such circumstances have been identified which refer to impairment loss.

The impairment of the development took place during the year and there were no signs of impairment in the period and it was also proven that the IRIS project will be recoverable.

Reporting system

The system was fully impaired and disposed. Due to the changes in the business model and the IT environment this system cannot be used in the future, so it must have been derecognized. The derecognition resulted in a loss of 22 085 THUF. (The software was not impaired at the end of 2018.)

Impairment of BRM project

This project was finalized in 2017 and the asset was recognized as a separate intangible asset. However the business partner revoked his interest in the service in 2018, therefore the cash-flows from this asset fell to 0, thus the item was fully impaired. The asset is still kept in the book, but with zero value. If the recoverable amount of the asset increases over time, the impairment may be reversed. There were no impairment accounted for in 2019 (since all impairment were previously charged).

Commitments for the AIX Project

The Entity initiated a project during the period, to provide services for the Kazah market and act as a clearing house. The project is in the approval stage, the developments needed for launching the project is already done. The received payments are recognized as liabilities.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2019:

Cost	**Machinery and equipments**	**Right -Of Use**	**Total**
Balance as of 1 January 2019	18 582		18 582
Initial application of IFRS 16	-	37 313	37 313
Acquisition	2 281	-	2 281
Disposals (sale)	(1 080)	-	(1 080)
Impairment	-	-	-
Balance as of 31 December 2019	**19 783**	**37 313**	**57 096**
Cumulated Depreciation and Amortization			
Balance as of 1 January 2019	4 976		4 976
Current year amortization	4 297	7 127	11 424
Disposals (sale)	(987)	-	(987)
Balance as of 31 December 2019	**8 286**	**7 127**	**15 413**
Net book value			
Balance as of 1 January 2019	**13 606**	**-**	**13 606**
Balance as of 31 December 2019	**11 497**	**30 186**	**41 683**

For the year ended 31 December 2018:

Cost	**Machinery and equipments**	**Right -Of Use**	**Total**
Balance as of 1 January 2018	4 205		4 205
Acquisition	14 535		14 535
Disposals (sale)	(158)		(158)
Impairment	-		-
Balance as of 31 December 2018	**18 582**		**18 582**
Cumulated Depreciation and Amortization			
Balance as of 1 January 2018	1 895		1 895
Current year amortization	3 239		3 239
Disposals (sale)	(158)		(158)
Balance as of 31 December 2018	**4 976**		**4 976**
Net book value			
Balance as of 1 January 2018	**2 310**		**2 310**
Balance as of 31 December 2018	**13 606**		**13 606**

The acquisitions are all purchases. These items contribute to the business activity, all of them are individually low value assets. There are no current commitment to purchase tangible assets. There are no pledges or similar items limiting the transfer or use of these assets.

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The ROU asset is recognized due to a lease agreement on the office building. The building is leased from a parent company. The lease period ends in 2024, middle of the year. A lease liability was also recognized (see Note 19.).

The ROU asset is amortized over the legal life of the contract, without any residual value.

NOTE 14: TRADE PAYABLE

Payables from other activities that are not classified to other positions are under trade payables. These amounts are usually due within below 30 days. The trade payables are mainly denominated in HUF and in EUR.

Within the trade payables the material balance is the amount payable to KELER: 282 836 THUF (pervious year: 157 193THUF).

NOTE 15: ACCRUALS AND OTHER LIABILITIES, INCOME TAXES PAYABLE

	31.12.2019	31.12.2018
Accruals and other liabilities		
Taxes payable (other than income taxes)	19 359	190 053
Accrued interest	7 299	-
Accrued expenses	78 597	74 146
Liabilities due to discounts granted	138	144
Advances received from partners	16 193	16 193
Sundry other liabilities	45 387	200
	166 973	**280 736**

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

Advances received include the payments received in relation to the AIX project (clearing activity on the Kazakh market). These items are recognized in the income statement as revenue, when the related PO is satisfied.

	31.12.2019	31.12.2018
Taxes payable (other than income taxes)		
Value added tax	-	172 747
Personal income tax	4 858	4 231
Social security contributions	12 967	10 098
Other taxes	1 534	2 977
	19 359	**190 053**

Current liabilities from income tax

The income tax liability of the Entity is 18 693 THUF (2018: 0).

The fair value of the liabilities are close to their book value.

NOTE 16: DEFAULT FUND LIABILITIES

	31.12.2019	31.12.2018
Liabilities for Default Funds		
Exchange Settlement Fund	2 700 100	4 015 700
Collective Guarantee Fund	2 526 000	2 381 000
Gas Market Collective Guarantee Fund	1 186 622	970 543
CEEGEX/HUDEX Market Collective Guarantee Fund	558 212	929 119
Less own contribution	(20 619)	(20 465)
	6 950 315	**8 275 897**

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

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

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

The Entity - as the provider of these funds – must also contribute to these funds. The own contribution for this fund was removed from the liability and on the other hand no receivable were recognized (the positions were netted).

The fair value of the liabilities are close to their book value.

NOTE 17: FINANCIAL GUARANTEE CONTRACT LIABILITY

The nature of the activity of the Entity requires to cover all the risk that are coming from default events (ie. that the central counterparty must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). To ensure the source of these payments the Entity operates guarantee system with several funds collected from the participants of the markets. These funds are based on calculations which are not designed to provide full coverage (ie. it is impossible to provide 100% guarantee). The Entity set up a separate liability to reflect this commitment. To deal with the statistically uncovered exposure the Entity recognizes a financial guarantee contract liability based on the available collateral and the probability of a loss event regardless how small this probability is.
The changes in the financial guarantee contract ("FGC") is recognized in the profit or loss. The fair value of the FGC was arrived to by using the collateral's fair value, adjusted with haircut, taking into consideration the not yet covered risks.

Changes in the balance of the financial guarantee contract liability are included in the comprehensive income statement.

The FGC balance and change was the following during the period:

	31.12.2019	31.12.2018
Financial guarantee contract liability		
Opening financial guarantee contract liability	5 427	4 973
Changes in the financial guarentee contract liability	320	454
Closing financial guarantee contract liability	**5 747**	**5 427**

NOTE 18: COLLATERAL HELD FROM ENERGY MARKET PARTICIPANTS

In the mid of 2012 KELER CCP has adopted a new margin settlement system regarding the Energy Market. As a result of the implemented changes; energy market non-clearing members are required to provide the entire daily margin requirement – established by ECC – in Euro toward KELER CCP, which amount is forwarded directly toward ECC by KELER CCP to cover margin requirements occurred in line with the energy market non-clearing members trading activity. Beyond the daily margin requirement, energy market non-clearing members are also obliged to fulfill basic financial collateral in euro toward KELER CCP to meet participation pre-requisites.

NOTE 19: LEASE LIABILITY

	31.12.2019	31.12.2018
Lease liability		
Opening balance	-	
Initial application of IFRS 16	37 313	
Interest ont he lease	1 442	
Lease payment	(7 549)	
Foreign exchange rate loss	948	
Closing balance	**32 154**	
Lease interest for the future periods	3 316	
Lease payments for the future periods	**35 470**	
Of which: short term liabilities	7 400	
Of which: long term liabilities	24 754	

The Company calculated the lease liability – on the transition to IFRS 16 – as the present value of the future cash payments. The cash flows are denominated in Euro, therefore the calculation was also done in euro. The lease payments are linked to and index (inflation). This variable lease payment was taken into consideration when calculating the liability, however the expectation were not factored in the payments, the changes will be treated as a reassessment in the later periods. When calculating the lease liabilities, the rate used was 3,82% (incremental borrowing rate) which was backed up by an external evidence from the bank. When accounting for the lease the Entity uses the Euro amounts which is retranslated and any difference is accounted for as a foreign exchange rate gain or loss.

NOTE 20: DEFERRED TAXES

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

The need for deferred tax accounting was identified only in the case of corporate tax. When computing taxes, the Entity used a 9% rate upon reversal for all periods.

Deferred tax assets are supported by a tax strategy which confirms that the asset is expected to be recovered based on the information available. The change in deferred taxes was recognized in the profit or loss and for the remeasurement of fair value trough other comprehensive instruments included in the other comprehensive income .

The tax balances and temporary differences for 2019 are as follows:

Asset/liability	Tax base	Book Value	Deductible, taxable difference	Deferred tax through profit or loss	Deferred tax through OCI
Cash and cash equivalents	19 765 012	19 765 012	-	-	-
Fair value through other comprehensive income debt instruments	3 999 487	3 999 775	288	-	(26)
Trade receivables relating to gas market	2 485 240	2 485 215	(25)	2	-
Trade receivables relating to central counterparty and other service	228 276	222 074	(6 202)	558	-
Other receivables	620 612	620 611	(1)	-	-
Receivables from repurchase agreements	8 943 557	8 942 350	(1 207)	109	-
Receivables from foreign clearing houses	18 178 021	18 175 567	(2 454)	221	-
Income tax receivable	599 275	532 146	(67 131)	6 042	-
Property, plant and equipment	41 683	41 683	-	-	-
Trade payables	346 048	346 048	-	-	-
Trade payable from gas market activity	2 465 314	2 465 314	-	-	-
Accruals and other liabilities	158 399	185 666	(27 267)	2 454	-
Default Fund liabilities	6 950 315	6 950 315	-	-	-
Financial guarantee contract liability	-	5 747	(5 747)	517	-
Collateral held from energy market participants	36 231 222	36 231 222	-	-	-
Lease liability	32 154	32 154	-	-	-
			Deferred tax assets	**9 903**	-
			Deferred tax liability	-	**(26)**

The tax balances and temporary differences for 2018 are as follows:

Asset/liability	**Tax base**	**Book Value**	**Deductible, taxable difference**	**Deferred tax through profit or loss**	**Deferred tax through OCI**
Cash and cash equivalents	19 853 295	19 853 295	-	-	-
Fair value through other comprehensive income debt instruments	2 992 705	2 993 668	963	-	(87)
Trade receivables relating to gas market	4 940 710	4 940 661	(49)	4	-
Trade receivables relating to central counterparty and other service	209 695	203 678	(6 016)	541	-
Other receivables	896 562	893 885	(2 677)	241	-
Receivables from repurchase agreements	9 337 536	9 336 276	(1 260)	113	-
Receivables from foreign clearing houses	19 753 319	19 753 319	-	-	-
Income tax receivable	615 946	526 439	(89 507)	8 056	-
Property, plant and equipment	13 606	13 606	-	-	-
Trade payables	207 926	207 926	-	-	-
Trade payable from gas market activity	4 908 000	4 908 000	-	-	-
Accruals and other liabilities	242 437	280 737	(38 301)	3 447	-
Default Fund liabilities	8 275 897	8 275 897	-	-	-
Financial guarantee contract liability	-	5 427	(5 427)	488	-
Collateral held from energy market participants	36 715 380	36 715 380	-	-	-
			Deferred tax assets	**12 890**	-
			Deferred tax liability	-	**(87)**

The deferred tax balances are not discounted.

The Entity applies the IFRS as the basis of the reporting starting from 2018 for the stand-alone financial statements. This transition requires the Entity to recalculate the tax base of it's assets and liabilitities, since all previous computations were done according to the Hungarian regulation.

On the transition the Entitiy assesses the taxation effects. The Entity calculated its taxable profit in 2018 – considering the minium tax payment requirements – on the basis of it's IFRS accounting profit, adjusted for the one-off tax effect of the transition.

NOTE 21: RESERVES

The changes of the reserves of the Entity are explained in the Statement of Changes in the Shareholder's Equity.

The contributed capital of the Entity consists of share capital and share premium.

The contributed share capital is:

	31.12.2019	31.12.2018
Share capital		
KELER (KELER Central Depository Ltd.)	2 618 100	2 618 100
Magyar Nemzeti Bank (Central Bank of Hungary)	2 720	2 720
Budapesti Értéktőzsde (Budapest Stock Exchange)	2 380	2 380
	2 623 200	**2 623 200**

Which reflects the following ratios:

	31.12.2019 in %	31.12.2018 in %
Share capital		
KELER (KELER Central Depository Ltd.)	99,81	99,81
Magyar Nemzeti Bank (Central Bank of Hungary)	0,1	0,1
Budapesti Értéktőzsde (Budapest Stock Exchange)	0,09	0,09
	100	**100**

During the period – on 25rd October 2018 – KELER Ltd (the Parent) – introduced additional capital contribution. The issued capital introduced was 800 MHUF and share premium introduced was 1 200 MHUF. In 2019, there was no similar capital increase.

All shares rank pari passu in the event of liquidation. The shares are dematerialized.

Fair value through other comprehensive income debt instruments revaluation reserve

The revaluation reserve includes the effect of the remeasurement of the FCVTOCI items. This reserve is reclassified into the net income when the underlying debt instrument is derecognized. Since the full balance of the accumulated equity is in relation to treasury bills expirering within a year, the full balance of the opening equity was reclassified to net income during the period.

NOTE 22: STATEMENT OF FINANCIAL POSITION CATEGORIES BASED ON CURRENT-NON CURRENT DISCTINCTION

The Entity presents it's Stand alone Statement of Financial Position in liquidity order. The reason for that is that the parent company of the Entity (KELER Ltd.) follows this order.
The Balance Sheet based on the current – non-current distinction is the following:

	31.12.2019	**31.12.2018**
Non current assets	583 706	552 850
Current assets	54 210 604	57 976 659
Short term liabilities	46 158 698	50 349 638
Financed by:		
Long term liabilities	57 768	43 728
Owners' equity (net assets)	8 577 844	8 136 143

The non current assets include the intangible assets, the property plant and equipment and the deferred tax asset.
The long term liabilities include long term portion of the lease, certain employee benefits and the financial guarantee contract liability, and deffered tax liabilities.

All other items of the balance sheet are current. The Entity defines an item of the balance sheet being current if the due date is within 12 months.

NOTE 23: INCOME FROM CENTRAL COUNTERPARTY SERVICE

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

	2019	**2018**
Income from central counterparty service		
CCP services of spot market	281 119	296 296
CCP services of derivative market	192 512	197 677
Clearing membership fees	611 690	472 640
CCP services of gas market	297 517	138 716
CCP services of energy market	330 318	266 410
	1 713 156	**1 371 739**

NOTE 24: OTHER NON-COUNTERPARTY SERVICES INCOME

The Entity has activities that are either not provided on regular basis or outside of the scope of the core activity. The followings are presented on a separate line from the main activity:

	2019	2018
Other operating income		
Income from risk management services rendered	133 000	119 200
Other sundry incomes	63 866	75 855
	196 866	**195 055**

From an international cooperation (NLCE project) the Entity recognized an income of 50 000 €, since the first stage of the contract was fulfilled (there were no such items in 2018). The project is ongoing. The AIX project – although there were movements in cash in relation to the project – no income was recognized.

NOTE 25: GAS TRADING ACTIVITY

When the Entity acts as the central counterparty of the deals in gas trading legally they are considered to be buyer and seller at the same time. The Entity concluded that it acts as an agent, since they are not possessing the gas during the settlement process, not even for momentarily. Therefore the income from selling the gas itself and the cost of this sale shall not be recognized in the profit or loss but it is netted, therefore it bypasses that statement. (The payables and receivables however are recognized on gross basis – see Note 8.) The fees for acting as a counterparty is recognized as clearing fee (Note 23).

The trading volume is the following:

	2019	2018
Income from gas sold	191 558 028	95 780 330
Cost of sales of gas sold	(191 558 028)	(95 780 330)
To the income statement, net	-	-

NOTE 26: BANK FEES, COMMISSION AND SIMILAR ITEMS

These fees, commissions charged by other financial institutions for the activities of the Entity. These are mainly settlement fees paid to the KELER Ltd.

NOTE 27: PERSONNEL EXPENSES

	2019	2018
Personnel expenses		
Wages	355 079	278 699
Base wages	320 079	251 699
Premium	35 000	27 000
Social security and other contributions	75 489	67 797
Other cost of personnel	39 191	54 660
	469 759	**401 156**

All the personal expenses are relating to short term employee benefits – including accumulating paid leaves – except the jubilee bonuses which is a long term employee benefit and other long-term liabilities.

The average number of employees was 24 in 2019 (23 in 2018).

NOTE 28: OTHER OPERATING EXPENSES

	2019	2018
Other expenses		
Charges for infrastructure	483 362	373 888
IT support	75 082	68 853
Expert fees	38 320	46 531
Other administrative services	15 948	26 000
Local business and other taxes	55 730	48 252
Education fees	16 278	18 137
Rental fees	12 785	22 775
Membership fees	3 054	8 071
Levies	2 455	2 954
Legal fees	5 017	22 860
Travel expenses	6 841	9 047
Insurance fees	4 277	4 194
ECC service fees	19 694	25 486
Fines paid	14 502	16 000
Other sundry expenses	41 099	29 210
	794 444	**722 258**

KELER CCP outsources some of its administrative services to KELER Ltd. (the parent company of KELER CCP), including: supplying of data between KELER and KELER CCP and to third parties as well, handling of collaterals of the clearing members and of collective guarantees, IT related and other (finance, accounting, controlling, marketing, PR, HR, compliance, etc.).
IT support services covers the support and update of the software used by the Entity. The elements of this expense is explained by the individual heading.

NOTE 29: IMPAIRMENT LOSS OF FINANCIAL ASSETS

The impairment loss is calculated based on the expected credit loss modell as required by IFRS 9. For instruments other than accounts receivable, the general method is used, where the instruments are classified into three stages. At the end of the reporting period all financial assets are in the first stage and the calculation of the impairment loss allowance is the following:

	Balances with banks	Balances from technical date missmatch	Repos
Opening balance of expected credit loss (ECL)	4 998	11	1 260
Changes in the balance of expected credit loss (ECL)	130	-11	-53
Closing balance of expected credit loss (ECL)	**5 128**	**0**	**1 207**

	Treasury bills	Loans to employees	Receivables from foreign clearing houses
Opening balance of expected credit loss (ECL)	404	1	2 667
Changes in the balance of expected credit loss (ECL)	136	0	-212
Closing balance of expected credit loss (ECL)	**540**	**1**	**2 455**

The changes in the ECL were recognized in the income statement.

For the calculation the so called 'standard model' is used, where pre-set PDs and LGDs are applied for the counterparty, using the TTC (Through The Cycle) approach.

For the accounts receivable the simplified method is used, using the ageing approach. This led to the following amounts:

	Account receivables
Opening balance of expected credit loss (ECL)	2 106
Changes in the balance of expected credit loss (ECL)	162
Closing balance of expected credit loss (ECL)	**2 268**

NOTE 30: NET INTEREST INCOME

	2019	2018
Interest income		
Income from interest on amortized cost instruments - Recharged negative interest	220 532	156 900
Interest on fair value through other comprehensive income debt instruments	11 296	2 949
Sundry interest income	82	114
	231 910	**159 963**

	2019	2018
Interest expense		
Interest expense on repo deals	(12 271)	(7 325)
Interest paid on loans received	(9 971)	(2 985)
Interest paid to bank account	(147 653)	(98 119)
Interest paid to ECC	(68 399)	(60 192)
Other intrest	(1 442)	-
	(239 736)	**(168 621)**

The negative interest is for the EUR deposits held at ECC and at KELER Ltd. These negative interests are mainly recharged to the customers of the Entity. Interest on FVTOCI financial assets are for the discount treasury bills.

NOTE 31: OTHER FINANCIAL GAIN/ LOSS

Other financial gains and losses include foreign exchange gains and losses for period, which is explained by movements on the EUR, GBP and USD rates .

NOTE 32: INCOME TAX EXPENSE, CHANGE IN THE INCOME TAX REGIME

Items classified as income taxes in accordance with IAS 12 are listed in Note 10. The rate for the corporate income tax was 9% in Hungary in 2019 and 2018.

A breakdown of the income tax expense is:

	2019	2018
Income Taxes		
Current tax charged to the profit or loss	42 389	29 366
Deferred tax charged to the profit or loss	2 988	(10 063)
	45 377	**19 303**
Deferred tax charged to other comprehensive income	(61)	41
	45 316	**19 344**

The details about the deferred tax is in Note 20.

During the period the entity started to apply IFRS as the basis of the separate financial statements. Due to this fact the income tax calculation (corporate income tax) is prepared based on numbers derived from the IFRS financial statements.

The tax base of the assets and the liabilities are included in Note 20.

NOTE 33: OTHER COMPREHENSIVE INCOME

The other comprehensive income includes the revaluation of the fair value trough other comprehensive income financial instruments The other comprehensive income also include the tax effect of this as well.

This balance is to be reclassified to the profit or loss when the financial instruments are derecognized.

	2019	2018
Other comprehensive income:		
Remeasurement gain on fair value trough other comprehensive income debt instruments	(674)	460
Deferred tax charged to the Other comprehensive income	61	(41)
	(613)	**419**

The other comprehensive income will fully be reclassified to the income statement.

NOTE 34: OFF BALANCE SHEET ITEMS

	31.12.2019	31.12.2018
Guarantees received		
Cash	66 842 192	57 401 619
In HUF	18 633 521	13 639 863
In foreign currency	48 208 671	43 761 756
Security	34 114 250	38 416 945
Bank guarantee	0	1 077 618
Total:	**100 956 442**	**96 896 182**
Specific safeguards		
Cash	18 178 021	19 755 986
In foreign currency	18 178 021	19 755 986
Security	2 939 518	2 320 983
	21 117 539	**22 076 969**
Line of credit (received)		
From domestic bank (MKB)	1 100 000	550 000
From the parent	6 000 000	4 000 000
From domestic bank (Gránit)	3 800 000	-
	10 900 000	**4 550 000**

Under specified circumstances these security deposits maybe used by the Entity for given reasons (ie. loss making event).

The Entity received a line of credit from three sources. Two is provided by commercial banks which's main purpose is to provide liquidity on the gas market (mainly for VAT position). The parent provides two facilities. One of the line of credits provided by the parent is general in purpose providing short term liquidity and will be settled on a daily basis, thus the closing balance on each day is zero (upper limit is 2 billon HUF). The other facility is same in nature, but settled only annually (upper limit is 4 billion HUF).

NOTE 35 RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties (including shareholders) of the KELER CCP in the normal course of the business. 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:

	2019	2018
Shareholders		
Other operating income	133 000	119 260
Interest income	-	11 649
Charges for infrastructure	(509 553)	(409 186)
Fees and commissions expenses	(60 244)	(52 216)
Interest expenses	(21 678)	(1 077)
	(11 006)	-
	(469 481)	**(331 570)**

	2019	2018
Shareholders		
Receivables	9 033 829	9 414 376
Bank balances	207 500	1 035 375
Accrued interest receivables	124	130
	9 241 453	**10 449 881**
Accounts payable	314 992	157 894
	314 992	**157 894**

Transactions are at arm's length condition. These balances and transactions will be eliminated at Entity level (ie. in the Separate financial statements of the KELER Ltd.), however these balances are not eliminated in these financial statements.
The ultimate parent of the Entity is the Central Bank of Hungary (CBH). CBH is a government-related entity (as defined by IAS 24). This Entity uses the exemption in IAS 24.25 and does not make disclosures regarding balances and transactions with other government related entities. These transactions with other government related entities are immaterial and if they exist they are at arm's length condition.

Members of the key managements are related parties.
Key management (during the period preparing the financial statements) :

Board of Directors

- Dr. Selmeczy-Kovács Zsolt chairman of BoD
- Mátrai Károly, chief executive officer (until: 24th Februry 2020)
- Nagy Márton, member of BoD
- Balogh Csaba Kornél, member of BoD
- Körmöczi Dániel, member of BoD
- Berényi László, member of BoD
- Mónus Attila, member of BoD (until: 24th Februry 2020)
- Marosi Bence, member of BoD (from: 14th March 2020)
- Kecskésné Pavlics Babett, member of BoD (from 12th March 2020)

Supervisory Board

- Dr. Szalay Rita, chairman of SB (until 27th February 2020)
- Varga-Balázs Attila, chairman of SB (from 27th February 2020)
- Gerendás János, member of SB
- Baksay Gergely, member of SB (until 27th February 2020)
- Bozsik Balázs, member of SB
- Palotai Dániel, member of SB (until 27th February 2020)
- Banai Ádám, member of the SB (from 27th February 2020)

The Board of Directors and the Supervisory Board receives the following remuneration for the Entity:

2019	Board of Directors	Supervisory Board	Total
Salary and similar	81 358	30 426	111 784
Fringe benefits	2 261	-	2 261
Total	**83 619**	**30 426**	**114 045**

These renumerations are all short term employee benefits.

Remunerations above include all type of disbursement paid to members of Board of Directors and Supervisory Board. Other than the above stated remuneration no transactions are made with the foresaid people.

Károly Mátrai resigned from the Board of Directors as of 24th Februáry 2020 and the same day he stepped down as Chief Executive Officer was terminated. His employment will end on 24th May 2020.

Attila Mónus resigned from the Board of Directors as of 24th Februáry 2020.

Dr. Rita Szalay resigned from the Supervisory Board and the same day she stepped down as Chairman of the Supervisory Board.

Gergely Baksay resigned from the Supervisory Board in 2020.

Dániel Palotai resigned from the Supervisory Board in 2020.

NOTE 36: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The Entity is not involved in any interests that should be consolidated in any way (subsidiaries, associates or joint arrangements).

NOTE 37: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Classification of financial instruments

As at 31 December 2019	Financial instruments (measured at fair value trough profit or loss)	Receivables measured at amortized cost	Fair value through other comprehensive income debt instruments sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	19 765 012	-	-	**19 765 012**	**19 765 012**
Treasury bills and government bonds	-	-	3 999 775	-	**3 999 775**	**3 999 775**
Trade receivables relating to gas market	-	2 485 215	-	-	**2 485 215**	**2 485 215**
Trade receivables relating to central counterparty and other service	-	222 074	-	-	**222 074**	**222 074**
Receivables from repurchase agreements	-	8 942 350	-	-	**8 942 350**	**8 942 350**
Receivables from foreign clearing houses	-	18 175 567	-	-	**18 175 567**	**18 175 567**
Trade payables	-	-	-	346 048	**346 048**	**346 048**
Trade payable from gas market activity	-	-	-	2 465 314	**2 465 314**	**2 465 314**
Default Fund liabilities	-	-	-	6 950 315	**6 950 315**	**6 950 315**
Financial guarantee contract liability	-	-	-	5 747	**5 747**	**5 747**
Collateral held from energy market participants	-	-	-	36 231 222	**36 231 222**	**36 231 222**
Lease liability	-	-	-	32 154	**32 154**	**32 154**

As at 31 December 2018	Financial instruments (fair value option)	Receivables	Fair value through other comprehensive income debt instruments sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	19 853 295	-	-	**19 853 295**	**19 853 295**
Treasury bills and government bonds	-	-	2 993 668	-	**2 993 668**	**2 993 668**
Trade receivables relating to gas market	-	4 940 661	-	-	**4 940 661**	**4 940 661**
Trade receivables relating to central counterparty and other service	-	203 678	-	-	**203 678**	**203 678**
Receivables from repurchase agreements	-	9 336 276	-	-	**9 336 276**	**9 336 276**
Receivables from foreign clearing houses	-	19 753 319	-	-	**19 753 319**	**19 753 319**
Trade payables	-	-	-	207 926	**207 926**	**207 926**
Trade payable from gas market activity	-	-	-	4 908 000	**4 908 000**	**4 908 000**
Default Fund liabilities	-	-	-	8 275 897	**8 275 897**	**8 275 897**
Financial guarantee contract liability	-	-	-	5 427	**5 427**	**5 427**
Collateral held from energy market participants	-	-	-	36 715 380	**36 715 380**	**36 715 380**

No items were classified as fair value through profit or loss (FVTPL)

Assets and liabilities measured at fair value – Fair value hierarchy

As at 31 December 2019	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Treasury bills and government bonds	-	3 999 775	-	**3 999 775**

As at 31 December 2018	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Treasury bills and government bonds	-	2 993 668	-	**2 993 668**

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

As at 31 December 2019	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	19 765 012	-	-	**19 765 012**
Trade receivables relating to gas market	-	-	485 215	**2 485 215**
Trade receivables relating to central counterparty and other service	-	-	222 074	**222 074**
Receivables from repurchase agreements	-	-	942 350	**8 942 350**
Receivables from foreign clearing houses	-	-	8 175 567	**18 175 567**
Trade payables	-	-	346 048	**346 048**
Trade payable from gas market activity	-	-	2 465 314	**2 465 314**
Default Fund liabilities	-	-	6 950 315	**6 950 315**
Financial guarantee contract liability	-	-	5 747	**5 747**
Collateral held from energy market participants	-	-	36 231 222	**36 231 222**
	-	-	32 154	**32 154**

As at 31 December 2018	**Fair value Level 1**	**Fair value Level 2**	**Fair value Level 3**	**Total**
Cash and cash equivalents	19 853 295	-	-	**19 853 295**
Trade receivables relating to gas market	-	-	4 940 661	**4 940 661**
Trade receivables relating to central counterparty and other service	-	-	203 678	**203 678**
Receivables from repurchase agreements	-	-	9 336 276	**9 336 276**
Receivables from foreign clearing houses	-	-	19 753 319	**19 753 319**
Trade payables	-	-	207 926	**207 926**
Trade payable from gas market activity	-	-	4 908 000	**4 908 000**
Default Fund liabilities	-	-	8 275 897	**8 275 897**
Financial guarantee contract liability	-	-	5 427	**5 427**
Collateral held from energy market participants	-	-	36 715 380	**36 715 380**

Receivables or similar items including counter party risk where the risk factor is not readily determinable are classified under Level 3 measurement.

NOTE 38: IFRS 16

The Entity applies IFRS 16 starting from 1st January 2019. The standard requires to capitalize all leases that are not classified as short term lease or does not have an underlying asset that is low value. The Entity classified all contracts to be leases that met the definition of the lease under IAS 17 and were still ongoing on 1st January 2019 and did not consider those contracts to be leases that were not classified as leases before that date. The new lease definition will be applied for contracts entered into after 1st January 2019.

Based on the above facts a single lease was identified: the lease of the office building.

On transition the Entity applied the modified retrospective method which required the recognition of a ROU and a lease liability as of 1st January 2019. For the transition the simplified method was applied, therefore the value of the ROU was the same with the discounted cash flows from contract as at transition date. The Company did not use any practical expedient when first applying the standard.

The recognized lease liability on transition was 37 313 THUF. The same amount was recognized as ROU.
The Entity used the incremental borrowing rate when calculating the discounted cash flows, ie. 3,82%.

In the first year the Entity recognized 9 518 THUF due to the lease (interest, amortization and FX difference), the cash outflow due to the lease was 7 549 THUF.

NOTE 39: RECONCILIATION OF THE EQUITY

The Hungarian Accounting Act para 114/B requires the entity to reconcile the equity under IFRS with the equity defined by the foresaid paragraph.

The equity reconciliation for 31st December 2019 and for 31st December 2018 is:

	31.12.2019	31.12.2018
Equity under IFRSs	**8 577 844**	**8 136 143**
Received additional temporary capital	-	-
Given additional temporary capital	-	-
Received grant classifed into share premium, if accounted for as deferred income	-	-
Received assets, if deferred income under IFRS	-	-
Introduced capital, if recognized as receivable from owners under IFRS	-	-
Equity reconciled as per Szt. 114/B	**8 577 844**	**8 136 143**
Items of equity as per the reconciation		
Issued capital under IFRS		
Issued capital as registered by the court of registry	2 623 200	2 623 200
Issued, but unpaid capital	-	-
Issued, but unpaid capital	-	-
Capital reserve	-	-
Received additional temporary capital	-	-
Reserve for future development	-	-
Tide-up reserve as per Szt. 114/B	-	-
Retained earnings		
Accumulated profit under IFRS not yet distributed (current and previous years)	1 577 266	172 856
Items chared direclty to retained earnings under IFRS	-	(8 093)

Temporary additional capital granted	-	-
Development reserve not yet used adjusted with deferred taxes	-	-
Accumulated profit for the years before transation with transition adjustments	-	1 238 747
Retained earnings as per Szt. 114/B	**1 577 266**	**1 403 510**
Profit after taxes		
Profit after taxes as per Szt. 114/A point 9.	442 314	173 756
Revaluation reserve		
Items recognized in other comprehensive income, accumulated	264	877
Share premium		
Reconlied equity	8 577 844	8 136 143
-reconciled issued capital	(2 623 200)	(2 623 200)
- reconciled issued, but unpaid captial	-	-
- reconciled tide up reserve	-	-
- reconciled retained earnings	(1 577 266)	(1 403 510)
- reconciled profit after taxes	(442 314)	(173 756)
- reconciled revaluation reserve	(264)	(877)
Share premium as per Szt. 114/B	**3 934 800**	**3 934 800**
Reconciled equity		
Reconciled equity as per 114/B		
Issued captial	2 623 200	2 623 200
Issued, but unpaid captial	-	-
Share premium	3 934 800	3 934 800
Retained earnings	1 577 266	1 403 510
Tide-up reserve	-	-
Revaluation reserve	264	877
Profit after taxes	442 314	173 756
	8 577 843	**8 136 143**
Retained earnings (reconciled)	1 577 266	1 403 510
Profit for the current period	442 314	173 756
value increase of investment properties (adjusted with tax effects)	-	-
Retained earnings available for dividend	**2 019 580**	**1 577 266**

NOTE 40: STATEMENT OF FINANCIAL POSITION TO EMIR

KELER CCP is under EMIR authorization and so has to comply with all requirements in regulations Regulation (EU) No 648/2012 and 153/2013. A CCP shall keep and indicate separately in its balance sheet an amount of dedicated own resources (so-called skin in the game) for the purpose set out in Article 45(4) of Regulation (EU) No 648/2012. As KELER CCP has established more than one default fund for the different classes of financial instruments it clears, the total dedicated own resources shall be allocated to each of the default funds in proportion to the size of each default fund, to be separately indicated in its balance sheet and used for defaults arising in the different market segments to which the default funds refer to. KELER CCP also has to separate its minimum capital requirement according to Article 16 of Regulation (EU) No 648/2012/EU.

	31.12.2019	31.12.2018
Cash and cash equivalents	19 765 012	19 853 295
Fair value through other comprehensive income debt instruments	3 999 775	2 993 668
Trade receivables relating to gas market	2 485 215	4 940 661
Trade receivables relating to central counterparty and other service	222 074	203 678
Other receivables	620 611	893 885
Receivables from repurchase agreements	8 942 350	9 336 276
Receivables from foreign clearing houses	18 175 567	19 753 319
Income tax receivable	-	1 877
Intangible assets	532 146	526 439
Property, plant and equipment	41 683	13 606
Deferred tax assets	9 877	12 805
TOTAL ASSETS	**54 794 310**	**58 529 509**
Trade payables	346 048	207 926
Trade payable from gas market activity	2 465 314	4 908 000
Accruals and other liabilities	166 973	280 736
Income tax payable	18 693	-
Default Fund liabilities	6 950 315	8 275 897
Financial guarantee contract liability	5 747	5 427
Collateral held from energy market participants	36 231 222	36 715 380
Lease liability	32 154	-
TOTAL LIABILITIES	**46 216 466**	**50 393 366**
CCP Capital requirement acc. to EMIR	2 721 015	2 744 460
Skin in the game default Exchange Fund	244 573	301 157
Skin in the game default Collective Guarantee Fund	229 406	179 085
Skin in the game default Gas Market Collective Guarantee Fund	94 690	73 751
Skin in the game default CEEGEX Market Collective Guarantee Fund	49 743	69 748
Other Financial resources	5 238 417	4 767 942
TOTAL SHAREHOLDERS' EQUITY	**8 577 844**	**8 136 143**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**54 794 310**	**58 529 509**

NOTE 41: CHANGES IN ACCOUNTING POLICIES

The Entity did not change its' accounting policies from 2018 to 2019, except the introduction of the new standard and preparing policies for those issues that did not yet occur.

NOTE 42: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2019

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019).

See the effects of introduction of IFRS 16 Leases standard in Note 43.

The adoption of other new standard and amended standards and interpretations to the existing standards has not led to any material changes in the Company's financial statements.

New and revised Standards and Interpretations issued at the date of authorization of financial statements but not yet effective, early adoptions

The followings present standards and interpretations with effective date only after the date of authorization of these financial statements. The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

The following standards and interpretations (including the amendments of those) will be effective in 2020 financial year or later.

Standards and Interpretations adopted but not yet effective

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by EU on 6 december 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material – adopted by EU on 10 December 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" – Interest rate Benchmark Reform** – adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

The Group does not anticipate significant changes to Company's financial statements from effects of other changes of IFRS's (except mentioned previously.). The Company does not adopt these new standards and amendments to existing standards before their effective date. The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

Others

Portfolio hedge of financial assets and financial liabilities is not regulated, because the concerning regulation is not adopted by the EU.

The Company anticipates that application of hedge accounting rules of portfolio hedge of financial assets and financial liabilities in IFRS 9 will have no material impact on the financial statements of the Group at the end of reporting period.

NOTE 43: DISCLOSURES FOR THE STAND ALONE FINANCIAL STATEMENT REQUIRED BY IAS 27

The Entity is a fully consolidated subsidiary of KELER Ltd. Those consolidated financial statements are published and deposited according to the relevant Hungarian legislation.

The Entity does not have any subsidiaries, associates or joint arrangements.

NOTE 44: SUBSEQUENT EVENTS

Changes in the management

The Entity reorganized it's Board of Directors and it's Supervisory Board. Note 35 explains the changes in details.

Business changes - Change in the location of energy market settlements

From the middle of 2020 the settlement place of the energy market – due to the regulation – changes. This will require KELER KSZF to correspond with the so called settlement banks who will deal with the security deposits, which will be segmented by markets and by customer. The Parent will stop dealing with the deposit from this time. The change will lead to the material increase in the bank deposit and liability, which will materially increase the balance sheet total (without any effect on the net profit)

Business changes - change in the settlement currency of the gas market platforms operated by FGSZ Zrt. And FGSZ KP Kft.

From 2020 january the gas trading platform – that is operated by FGSZ Zrt.and FGSZ KP Ltd.. – will be settled in euro and not in forint. The foreign exchange risk will not materially change since both segment of the deal will be accounted for in euro.

Further material events that will change the business – COVID19 novel corona virus pandamic

The corona virus pandemic changed the social and economic environment substantially in 2020. The management of the Company concluded that these events are non-adjusting for 2019. The effects of the epidemic are still under review. The Company monitors the availability of work force, its supply chain and the purchasing power of the relevant markets.

The KELER KSZF was identified being one of the entities with key importance in the national economy (see regulation 12/2016.). The KELER KSZF was also identified as playing a key role in the economic system by the Action Group for the Security of Key Hungarian Undertakings.

The management of the Company – responding to the domestic and international events – immediately provided the operational conditions that enables KELER KSZF to work without disturbance.

Unlike for most of the companies the pandemic did not result in a direct consequence on the activity of the KELER KSZF. The key elements of the activity of the Company resulting the biggest contributions are:

- income from capital markets – due to the increased trading activity – may increase for revenues on the short run, but if investments are removed from capital markets, it may reduce income.
- the energy markets and guarantee services are not expected to be materially influenced by the pandemic, however new partners are not expected to be recruited.

Should the forint weaken on the longer run, the company is expected the realize material financial income from foreign exchange gain.

We do not expect material change in the expenditures of KELER KSZF.

All together based on current information KELER KSZF does not currently need business/financial replanning – how it is described in the business continuation plan. It seems that the business activities are not going to be materially disturbed. The middle- and long term effects of this pandemic cannot be easily assessed at this stage.

Based on the above facts the management of the KELER KSZF. There are no signs yet identified that would suggest that the going concern of the Company cannot be justified, and so far no material effect for the year 2020 was identified.

NOTE 45: DIVIDEND

The AGM on 29th May 2019 did not declare a dividend for the business year of 2018, all net profit was transferred to retained earnings.

NOTE 46: APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 5 May 2020. The financial statements are approved by the Annual General Meeting.

Budapest, 05 May 2020.

KELER KSZF Központi Szerződő Fél Zrt.
KELER KSZF Zrt.
2.

Babett Kecskésné Pavlics
Chief Executive Officer

Tamás Horváth
Chief Operating Officer