



ANNUAL REPORT | 2014



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## 1 | CHAIRMAN'S MESSAGE

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

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

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

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

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

KELER selected Regis-TR as its trade repository partner.

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

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

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

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

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

In order to visually express the changes and development of the KELER Group, the 20-year-old magenta-grey corporate brand was replaced with a more fresh design that reflects our strategic directions. Internal changes also resulted in



## ● 1. CHAIRMAN'S MESSAGE

spectacular renewal in other fields the KELER Group has relocated its offices to R70 Office Complex, a modern office building. Additionally, recognizing that KELER became a well-known brand not only in the domestic market but also internationally markets also, the name of KELER has changed to KELER Central Depository Ltd.

I would like to take this opportunity to say thank you to all the parties that contributed to the success of KELER Group in 2014 with solid ongoing and constructive work and cooperation. This year presented a number of challenges and we made good progress – this is the joint result and success of the owners of the KELER Group, the credit institutions, investment firms and issuers in Hungary, the capital, gas and energy market players and all the employees of the KELER Group. The KELER Group has continued to provide our clients with quality services and could focus on its professional duties.



**Csaba Lantos**

Chairman



## 2 | MARKET ENVIRONMENT

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

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

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

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

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

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



Changes of the BUX index in 2014



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



## 3 | KELER CCP ACTIVITY

- As a leading regional central counterparty in Central Eastern Europe, KELER CCP offered continuous, secure and high level clearing services to domestic and international clients in 2014, as well. In addition to the traditional clearing of regulated derivative and securities markets, KELER CCP has been serving the domestic gas markets and helped energy trades expand and succeed internationally.

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

### **ESTABLISHMENT OF THE KELER CCP SUBSIDIARY**

KELER CCP Ltd. established KELER CCP Luxembourg S.a.r.l., a 100 % owned subsidiary, based in Luxembourg. The registered capital of the subsidiary is 20 000 Euro. The subsidiary will assist CCP to further expand in the international energy market.



## 4 | REGULATORY ENVIRONMENT

- KELER CCP is a central counterparty governed by the provisions of Act CXX of 2001 on the Capital Market (hereinafter Act on Capital Market) and Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (hereinafter: EMIR), a company guaranteeing capital market and energy market transactions.

KELER CCP operates in line with the provisions of the above regulations, its regulatory documents and the provisions of the decrees of the Financial Supervisory Authority of Hungary (since 1 October 2013 the MNB as legal successor is the supervisory authority).

KELER CCP undertakes central counterparty and clearing activities as licensed in the Supervisory Authority Decree H-EN-III-43/2014., in line with the provisions of Sections 340/D (1) b), 334 a) of the Act on Capital Market and Articles 14 (1) and (3) of EMIR.

In accordance with the agreement concluded, KELER CCP outsources certain parts of its activity to KELER in compliance with the requirements of the Act on Capital Market and other applicable legal regulations valid from time to time.

In 2014, the operation of KELER CCP was affected by the following new regulations and changes to regulations:

- / Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)

In 2014 the Annual General Meeting of KELER CCP was held on 28 May.

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

- / report by the Board of Directors on the 2013 business activity,
- / acceptance of the financial statements in line with Act C of 2000 on Accounting and the distribution of profit after tax,
- / amendment of the Articles of Association,
- / remuneration of officers,
- / amendment of the terms of the joint and several liability.

The main reasons to amend the Articles of Association are as follows:

- / change of the registered office of the Company,
- / compliance with the regulation on OTC derivatives, central counterparties and trade repositories (EMIR),
- / mandatory amendment of the Articles of Association related to the new Civil Code entering into force.

The Annual General Meeting decided to amend the terms of the joint and several liability. The joint and several liability was extended until the EMIR license of KELER CCP Ltd. is obtained<sup>1</sup>, but not later than the time of the Annual General Meeting of 2015.

<sup>1</sup> / As of 4 July 2014 KELER CCP Ltd. is a central counterparty licensed under EMIR.





## 5 | BUSINESS RESULTS OF KELER CCP

Source: KELER CCP Ltd.'s Hungarian Statutory Financial Statement

- The 2014 financial plan of KELER CCP was prepared in line with the plan of KELER. Based on economic outlook at the time of planning we forecast that the economic growth started in 2013 would continue, but it may be impacted by some international and domestic uncertainties. International economic policy, financial and capital market stimulus both in Europe and the US, and in Hungary the market impact of retail FX loan settlement, utility rate cuts or any acquisition by the state are some of these uncertainties.

In 2014, income from spot transaction clearing was less than planned and less than in the previous year, parallel with the drastic fall in the number of trades. By contrast, derivative market turnover increased, so much so that there were several months when monthly derivative clearing income exceeded spot market income. The amount of income realized in this segment is nearly HUF 28 million less than planned due to less activity in the spot securities market. However, loss of income was compensated by energy market clearing: several new partners entered the market and market turnover was higher than planned, resulting in HUF 67 million additional income in the energy market segment.

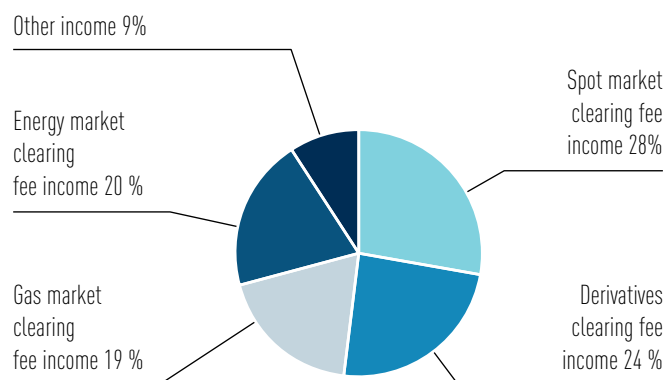
Owing to the above, total income was 9% higher than planned and 16.8% higher than in 2013.

Costs and expenses during the period exceeded the plan only slightly (5%), thus operating result in 2014 amounted to HUF 143.8 million, 36.7% higher than planned.

On the whole, in the subject period KELER CCP operating result was HUF 143.8 million, financial result amounted to HUF 68.7 million, thus the result on ordinary activities was HUF 212.5 million. As there were no extraordinary items, the result on ordinary activities equals profit or loss before tax. Profit or loss before tax is subject to corporate income tax payment in the amount of HUF 23.1 million, KELER CCP **profit or loss after tax is HUF 189.4 million.**

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

### Structure of income from services / 2014

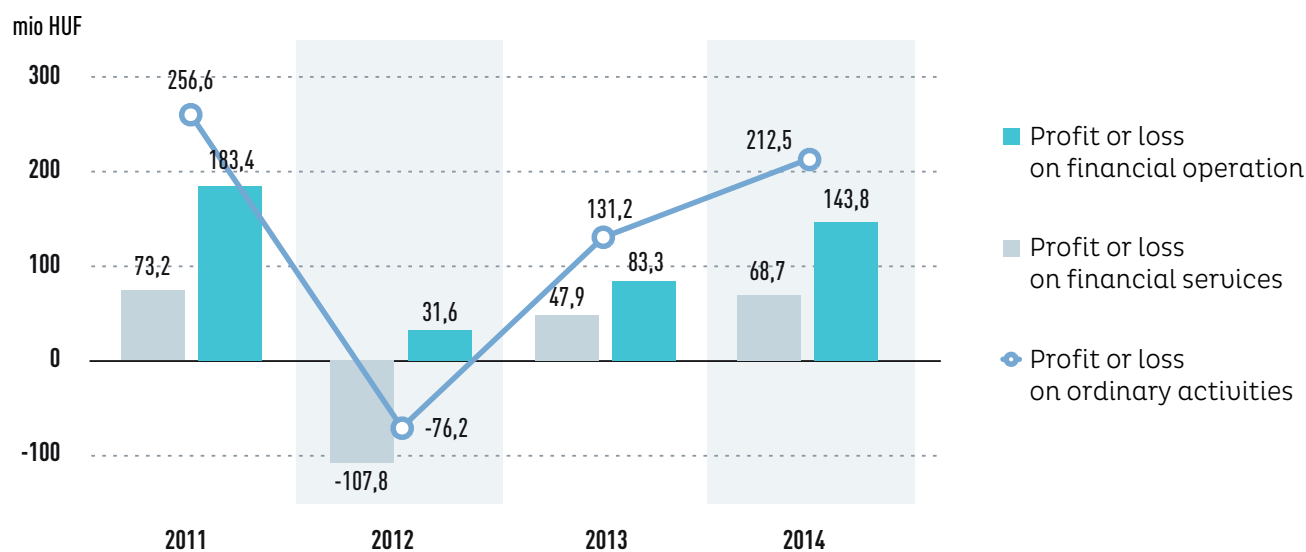


## 5. BUSINESS RESULTS OF KELER CCP

### KELER CCP Profit and Loss (in mio HUF)

No.	Description	2013. actual	2014. plan	2014. I-XII. actual	2014. I-XII. actual / 2014 plan (%)
<b>A.</b>	<b>Profit and loss on financial operation</b>	<b>47.9</b>	<b>72.0</b>	<b>68.7</b>	<b>95.5%</b>
1.	Commissions and fees received	812.8	864.6	901.4	104.3%
2.	Other income	30.7	39.4	83.7	212.6%
<b>B.</b>	<b>Income from services (B.=1.+2.)</b>	<b>843.5</b>	<b>904.0</b>	<b>985.1</b>	<b>109.0%</b>
3.	Commissions and fees paid or payable	0.0	1.0	10.1	1007.5%
4.	General administrative expenses	679.9	717.4	738.2	102.9%
5.	Depreciation	50.3	55.0	57.9	105.2%
<b>C.</b>	<b>Total costs of operation (C.=3.+4.+5.)</b>	<b>730.2</b>	<b>773.4</b>	<b>806.1</b>	<b>104.2%</b>
D.	Other expenses	30.0	25.4	35.2	138.7%
<b>E.</b>	<b>Cost os operation and expenses of services (E.=C.+D.)</b>	<b>760.2</b>	<b>798.8</b>	<b>841.3</b>	<b>105.3%</b>
<b>F.</b>	<b>Profit or loss on servuices (F.= B.-E.-13.)</b>	<b>83.3</b>	<b>105.2</b>	<b>143.8</b>	<b>136.7%</b>
<b>G.</b>	<b>Profit or loss on ordinary activities (G.= A.+F.)</b>	<b>131.2</b>	<b>177.2</b>	<b>212.5</b>	<b>120.0%</b>
<b>I.</b>	<b>PROFIT OR LOSS BEFORE TAX (I.=G.+H.)</b>	<b>131.2</b>	<b>177.2</b>	<b>212.5</b>	<b>120.0%</b>
K.	Corporate tax (10% below HUF 500 mio, 19% above)	8.1	17.7	23.1	130.5%
<b>M.</b>	<b>PROFIT OR LOSS AFTER TAX (M.=I.-J.-K.-L.)</b>	<b>123.1</b>	<b>159.5</b>	<b>189.4</b>	<b>118.8%</b>
<b>R.</b>	<b>PROFIT OR LOSS FOR THE FINANCIAL YEAR (R.=M.-N.-O.-P.)</b>	<b>123.1</b>	<b>159.5</b>	<b>189.4</b>	<b>118.8%</b>

### Profit or loss on financial operation, services and ordinary activities (mio HUF) / 2011-2014





## 6 | RISK MANAGEMENT

### ● COUNTERPARTY RISKS

#### Clearing membership system

In 2014, the number of KELER CCP clearing members continued to grow, mainly in the energy markets. The number of energy market non-clearing members increased strongly at the end of the year, partly due to the fact that KELER CCP successfully acquired a client portfolio of a competitor, and the majority of the clients selected us as general clearing member, in the markets of the European Commodity Clearing AG (ECC). The transformation of the Daily Natural Gas and Capacity Trading Platform into the Balancing Platform was the most important change in the gas market in 2014. As for the number of capital market clearing members, at the end of the year altogether 29 banks, investment firms and commodity broker firms were members, it means that the number of members reduced by two compared to the previous period.

Some new participants joined the Balancing Platform with 19 existing clearing members, simultaneously some participants decided to terminate membership. Consequently, there were 20 active gas market participants at the end of the year. Balancing Platform membership is the pre-condition of CEEGEX market membership, by the end of 2014 there were 7 direct clearing members on CEEGEX, two of them with headquarters abroad.

The number of energy market non-clearing members continued to grow as 20 new market participants applied, many of them are headquartered abroad. Several members terminated their membership. All in all, there were 52 members, 31 members can trade on the HUPX day-ahead market, and 16 of them are non-clearing members in the physical futures market, as well. There were 31 members interested in expanding the non-clearing membership service to the international energy markets, at the end of 2013 only 9 members showed interest.

In summary, at the end of 2014 there were 93 active clearing members, out of them 29 were capital market clearing members (3 commodity brokers, 4 Hungarian branches of foreign credit institutions, 1 Hungarian branch of a foreign

investment company and 1 foreign credit institution, 12 investment firms and 8 Hungarian credit institutions), 20 gas market clearing members and 52 energy market non-clearing members. In the latter two clearing membership systems eight participants are members in both markets.

### MARKET RISKS

#### Clearing members' individual collateral

As a key operation, KELER CCP continuously monitors that individual margin requirements are met, and manages the collateral system. Depending on the change of risks, initial margins were changed on several occasions in 2014, and initial margin requirements for new products were defined based on available information. The margining methodology was fine-tuned related to the acquisition of the EMIR license; the current methodology is compliant with the regulatory requirements.

With respect to the level and order of energy market margining in 2014, the so-called internal risk factor related to futures collateral was reduced, as a result, the collateral requirement to be met by our clients could be further reduced. It is related to 2015 that from the start of the year there is a favorable change in the calculation of Basic Financial Collateral: if a third market is entered, the level of Basic Financial Collateral is reduced by 50% in each market.

The guarantee system related to Balancing Platform and CEEGEX clearing was already formed, this guarantee system was managed and monitored throughout 2014. At the same time, preparatory steps were taken in connection with changes in 2015 to shorten the BP settlement cycle and modify the related system of guarantees.



### Default funds

KELER CCP Risk Management checks daily that the capital market and CEEGEX default funds comply with the requirements of EMIR, and, as part of regulatory compliance, it finalized a new default fund calculation methodology that is based on the result of the daily stress test calculation.

In the BP market the default funds covered any risks that may arise, the related methodology was reviewed, and there was no need to change the methodology.

### Joint and several liability by KELER

In line with the KELER CCP General Meeting resolution, the expiry date of the joint and several liability was the date when the KELER CCP EMIR license is received, thus on 4 July 2014, with the EMIR license received, the joint and several liability by KELER to KELER CCP ceased to exist.

### Collaterals

In the subject period, the group of eligible collateral instruments was determined in line with the requirements of EMIR, the parameters of eligibility were reviewed regularly, and necessary adjustments were made.



## 7 | REGULATED MARKET, GAS AND ENERGY MARKET CLEARING

### ● REGULATED MARKET, GAS AND ENERGY MARKET CLEARING

The new trading platform introduced in late 2013 was a major change at the Budapest Stock Exchange; owing to the thorough preparation undertaken, in 2014 the operation of the new platform was uninterrupted and reliable. Since the implementation and successful launch of the platform, domestic securities market participants can enter major European markets, thus several thousand new investment instruments became available to them. At the end of the year, the XETRA® upgrade was successfully completed.

In 2014, CSDR, the EU regulation on central securities depository entered into force and required European securities markets to switch to a uniform settlement cycle of T+2. Due to the large number of markets involved, a European working group was set up to finalize the principles and best practice to be followed during the transition to T+2. After successful tests and the implementation of the necessary changes in regulations, on 6 October 2014 the European securities markets, among them the Hungarian securities market also, switched successfully to T+2 settlement cycle. With this move, European markets, with a few exceptions, operate with a shorter securities settlement cycle that improves level playing field, security and cycle times.

During the year there was also a public offering that increased the number of securities listed, and hundreds of new products were added to the list of spot securities market contracts with the listing of various certificates and warrants, and the group of derivatives also expanded.

MTS Hungary, the trading platform of government securities primary dealers, supported the continuous trading of government securities, T-bills and student loan bonds in 2014, as well.

2014 was the year of stabilization for Hungarian gas markets. As of July, Balancing Platform is the new name of the NFKP market, and CEEGEX, the organized natural gas market, was also successful as the volume traded on the day-ahead market increased considerably in its second business year.

Central invoicing was successfully introduced in the gas markets on 1 January and improved efficiency greatly, at the same time, it created the opportunity to shorten the settlement cycle on the Balancing Platform. At the end of 2014 decision was brought to take this opportunity and shortened the Balancing Platform settlement cycle.

The energy market general clearing membership service offered by KELER CCP expanded more than hoped: the number of markets cleared, the number of participants and the cleared volume all exceeded expectations. Due to the expansion, by today all major European energy markets can be accessed through KELER CCP, including EPEXSPOT, EEX, CEGH and PXE in addition to HUPX. In early 2015, POWERNEXT/PEGAS was added to the group of markets cleared, resulting in an expanded natural gas product line.

### EMIR

After several years of preparation, the European Commission brought into force the regulation on European clearing houses, commonly known as EMIR.

In line with regulatory requirements, there were several modifications in the clearing and risk management processes: the creation of a new, higher level of client protection, the introduction of default fund calculation based on stress tests and the change in default waterfall are of outstanding importance. KELER CCP established the Risk Committee. Risk Committee members include representatives of clearing members and their principals, independent market experts and the independent Board members.

By the applicable deadline, KELER CCP submitted all the documents required for EMIR licensing and on 4 July 2014 it received its EMIR license from the Magyar Nemzeti Bank (Central Bank of Hungary), with the agreement of the ESMA Supervisory College.



KELER CCP took preparatory steps to meet the reporting obligation toward ESMA from 12 February 2014 as required under EMIR, and to offer the related service to clearing members; KELER CCP met this requirement and launched the service successfully.

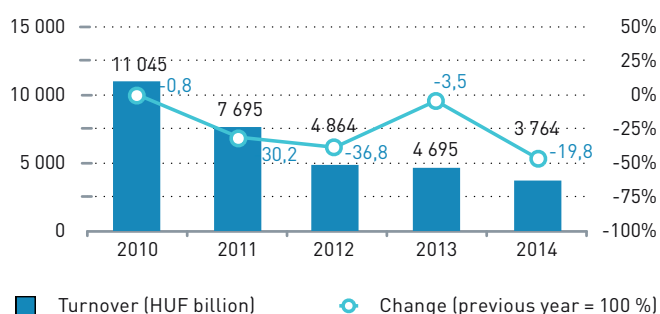
## Figures and ratios illustrating guaranteed regulated markets in 2014

### BSE Cash Market

The aggregate single-counted BSE cash securities market turnover of HUF 1 942.1 billion is a decrease of 19.6% compared to 2013. Average daily turnover dropped to HUF 7.83 billion from HUF 9.82 billion in the previous year (248 and 246 trade days respectively). Equity trades make up a large part of the securities market turnover. The turnover in equities was HUF 1 877.7 billion in 2014, this is a fall of 19.9% compared to 2013, thus the average daily share market turnover was HUF 7.6 billion compared to HUF 9.5 billion in the previous year. Turnover in equities represented 96.7% of the total market turnover.

The number of registered stock exchange cash securities market transactions reduced less than turnover, thus in 2014 the number of trades made was 1 370 900 after 1 532 205 trades in 2013, this is a decrease of 10.5%. The number of trades in equities was 11.9% less than in the previous period. On average 5 528 stock exchange cash trades per day were made in 2014, 6 228 trades per day were made in 2013. The average daily number of equities transactions was 4 788 in 2014 (5 480 in 2013).

BSE and BÉTa equities turnover 2010-2014 (double counted)



### BÉTa

Single-counted total turnover in the 23 international shares listed at the BÉTa Market was HUF 4.4 billion; this is more than the HUF 3.8 billion turnover in the previous period. The number of registered transactions was 8 419, this is significantly more than the 6 732 trades registered in the previous year.

### BSE Derivative

After the significant increase of the previous period, the BSE derivative market turnover dropped slightly in 2014. The single-counted turnover of HUF 2 467 billion is a contraction of 3.3% compared to the previous year turnover of HUF 2 551 billion. In line with the trends of the past years, turnover concentration continued, the share of FX-based products within the total derivative market keeps rising. Within the total annual turnover, FX-based product turnover was HUF 1 914.3 billion (77%, 72.2% last year), while index and equity-based products generated a turnover of HUF 531 billion (21.5%, 26.6% last year). Compared to the figures of the previous period, the turnover of currencies increased by HUF 73.4 billion (on a nominal basis), while the turnover of equities was HUF 148.1 billion less. The turnover of the Commodity Section amounted to HUF 22.2 billion in 2014 after HUF 31.2 billion in 2013; this is a decrease of 28.6%.

Products / Transactions in 2014	bio HUF
Index based futures products	59.20
Equities futures	471.74
FX futures	1 900.54
Interest futures	0.00
BUX option	0.00
Equities option	0.00
FX option	13.72
Commodity futures	22.23
Commodity option	0.00
<b>Total</b>	<b>2 467.42</b>

Source: Budapest Stock Exchange Annual Statistics, 2014

	2010	2011	2012	2013	2014
Turnover* (HUF billion)	11 045	7 695	4 864	4 695	3 764
Number of trades (in thousands)	2 612	2 335	1 639	1 355	1 196

\* double-counted

Source: Budapest Stock Exchange Annual Statistics, 2014

### MTS Hungary

In 2014, there were 1 192 trades made in the value of HUF 541.4 billion in the cash government securities market of MTS Hungary, the market of primary dealers. In the previous year, the number of trades was 1 451, turnover amounted to HUF 646.5 billion; this is a contraction in annual turnover of 16.2%.

### Balancing Platform

In 2014, the natural gas balancing market annual turnover was 23.7 billion MJ (7.3 TWh), at market value this represented HUF 70.5 billion. Compared to the previous period, the volume traded reduced by 4.8% (24.9 billion MJ; 7.7 TWh), while turnover at market value was 9.4% (HUF 77.8 billion) less.

### CEEGEX

The single-counted gas turnover in the day-ahead market of the organized natural gas market was 976.9 million MJ (0.3 TWh), turnover at market value amounted to HUF 2.8 billion, while futures turnover was 70.2 million MJ (0.022 TWh), turnover at market value totaled HUF 199.8 million. In the previous year, the day-ahead market turnover was 1.64 million MJ, HUF 5.4 million at market value, and no trades were concluded in the futures market in 2013.

### Energy market (as general clearing member service provider)

In 2014, our clients generated 13.8 TWh turnover, more than HUF 150 billion at market value, in the day-ahead and intra-day energy markets cleared by KELER CCP. In 2013 this volume was 7.9 TWh that corresponds to a turnover value of nearly HUF 100 billion. More than 2% of the trades cleared were intra-day transactions.

Within the total spot energy market turnover, KELER CCP cleared 11.2 TWh (HUF 134 billion) power trading, 2.6 TWh (HUF 18.6 billion) gas trading and 0.17 million ton (HUF 351 million) emission allowance trading.

Based on the volume of power trading cleared, most of the trades are related to the HUPX day-ahead market (9.7 TWh, representing a share of 86.5%), however, the share of EPEXSPOT increases each year (1.5 TWh, this is a share of 13.5%). Nearly all trades in gas products were concluded on CEGH, a small number of trades were made on EEX. In 2014, the double-counted turnover of the HUPX day-ahead market was 25.3 TWh, thus, even with a market volume increase of 40%, KELER CCP was able to retain its market-leading position (38.2%) in a highly competitive international environment.

In 2014, physically delivered futures turnover totaled 2.6 TWh (nearly HUF 35 billion) after 2.65 TWh in 2013.

In 2014, KELER CCP cleared 3.3 TWh in the futures energy market, the position value at trade price was HUF 42.6 billion. The overwhelming majority of futures were made in physical delivered power products, and trades were also concluded for power products with financial settlement, physical delivered gas products and emission unit allowance products. The share of the various markets within the futures turnover cleared is as follows: 82.1% of trades were made on HUPX, 16.5 % of trades were concluded on EEX and PXE trades represented 1.4%. The 2013 total futures volume was made up by HUPX trades only. In 2014, the double-counted power trading on the HUPX futures market was 7.3 TWh, based on this figure the market share of KELER CCP increased to 37.4% from 24% in 2013.



## 8 | CLIENT RELATIONS

### ● CLIENT FORUMS

In terms of client relations, 2014 was a very busy year for Keler CCP. Related to the revolutionary changes witnessed in the regulatory and market environment (e.g. EMIR taking force), and the developments of the Keler Group, the client forums organized on various subjects became a part of daily life at Keler CCP. These forums facilitated regulatory compliance by clients and the market, and promoted the use of the renewed services of the Keler Group.

Communication on the changes required by EMIR was most intense in early 2014, as EMIR required derivatives reporting from 12 February. A large part of the changes related to clearing houses, nevertheless, the regulation meant significant changes for clients also. Therefore Keler CCP assisted market participants with newsletters and shared expert knowledge at various forums.

In January 2014, the Trade Repository Forum was the first event related to regulatory changes, and provided a comprehensive view on the steps to be taken by the market.

During the year, the experts of Keler CCP were invited to speak at a number of independent events related to EMIR, and our experts were pleased to accept all the invitations. In 2014, Keler CCP continued to have a strong presence at exhibitions. For the first time in its history, Keler CCP had a booth at the Energy Trading Central and South Eastern Europe 2014 conference and exhibition and the expert representing Keler CCP was invited to speak on the regional gas markets. Keler CCP was a returning exhibitor at EMART Energy 2014, one of the most important events of the European energy trading sector. These events created a great opportunity to meet existing and potential clients and also contributed to the increased recognition of Keler CCP, and assisted Keler CCP in becoming one of the most important service providers.

### ● CLIENT SATISFACTION SURVEY

After the 2013 personal and online client satisfaction survey, in 2014, our partners were contacted online. The main goal of the survey is to learn the views of capital market, gas market and energy market clients on services, development directions of the Group. Based on the results we can state that the positive perception of clients continued to improve in the past years. In order to keep the client satisfaction growing, we have built an action plan, along which we can address the issues raised in the survey and this way integrate the client recommendations and development ideas of our clients into the operation of the Keler Group.





## 9 | INTERNATIONAL RELATIONS

- KELER CCP is a member of EACH (European Association of Central Counterparty Clearing Houses), participates at the regular meetings of the organization and is involved in the work of certain sub-committees. KELER CCP took part in the work of the T+2 Task Force, the professional consultancy forum related to the T+2 settlement cycle, set up by the T2S Harmonization Steering Group. Similarly to European securities markets, on 6 October 2014, KELER CCP introduced a shorter settlement cycle on the multinet settlement securities market. After the transition the settlement cycle of T+3 changed to T+2 for all securities trades cleared and guaranteed by KELER CCP. KELER CCP participates at the meetings of the clearing members working group of ECC (European Commodity Clearing AG) related to the development of energy market clearing.



## 10 | INFORMATION TECHNOLOGY

- In 2014, IT activity at KELER CCP followed the 2014-2016 IT strategy of the KELER Group that entered into force in the autumn of 2013 and was updated last autumn.

The deliberate, planned operation and the high level availability of information technology supporting business services remained the main goals of IT operation. During the year the joint availability of KELER CCP systems to clients was 99.984%, which proves the efforts made in this field came to fruition.

In 2014, IT Management completed successfully the following major tasks:

- / The data center migration in 2013 was completed by moving data and telecommunication services from the Asbóth utca data center to two data centers that are also backups to each other, and should any error occur, either of them is capable of serving KELER CCP operations on its own. Simultaneously, a new telephone switchboard with redundant lines was put into operation.
- / At the new premises a new IT network of modern components was built before the relocation.
- / Disaster Recovery was tested to check IT infrastructure: first all the servers operated from one data center, then, without exposing business operation to any risk, during the hours of operation servers were moved to the other data center and from there business applications operated for more than a week before returning to distributed load. The system met the requirements.

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

- / In 2014, developments focused on the Strategic Modernization Program (SMP) that aims at replacing the account management system of KELER and on the adjustment of KELER CCP systems to the TCS BaNCS application.

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

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



## 11 | HUMAN RESOURCES

- In addition to making sure that KELER CCP provides high quality services daily, in 2014, the main task of Human Resources was compliance with law, in particular compliance with EMIR.

The development of the professional skills of employees was a task of outstanding importance, therefore internal and external trainings were held to improve English language skills, cooperation, change and stress management, and product and market knowledge.

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



## 12 | INTERNAL AUDIT

- KELER CCP does not have an independent internal audit function; therefore, based on the agreement concluded with KELER and case by case requests by the Supervisory Board, KELER Internal Audit performs internal audit reviews at KELER CCP.

In 2014, Internal Audit worked in line with the annual work schedule approved by the Supervisory Board and based on risk assessment and risk analysis, and the valid operating procedure of Internal Audit. When the review tasks were determined, the review of processes and controls with inherent risks and high priority was considered a key aspect. Internal Audit also reviewed new or updated regulatory documents.

In 2014, there were 2 IT-bank security and 4 non-IT reviews. Within the reviews completed, 3 subject, 1 follow-up and 2 targeted audits were completed.

The subject audits covered the following fields:

- / Remuneration policy;
- / NFKP (BP) clearing processes and guarantee system;
- / Haircut adequacy.

Targeted reviews focused on the execution of disaster recovery tests.

The follow-up review checked the measures resulting from the overseer audit completed by the Magyar Nemzeti Bank (Central Bank of Hungary).

Reviews paid particular attention to compliance with regulatory and internal requirements, the operation of controls, compliance with security requirements and checking the implementation of measures and recommendations that were deemed necessary to correct discrepancies detected in earlier reviews.



## 13 | SECURITY MANAGEMENT

- In 2014, Security Management continued the consolidation already started and implemented a number of measures in order to introduce modern, convenient and secure solutions for users:
  - / The descriptions of value creating business processes, the catalogue of daily KELER CCP services by cut-off times and the BCPs and support IT system DRPs to be followed in the case of service and process interruption were updated and tested.
  - / Security Management tested employee security awareness on various occasions, in the interest of maintaining the appropriate level of awareness trainings were organized to supplement these actions. In 2014, an e-learning system was employed to help increase the efficiency and convenience of security awareness training.
  - / The system (CyberArk) to manage and supervise power rights, to keep an electronic record on power users and to supervise the activity of power users was introduced.
  - / Following the testing of two systems to prevent data leak (DLP – Data Loss/Leak Prevention), in 2014, the solution most suitable for KELER CCP was selected, the system to guarantee the protection of sensitive data was introduced, fine-tuning is to be finalized in early 2015.
  - / With respect to KELER CCP relocating to new premises, Security Management planned and implemented the physical security systems of the new premises, and the relocation was a good opportunity to complete a full alternative site test.
  - / The rules and documents of the central log analyzer system (SSIM) were reviewed; the central log analyzer system was expanded to cover additional systems to ensure that log analysis at KELER CCP is completed in proportion to risks.
  - / In 2014, several network security systems (firewall, breach detector and prevention, systems ensuring remote access) were reviewed and replaced.
  - / In order to comply with the requirement of risk proportionate protection and external requirements, IT security controls were reviewed. IT system vulnerability was checked quarterly.



## 14 | ENVIRONMENTAL PROTECTION

- The goal of KELER Group's Green Office Program is to integrate environmentally conscious thinking into the corporate culture in the longer term, to reduce energy and paper use drastically at the corporate level, and to create the system of selective waste collection. The Group is committed to responsible thinking and the creation of a healthy working place is of key importance. As part of the implementation of the Green Office Program in 2010, the KELER Group joined the Green Office competition of the KÖVET Association, and it was awarded the 1st prize in the medium-sized enterprises category. In 2012, the KELER Group entered the 'Ablakon Bedobott Pénz' (How To Avoid Waste) competition of the KÖVET Association announced for the 10th time and was awarded 'The Office Green Savings Special Prize'. In light of these results, the KELER Group will continue to take environmentally conscious measures as much as possible in the coming years, as well.

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

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

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



## 15 | REPORT BY THE SUPERVISORY BOARD OF KELER CCP

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

In 2014 the Supervisory Board of KELER CCP Ltd. met 5 times and on 1 occasion passed decisions out of session.

In line with earlier practice, risk assessment and risk analysis were completed prior to finalizing the Internal Audit work schedule for 2014; this ensures that the reviews of Internal Audit focus on the activities and the processes with the highest inherent risks.

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

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

In 2014 Internal Audit reviewed the disaster recovery tests completed in 2013, checked haircut compliance and completed the annual check on DRP tests, followed up the recommendations relevant to KELER CCP Ltd. in the MNB self-assessment report entitled „comprehensive review of the domestic securities clearing and settlement system in line with international recommendations“, and reviewed the Remuneration Policy.

The internal audit reports and related action plans discussed by the Supervisory Board included the shortcomings identified in the audits and the recommended tasks to eliminate them, the responsible persons and the deadline to complete the relevant tasks.

Based on the reports by the management the Supervisory Board of KELER CCP Ltd. monitored continuously the implementation of the measures recommended in the internal audit reports.

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

The Supervisory Board received reports on the activity of the Compliance Officer in 2013 and the work schedule of the Compliance Officer for 2014, approved the amendment of the Regulation on the operation of the Internal Audit system of KELER CCP Ltd. and discussed and approved the 2014 risk assessment of KELER CCP Ltd.

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

The Supervisory Board approved the 2015 Internal Audit work schedule proposal for KELER CCP Ltd.

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

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

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



## ● 15. REPORT BY THE SUPERVISORY BOARD OF KELER CCP

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The Supervisory Board established that the management of the Company exercised due care with respect to the financial sources entrusted to it. The Supervisory Board reviewed the annual financial statements of the Company prepared in line with the Hungarian accounting standards, reviewed the report by the auditor. Based on these documents the Supervisory Board makes a proposal to the General Meeting to accept the annual financial statements of KELER CCP Ltd. for 2014 with total assets/total liabilities HUF 31 350 430 thousand and HUF 189 416 thousand profit or loss for the financial year.

Budapest, 16 April 2015

**Lajos Bartha**

Supervisory Board Chairman

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# 16 | KELER CCP LTD.'S IFRS CONSOLIDATED FINANCIAL STATEMENT

## ● 16.1 | Report by the Independent Auditor



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### Independent Auditors' Report

To the shareholders of KELER KSZF Zrt.

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of KELER KSZF Zrt. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

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





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

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Budapest, 29 April 2015

KPMG Hungária Kft.



Gábor Agócs  
*Partner*



## 16.2 | STATEMENT OF FINANCIAL POSITION

### Statement of Financial Position As of 31 December 2014 (All amounts in THUF)

	Note	31.12.2014	31.12.2013
Cash and cash equivalents	5	8 534 835	8 702 826
Financial assets at fair value through profit or loss	6	2 544 639	-
Receivables relating to gas market	7	12 023 902	11 880 322
Receivables relating to central counterparty service		92 497	80 909
Accrued interest receivables		9 065	9 923
Other assets	8	7 468 808	4 274 908
Tax assets	18	131 318	102 909
Intangible assets	9	534 603	544 825
Property, plant and equipment	9	151	96
<b>TOTAL ASSETS</b>		<b>31 339 818</b>	<b>25 596 718</b>
Liabilities for Guarantee Funds	10	2 856 714	3 763 985
Accrued interest payable		29 589	123 834
Currant tax liabilities	18	1 011	-
Accounts payable from gas market	11	12 028 105	11 879 833
Accounts payables	11	218 479	148 863
Accruals and other liabilities	12	10 822 165	4 469 151
<b>TOTAL LIABILITIES</b>		<b>25 956 063</b>	<b>20 385 666</b>
Share capital	13	1 823 200	1 823 200
Capital Reserve		2 734 800	2 734 800
Retained earnings		825 755	653 052
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5 383 755</b>	<b>5 211 052</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>31 339 818</b>	<b>25 596 718</b>

## 16.3 | STATEMENT OF COMPREHENSIVE INCOME

### Statement of Comprehensive Income for the year ended 31 December 2014 (All amounts in THUF)

	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Income from central counterparty service	14	901 433	812 799
Other operating income	15	108 376	46 966
Fees and commissions expenses		(57 420)	(74 832)
Personnel expenses	16	(169 975)	(138 874)
Depreciation and amortization	9	(57 872)	(50 287)
Other expenses	17	(563 537)	(501 641)
Other operating expenses		(848 804)	(765 634)
Interest income		66 748	160 881
Interest expense		(30 918)	(123 834)
Net interest income		35 830	37 047
<b>PROFIT BEFORE INCOME TAX</b>		<b>196 835</b>	<b>131 178</b>
Taxation	19	(24 132)	(13 118)
<b>NET PROFIT FOR THE YEAR</b>		<b>172 703</b>	<b>118 060</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>172 703</b>	<b>118 060</b>

## 16.4 | STATEMENT OF CHANGES IN EQUITY

### Statement of Changes in Equity For the year ended 31 December 2014 (All amounts in THUF)

	Share Capital	Retained Earnings	Capital Reserve	Total
<b>Balance as of 1 January 2013</b>	<b>20 000</b>	<b>534 992</b>	<b>30 000</b>	<b>584 992</b>
Total comprehensive income for the year	-	118 060	-	118 060
Increase in capital	1 803 200	-	2 704 800	4 508 000
<b>Balance as of 1 January 2014</b>	<b>1 823 200</b>	<b>653 052</b>	<b>2 734 800</b>	<b>5 211 052</b>
Total comprehensive income for the year	-	172 703	-	172 703
Increase in capital	-	-	-	-
<b>Balance as of 31 December 2014</b>	<b>1 823 200</b>	<b>825 755</b>	<b>2 734 800</b>	<b>5 383 755</b>

## 16.5 | STATEMENT OF CASH FLOWS

### Statement of Cash Flows For the year ended 31 December 2014 (All amounts in THUF)

	Note	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>NET PROFIT</b>		<b>172 703</b>	<b>118 060</b>
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Taxes		42 119	29 373
Depreciation and amortization	9	57 872	50 287
Net (increase) / decrease financial assets at fair value through profit or loss	6	[2 544 639]	-
Net (increase) / decrease in accrued interest receivables		858	7 772
Net (increase) / decrease in CCP receivables	7	[155 168]	[1 768 596]
Net (increase) / decrease in other assets	8	[3 246 153]	609 932
Net (increase) / decrease in Placement and loans from partners	10	[907 271]	[424 479]
Net increase / (decrease) in accrued interest payable		[94 245]	[114 672]
Net increase / (decrease) in other liabilities	11;12	6 570 902	998 678
Income Taxes paid		[17 298]	[28 340]
<b>Net cash provided by operating activities</b>		<b>(120 319)</b>	<b>(521 985)</b>
<b>INVESTING ACTIVITIES</b>			
Net additions to premises, equipments and intangible assets	9	[47 672]	[35 164]
<b>Net cash used in investing activities</b>		<b>(47 672)</b>	<b>(35 164)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Capital payment		-	4 000 000
Net increase / (decrease) in loans from the KELER Ltd.		-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>4 000 000</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(167 991)</b>	<b>3 442 851</b>
Cash and cash equivalents at the beginning of the year		8 702 826	5 259 975
Cash and cash equivalents at the end of the year		8 534 835	8 702 826
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(167 991)</b>	<b>3 442 851</b>

## 16.6 | NOTES ON FINANCIAL STATEMENTS

### ● NOTE 1: GENERAL

KELER CCP Ltd. (The Company or 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. The court of registration registered KELER CCP as a private company limited by shares on 17 March 2011, the Company started operation as a private limited company on 31 March 2011. Company's seat is H-1075 Budapest, Asbóth str. 9-11. till the end of May 2014. General Meeting made a decision changing our Company's seat (H-1074 Budapest, Rákóczi str. 70-72). from June 2014.

#### KELER CCP Ltd.'s owners since 07 July 2013

<b>KELER Ltd.</b>	<b>99.72%</b>
Central Bank of Hungary	0.15%
Budapest Stock Exchange (BSE)	0.13%

KELER CCP is a central counterparty business association pursuant to the requirements of the Tpt. (Act on the Capital Market of Hungary) and EMIR (EU) No 648/2012 operating and guaranteeing the settlement of guaranteed regulated market, BÉTa market, gas market and energy market transactions. KELER CCP as central counterparty undertakes guarantee for transactions concluded on the Budapest Stock Exchange, BÉTa market (multilateral trading system for cross-border securities operated within the BSE multilateral trading facility, MTS market (a multilateral trading facility operated by EuroMTS Limited since 01.01.2012) and for the financial performance of gas market (till 30.06.2014 the Daily natural gas and capacity trading market from 01.07.2014 the Balancing Platform operated by FGSZ (Natural Gas Transmission Company) from 1st July 2010) transactions. KELER CCP as general clearing member undertakes guarantee for the financial performance of energy market transactions towards European Commodity Clearing AG. From the beginning of 2013 KELER CCP also acts as central counterparty on the CEEGEX (Central Eastern European Gas Exchange). KELER CCP's direct partners are commodities service providers, securities service providers, financial institutions,

participants of an organized market or organizations performing clearing house activity. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

KELER CCP has started its business activity as a central counterparty service provider, as of 1 January 2009. Further from the beginning of year 2013, the clearing activity of KELER Ltd. was also taken over by KELER CCP.

KELER CCP has obtained the EMIR license on 4 July 2014 from the Central Bank of Hungary with the joint opinion of the Supervisory College under the umbrella of EU regulation EMIR (EU) No 648/2012.

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

KELER CCP is consolidated in the financial statement of KELER Ltd. (address: H-1074 Budapest, Rákóczi str. 70-72.)

### NOTE 2: BASIS OF PREPARATION

#### a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on 29 April 2015. These consolidated financial statements are not intended to be used for statutory filing purposes.

### b) Basis of measurement

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

These consolidated financial statements are presented in Hungarian Forints rounded to the nearest thousand ("THUF")

### c) Functional currency

Items included in the financial consolidated statements are measured using Hungarian Forint, the currency of the primary economic environment in which the Company operates ('the functional currency').

### d) Use of estimates and judgements

The preparation of consolidated 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.

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

The Group use estimates and judgements to determine the amounts of Customer relationship. The income generating effect of these relationships are controlled yearly. (Intangible assets Note 3)

### a) Basis of consolidation

#### Subsidiaries

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

#### Associates

Associates are those enterprises in which the Group has

significant influence, but not control, over the financial and operating policies. Investments in associated companies are accounted for under the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the investee. The income statement reflects the Group's share of the result of operations of the investee and any goodwill impairment losses.

#### Transactions eliminated during consolidation

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

#### Goodwill

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

#### Negative goodwill

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

### b) Foreign currency transactions

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

### c) Cash and cash equivalents

Cash equivalents are liquid investments with original maturity of three months or less. Cash and cash equivalents are carried at amortised cost in the balance sheet.

### d) Financial assets and financial liabilities

#### Classification

Financial assets or financial liabilities at fair value through profit or loss are financial assets and financial liabilities that are classified as held for trading mainly for >>



the purpose of profit-taking, are derivative instruments that are not designated and effective hedging instruments or upon initial recognition are designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss contain state bonds, treasury bills and discount bonds issued by Central Bank of Hungary ("CBH").

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

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

Available for sale financial assets are non-derivative instruments that are not designated as another category of financial assets.

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

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

### Recognition

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

### Derecognition

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

### Measurement

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

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

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in profit or loss, as financial income or expense.

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

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

### Fair value measurement

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

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

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

### Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or 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 Group shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. >>

### Impairment of financial assets

If there is an objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss, as other expense.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Financial assets are assessed individually or collectively. All individually significant financial assets above 1 MHUF are assessed for specific impairment. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

### e) Impairment of non-financial assets

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

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

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

### f) Property, plant and equipment

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

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

### 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.

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. These are subject to yearly impairment test. No impairment charge was required based on the 2014 December impairment test.



### h) Trading on gas market

Based on the theory of the anonymity of the customers and the suppliers on the Daily natural gas and capacity trading market, the transactions are made with the participation of KELER CCP. KELER CCP stands between the counterparties as a technical partner (customer or supplier) during the buying and selling transactions. The stock of gas held by KELER CCP is always zero at the end of a day. Therefore, buying and selling of the gas is recorded by net method settlement in the 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 the European Commodity Clearing AG (ECC) maintains positions and clears the cash side of the trades to its nonclearing 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 nonclearing members.

### j) Sale and repurchase agreements and lending of securities

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

### k) Revenue recognition

#### Fee revenue

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

#### Interest income

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

#### Trading activity

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

### l) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the

income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

### m) Provisions

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

### n) Hedging

The Company is not engaged in any hedging activity.

### o) Statement of cash flows

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

For the purposes of reporting cash flows, cash and cash equivalents include cash, balances and placements with the Central Bank of Hungary except those with more than three months maturity.

### p) Events after the balance sheet date

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

All adjusting events after balance sheet date have been taken into account in the preparation of the consolidated financial statements of the Group. The material non-adjusting events after the balance sheet date are presented in Note 25.

**p) Off balance sheet items**

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

**NOTE 4: FINANCIAL RISK MANAGEMENT**

**a) The main elements of the Company's counterparty risk management approach are as follows**

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

A two-level clearing membership system is operated by KELER CCP on prompt and derivative capital markets from 1 January 2009. KELER CCP operates a clearing membership system on Daily natural gas and capacity trading (Balancing Platform from 1st July 2014) market. Starting with the same day from 1st July 2010 KELER CCP as a general clearing member of the ECC is entitled to provide energy market non-clearing membership services to it's partners. From 1st January 2013 KELER CCP operates a clearing membership system on Central East European Gas Exchange (CEEGEX).

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 grouped into two groups. The first group of the elements contains individual elements and only belong to cover the clearing members own 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,
- / energy market initial margin– for physical futures market

The collective guarantee elements are as follows: collective guarantee funds for derivative (Collective Guarantee Fund), multinet (Exchange Settlement Fund) and gas market (Gas Market Collective Guarantee Fund and CEEGEX Collective Guarantee Fund) 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 part of the collateral forwarded to ECC and kept on ECC accounts with a beneficiary of ECC AG.

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

A capital position limit is set for each clearing member and monitored regularly.

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

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

In case of any default, the margin element can be used in a given order to fulfill any payment commitment on behalf of the clearing or energy market non-clearing member. Accordingly the rules in the General Business Rules of KELER CCP the utilisation 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
- / freely usable balance of bank accounts of Clearing Member kept in currencies other than the currency of settlement
- / freely usable 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, freely usable 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 2014, KELER CCP and the guarantee funds had not suffered any losses on the guarantee activities.

**b) Foreign currency risk management**

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

As at 31 December 2014, KELER CCP contributed to the energy market settlement by 2.000.000 EUR as a deposit. This sum stems from own funds.

1% weakening in the currency rate of EUR results in a 6.298 THUF loss, while the strengthening of EUR would result profit in the same amount.

**c) 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 bonds 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 licence. 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.



**d) Remaining maturity of assets and liabilities are as follows:**

Statement of Financial Position - As of 31 December 2014 (All amounts in THUF)						
	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	8 534 835	-	-	-	-	8 534 835
Financial assets at fair value through profit or loss	995 809	1 548 830	-	-	-	2 544 639
Receivables relating to gas market	12 023 902	-	-	-	-	12 023 902
Receivables relating to central contractual party service	92 497	-	-	-	-	92 497
Accrued interest receivables	9 065	-	-	-	-	9 065
Other assets	7 468 808	-	-	-	-	7 468 808
Current tax assets	131 318	-	-	-	-	131 318
Intangible assets	-	-	-	-	534 603	534 603
Property, plant and equipment	-	-	-	-	151	151
<b>TOTAL ASSETS</b>	<b>29 256 234</b>	<b>1 548 830</b>	<b>-</b>	<b>-</b>	<b>534 754</b>	<b>31 339 818</b>
Liabilities for Guarantee Funds	2 856 714	-	-	-	-	2 856 714
Accrued interest payable	29 589	-	-	-	-	29 589
Current tax liabilities	1 011	-	-	-	-	1 011
Accounts payable from gas market	12 028 105	-	-	-	-	12 028 105
Accounts payables	218 479	-	-	-	-	218 479
Accruals and other liabilities	10 822 165	-	-	-	-	10 822 165
<b>TOTAL LIABILITIES</b>	<b>25 956 063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 956 063</b>
Share capital	-	-	-	-	1 823 200	1 823 200
Capital Reserve	-	-	-	-	2 734 800	2 734 800
Retained earnings	-	-	-	-	825 755	825 755
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 383 755</b>	<b>5 383 755</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>25 956 063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 383 755</b>	<b>31 339 818</b>
<b>LIQUIDITY (DEFICIENCY)/EXCESS</b>	<b>3 300 171</b>	<b>1 548 830</b>	<b>-</b>	<b>-</b>	<b>(4 849 001)</b>	<b>(0)</b>



**Statement of Financial Position - As of 31 December 2013 (All amounts in THUF)**

	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	8 702 826	-	-	-	-	8 702 826
Receivables relating to gas market	11 880 322	-	-	-	-	11 880 322
Receivables relating to central contractual party service	80 909	-	-	-	-	80 909
Accrued interest receivables	9 923	-	-	-	-	9 923
Other assets	4 274 908	-	-	-	-	4 274 908
Current tax assets	102 909	-	-	-	-	102 909
Intangible assets	-	-	-	-	544 825	544 825
Property, plant and equipment	-	-	-	-	96	96
<b>TOTAL ASSETS</b>	<b>25 051 797</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>544 921</b>	<b>25 596 718</b>
Liabilities for Guarantee Funds	3 763 985	-	-	-	-	3 763 985
Accrued interest payable	123 834	-	-	-	-	123 834
Current tax liabilities	-	-	-	-	-	-
Accounts payable from gas market	11 879 833	-	-	-	-	11 879 833
Accounts payables	148 863	-	-	-	-	148 863
Accruals and other liabilities	4 469 151	-	-	-	-	4 469 151
<b>TOTAL LIABILITIES</b>	<b>20 385 666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20 385 666</b>
Share capital	-	-	-	-	1 823 200	1 823 200
Capital Reserve	-	-	-	-	2 734 800	2 734 800
Retained earnings	-	-	-	-	653 052	653 052
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 211 052</b>	<b>5 211 052</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>20 385 666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 211 052</b>	<b>25 596 718</b>
<b>LIQUIDITY (DEFICIENCY)/EXCESS</b>	<b>4 666 131</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 666 131)</b>	<b>(0)</b>

**e) Interest rate risk management**

The Group's assets and liabilities do not have significant interest rate risk. KELER CCP earns some interest from its EUR deposit at ECC, but the interest rate is low and it changes every day. KELER CCP holds zero coupon government bonds until maturity.

**NOTE 5: CASH AND CASH EQUIVALENTS**

<b>Bank accounts</b>		
Within one year	2014	2013
In HUF	4 485 998	8 030 807
In EUR	4 048 837	672 019
	8 534 835	8 702 826

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

<b>Financial assets at fair value through profit or loss</b>		
	2014	2013
Securities held for trading Hungarian Government Discount Treasury Bills	2 544 639	-
	2 544 639	-

**NOTE 7: RECEIVABLES RELATING TO GAS MARKET**

<b>Receivables relating to gas market</b>		
	2014	2013
Receivables relating to NFKP gas market	12 023 902	11 880 322
	12 023 902	11 880 322

Additional information about trading on gas market can be viewed in NOTE 3 Significant Accounting Policies. >>

## NOTE 8: OTHER ASSETS

Other Assets		
	2014	2013
Receivable from ECC (European Commodity Clearing AG)	7 367 496	4 221 068
Other receivables	99 825	51 799
Prepayment	1 487	2 041
	7 468 808	4 274 908

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

The original currency the receivable from power market is: 23 397 047 EUR on 31 December 2014 (14 216 657 EUR in 2013)

## NOTE 9: INTANGIBLE ASSETS

For the year ended 31 December 2014:

Cost			
	Customer relationship	Software	Total
Balance as of 1 January 2014	378 527	220 463	598 990
Additions	3 999	43 551	47 550
Disposals	-	-	-
Balance as of 31 December 2014	382 526	264 014	646 540

Cumulated Depreciation and Amortization			
	Customer relationship	Software	Total
Balance as of 1 January 2014	-	54 165	54 165
Additions	-	57 772	57 772
Disposals	-	-	-
Balance as of 31 December 2014	-	111 937	111 937

Net book value			
	Customer relationship	Software	Total
Balance as of 1 January 2014	378 527	166 298	544 825
Balance as of 31 December 2014	382 526	152 077	534 603

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.

These are subject to yearly impairment test. No impairment charge was required based on the 2014 December impairment test.

For the year ended 31 December 2013:

Cost			
	Customer relationship	Software	Total
Balance as of 1 January 2013	-	56 594	56 594
Additions	378 527	163 869	542 396
Disposals	-	-	-
Balance as of 31 December 2013	378 527	220 463	598 990

Cumulated Depreciation and Amortization			
	Customer relationship	Software	Total
Balance as of 1 January 2013	-	4 550	4 550
Additions	-	49 615	49 615
Disposals	-	-	-
Balance as of 31 December 2013	-	54 165	54 165





Net book value			
	Customer relationship	Software	Total
Balance as of 1 January 2013	–	52 044	52 044
Balance as of 31 December 2013	378 527	166 298	544 825

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Cost		
	Machinery and equipments	Total
Balance as of 1 January 2014	768	768
Additions	154	154
Disposals	(32)	(32)
Balance as of 31 December 2014	890	890

Cumulated Depreciation and Amortization		
	Machinery and equipments	Total
Balance as of 1 January 2014	672	672
Additions	99	99
Disposals	(32)	(32)
Balance as of 31 December 2014	739	739

Net book value		
	Machinery and equipments	Total
Balance as of 1 January 2014	96	96
Balance as of 31 December 2014	151	151

Cost		
	Machinery and equipments	Total
Balance as of 1 January 2013	–	–
Additions	837	837
Disposals	(69)	(69)
Balance as of 31 December 2013	768	768

Cumulated Depreciation and Amortization		
	Machinery and equipments	Total
Balance as of 1 January 2013	–	–
Additions	672	672
Disposals	–	–
Balance as of 31 December 2013	672	672

Net book value		
	Machinery and equipments	Total
Balance as of 1 January 2013	–	–
Balance as of 31 December 2013	96	96

## NOTE 11: LIABILITIES FOR GUARANTEE FUNDS

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

Liabilities for Guarantee Funds		
	2014	2013
Exchange Settlement Fund	671 200	1 031 300
Collective Guarantee Fund	522 000	635 000
Gas Market Collective Guarantee Fund	1 623 514	2 062 685
CEEGEX Market Collective Guarantee Fund	40 000	35 000
	2 856 714	3 763 985

## NOTE 12: ACCOUNTS PAYABLES

Accounts payables		
	2014	2013
Accounts payable from gas market	12 028 105	11 879 833
Accounts payable - Shareholders	196 168	142 430
Accounts payable	22 311	6 433
	12 246 584	12 028 696

Additional information about trading on gas market can be viewed in NOTE 3 Significant Accounting Policies.

## NOTE 13: ACCRUALS AND OTHER LIABILITIES

Accruals and other Liabilities		
	2014	2013
Energy Market Liquidity Contribution	10 761 321	4 428 905
Other liabilities	60 844	40 246
	10 822 165	4 469 151

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 power 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 14: SHARE CAPITAL

Share capital		
	2014	2013
KELER Ltd.	1 818 100	1 818 100
Magyar Nemzeti Bank (Central Bank of Hungary)	2 720	2 720
Budapesti Értéktőzsde (Budapest Stock Exchange)	2 380	2 380
	1 823 200	1 823 200

KELER Ltd. held 99,72% of the shares directly as on 31 December 2013 and 74,5% 31 December 2014.

Magyar Nemzeti Bank (Central Bank of Hungary) held 0,15% of the shares directly as on 31 December 2013 and 13,6% 31 December 2014.

Budapesti Értéktőzsde (Budapest Stock Exchange) held 0,13% of the shares directly as on 31 December 2013 and 11,9% 31 December 2014.

All shares rank pari passu in the event of winding up.

## NOTE 15: INCOME FROM CENTRAL COUNTERPARTY SERVICE

Income from central counterparty service		
	2014	2013
Guarantee fees of spot market	209 357	256 569
Guarantee fees of derivative market	192 707	180 688
Clearing membership fees	301 160	196 000
Guarantee fees of gas market	131 774	135 471
Guarantee fees of power market	66 435	44 071
	901 433	812 799

## NOTE 16: OTHER OPERATING INCOME

Other operating income		
	2014	2013
Net profit on sale of FX	32 915	10 810
Revenues from gas	57 752 630	61 251 296
Cost of goods sold (gas)	(57 752 630)	(61 251 296)
Other income	75 461	36 156
	108 376	46 966

## NOTE 17: PERSONNEL EXPENSES

Personnel expenses		
	2014	2013
Wages	111 047	96 842
Base wages	94 377	71 408
Premium	16 670	25 434
Social security and other contributions	35 996	29 626
Other cost of personnel	22 932	12 406
	169 975	138 874

The average number of employees was 16 on 31 December 2014 (10 in 2013).



## NOTE 18: OTHER EXPENSES

Other expenses		
	2014	2013
Outsourced services	338 328	309 499
Services used	94 835	110 974
Local business and other taxes	20 795	18 693
Fees paid to experts	30 593	25 600
Fees paid to authorities	5 408	5 435
Rental fees	12 304	7 301
Attorneys' fees	18 684	6 134
Education fees	8 128	3 048
Insurance fees	1 562	1 500
Postage and phone fees	454	369
Material type expenses	205	60
Other	32 241	13 028
	563 537	501 641

KELER CCP outsources some of its administrative services to KELER Ltd., 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.).

## NOTE 19: TAXES

Tax assets		
	2014	2013
Income Tax	16 898	40 110
Value Added Tax	113 793	61 111
Other	627	1 688
	131 318	102 909

Tax liabilities		
	2014	2013
Minimum corporate tax	1 011	-
	1 011	-

## NOTE 20: INCOME TAX EXPENSE

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

A breakdown of the income tax expense is:

Income Taxes		
	2014	2013
Current tax	24 132	8 118
Deferred tax	-	5 000
	24 132	13 118

Deferred tax assets (+) / liabilities (-)

	2014	2013
Balance as on 1 January	2 614	7 614
Deferred tax charge	0	(5 000)
Balance as on 31 December	2 614	7 614

Deferred tax assets (+) / liabilities (-)

	2014	2013
Accrued loss	2 614	2 614
	2 614	2 614

A reconciliation of the income tax charge is as follows:

	2014	2013
Net income before income taxes	196 835	131 178
Income tax with statutory tax rate (19%)	-	-
Income tax with statutory tax rate (10%)	19 684	13 118

Income tax adjustments are as follows:

	2014	2013
Entertainment allowance (10%)	1 852	-
Accrued loss	1 585	-
Income tax	13 118	13 118
Effective tax rate	12%	10%

## NOTE 21: OFF BALANCE SHEET ITEMS

Guarantees received		
	2014	2013
Cash	38 287 207	23 112 278
In HUF	27 167 131	17 696 506
In foreign currency	11 120 076	5 415 772
Security	29 128 707	35 012 353
Bank guarantee	3 290 000	7 338 455
	70 705 914	65 463 086

Specific safeguards		
	2014	2013
Cash	7 367 496	4 369 523
In foreign currency	7 367 496	4 369 523
	7 367 496	4 369 523

Transactions are at arm's length condition.

Transactions with directors and officers		
	2014	2013
Remuneration of the members of the Management and Board of Directors	19 407	18 185
Remuneration of the members of the Supervisory Board	5 387	3 558
	24 794	21 743

## NOTE 22: 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:

Shareholders		
	2014	2013
Other operating income	75 452	35 990
Interest income	56 190	160 273
Contracted services	(354 961)	(353 137)
Fees and commissions expenses	(56 254)	(73 545)
	(279 573)	(230 419)
Receivables	79 566	-
Bank	4 497 526	8 054 762
Accrued interest receivables	64	9 800
	4 577 156	8 064 562
Share capital	1 818 100	1 818 100
Capital Reserve	2 727 150	2 727 150
Accounts payable	196 168	142 430
	4 741 418	4 687 680



## NOTE 23: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

### Classification of financial instruments - As on 31 December 2014

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	8 534 835	-	-	<b>8 534 835</b>	<b>8 534 835</b>
Financial assets at fair value through profit or loss	2 544 639	-	-	-	<b>2 544 639</b>	<b>2 544 639</b>
Receivables relating to gas market	-	12 023 902	-	-	<b>12 023 902</b>	<b>12 023 902</b>
Receivables relating to central counterparty service	-	92 497	-	-	<b>92 497</b>	<b>92 497</b>
Liabilities for Guarantee Funds	-	-	-	2 856 714	<b>2 856 714</b>	<b>2 856 714</b>
Accounts payable from gas market	-	-	-	12 028 105	<b>12 028 105</b>	<b>12 028 105</b>
Accounts payables	-	-	-	218 479	<b>218 479</b>	<b>218 479</b>

### Classification of financial instruments | As on 31 December 2013

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	8 702 826	-	-	<b>8 702 826</b>	<b>8 702 826</b>
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Receivables relating to gas market	-	11 880 332	-	-	<b>11 880 332</b>	<b>11 880 332</b>
Receivables relating to central counterparty service	-	80 909	-	-	<b>80 909</b>	<b>80 909</b>
Liabilities for Guarantee Funds	-	-	-	3 763 985	<b>3 763 985</b>	<b>3 763 985</b>
Accounts payable from gas market	-	-	-	11 879 833	<b>11 879 833</b>	<b>11 879 833</b>
Accounts payables	-	-	-	148 863	<b>148 863</b>	<b>148 863</b>

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

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets at fair value through profit and loss	2 544 639	-	-	2 544 639

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

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Financial assets at fair value through profit and loss	-	-	-	-

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

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	-	-	8 534 835	8 534 835
Receivables relating to gas market	-	-	12 023 902	12 023 902
Receivables relating to central counterparty service	-	-	92 497	92 497
Liabilities for Guarantee Funds	-	-	2 856 714	2 856 714
Accounts payable from gas market	-	-	12 028 105	12 028 105
Accounts payables	-	-	218 479	218 479

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

	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	-	-	8 702 826	8 702 826
Receivables relating to gas market	-	-	11 880 322	11 880 322
Receivables relating to central counterparty service	-	-	80 909	80 909
Liabilities for Guarantee Funds	-	-	3 763 985	3 763 985
Accounts payable from gas market	-	-	11 879 833	11 879 833
Accounts payables	-	-	148 863	148 863

## NOTE 24: SUBSEQUENT EVENTS

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

## NOTE 25: Statement of financial position according to EMIR

KELER CCP Ltd. 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.

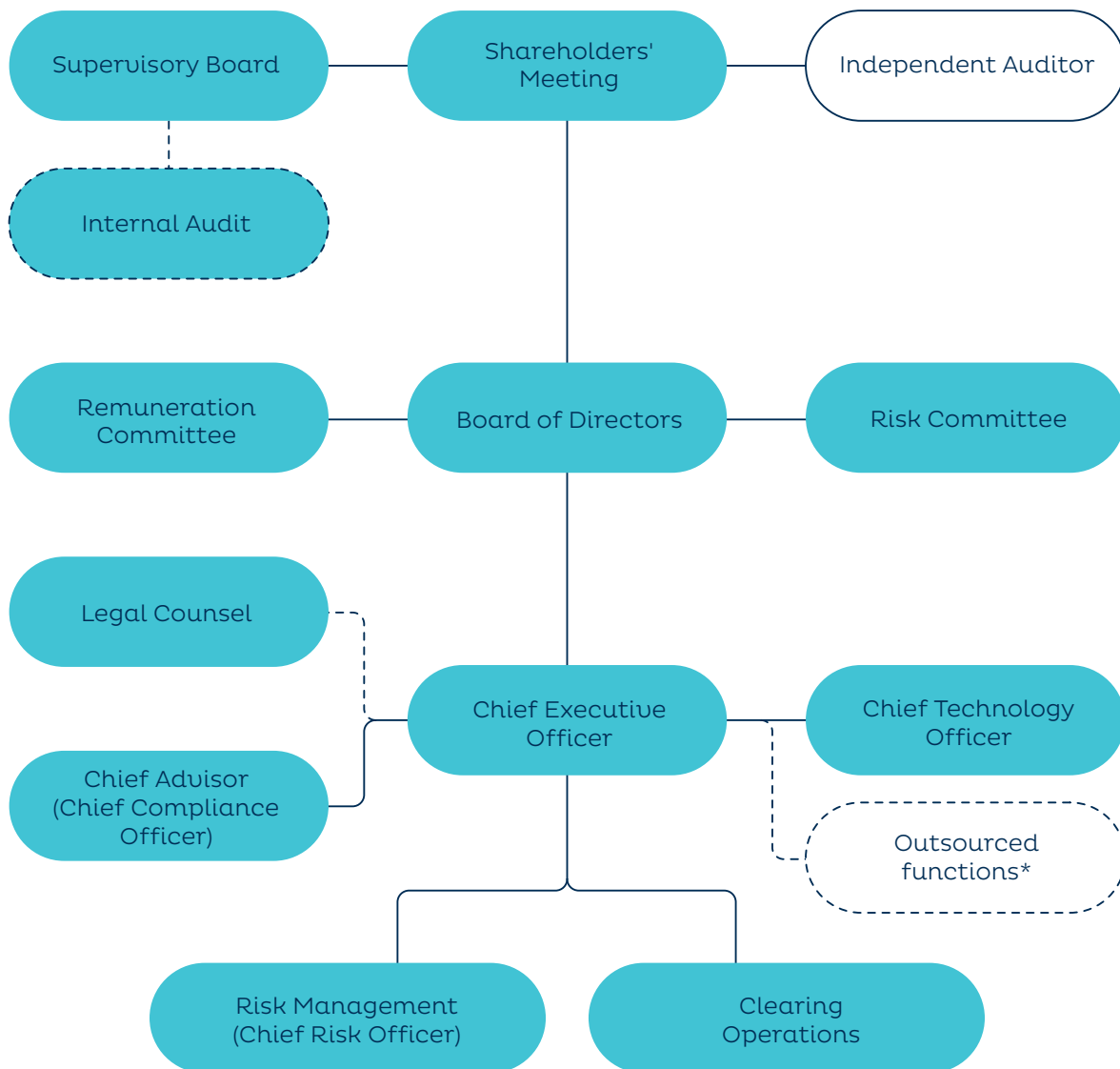


	31.12.2014	31.12.2013
Cash and cash equivalents	8 534 835	8 702 826
Financial assets at fair value through profit or loss	2 544 639	-
Receivables relating to gas market	12 023 902	11 880 322
Receivables relating to central counterparty service	92 497	80 909
Accrued interest receivables	9 065	9 923
Other assets	7 468 808	4 274 908
Current tax assets	131 318	102 909
Intangible assets	534 603	544 825
Property, plant and equipment	151	96
<b>TOTAL ASSETS</b>	<b>31 339 818</b>	<b>25 596 718</b>
Liabilities for Guarantee Funds	2 856 714	3 763 985
Accrued interest payable	29 589	123 834
Current tax liabilities	1 011	-
Accounts payable from gas market	12 028 105	11 879 833
Accounts payables	218 479	148 863
Accruals and other liabilities	10 822 165	4 469 151
<b>TOTAL LIABILITIES</b>	<b>25 956 063</b>	<b>20 385 666</b>
CCP Capital requirement acc. To EMIR	2 597 843	2 429 625
Skin in the game default Exchange Fund	135 915	151 037
Skin in the game default Collective Guarantee Fund	106 115	93 387
Skin in the game default Gas Market Collective Guarantee Fund	325 897	303 351
Skin in the game default CEEGEX Market Collective Guarantee Fund	8 054	4 412
Other Financial resources	2 209 931	2 229 239
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5 383 755</b>	<b>5 211 052</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31 339 818</b>	<b>25 596 718</b>

## NOTE 21: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

<p>Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)</p>	<p>The entity does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.</p>
<p>IFRIC 21 Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)</p>	<p>It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the entity's accounting policy regarding levies imposed by governments.</p>

# 17 | ORGANIZATIONAL STRUCTURE OF KELER CCP



**\*Outsourced functions:**

- / planning,
- / controlling,
- / process management, development of operation,
- coordination of IT developments,
- / reporting, keeping contact (for third parties),
- / management of collaterals,
- / treasury activities,

- / client service,
- / PR & marketing,
- / financial and accounting activities,
- / HR,
- / facility, office management, procurement, document management,
- / IT,
- / operation and maintenance of the security system.





## 18 | MANAGEMENT



**Viktor Nagy**  
Head of  
Risk Management



**Károly Mátrai**  
Chief Executive Officer



**Ágnes Juhász**  
Chief Advisor



**Tamás Horváth**  
Head of Clearing



## 19 | GENERAL INFORMATION

### ● Ownership Structure

Owners	Share held (%)
<b>KELER</b>	<b>99.72%</b>
Central Bank of Hungary	0.15%*
Budapest Stock Exchange	0.13%**
Total	100.00%

\* Due to the stake held in KELER indirect and direct holdings amount to 53.33%.

\*\* Due to the stake held in KELER indirect and direct holdings amount to 46.67%.

### Contact

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Phone: +36-1-483-6240

### Service Desk

Available from 7.00 hrs until 20.00 hrs

Phone: +36-1-483-6228

or +36-1-483-6120

### Members of the Board of Directors

Csaba Lantos – Chairman  
Csaba Balogh – Vice Chairman  
Hannes A. Takacs\*  
Zsolt Katona  
Attila Tóth\*\*  
Balázs Vonnák  
György Dudás  
Károly Mátrai

\* until 28 May 2014

\*\* since 28 May 2014

### Members of the Supervisory Board

Attila Tóth – Chairman\*  
Lajos Bartha – Chairman\*\*  
dr. Rita Szalay  
Attila Varga-Balázs  
Lóránt Varga

\* until 28 May 2014

\*\* since 28 May 2014