keler ccp

Annual Report 2015

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1 / Chairman's Message

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

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

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

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

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

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

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

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

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

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

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

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

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

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

dr. Selmeczi-Kovács Zsolt

Chairman

2 / Market Environment

In 2015, due to the financial problems of Greece and other member states with high public debt putting pressure on the Euro, efforts were made to maintain the integrity of the European Union. Throughout the year, the main issues to focus on were the restoration of economic stability and market confidence. In Hungary, the record low inflation rate was associated with similarly low base rate.

The DJIA, the US equity index with a long history, lost 7.65% in 2015 and was at 5 978.34 points on the last trading day. The major European indices showed mixed performance: the DAX in Frankfurt increased by 9.57%, while the London FTSE lost 4.93%. Consequently, the DAX closed the year at 10 743 points and the FTSE was at 6 242 points on the last day.

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

During the year, our national currency against the Euro was quite volatile. Compared to the end of 2014, in the beginning of 2015 the Forint was getting stronger: the Forint rate hit the annual local minimum of 296.63 on 15 April. In comparison with the 2014 closing rate of 314.89, it gained 0.62% and closed the year at 312.93. The Forint was the weakest in January, with its local maximum of 321.34; however, in April itwas permanently quoted at under HUF 305 against the EUR. In 2015, the CHF/HUF rate was quite hectic and fluctuated between 264.44 and 319.27. At the end of the year, compared to the previous year MNB mid-rate of 261.85 the MNB mid-rate was HUF 288.85, representing a weakening of 10.31% of the Forint. In 2015, the Forint weakened against the US currency: at the end of 2014, the USD/HUF rate was 259.23, and after losing nearly 10% the rate was 286.25 at the end of 2015.

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

Unlike the previous year, the share of foreign investors financing the decreasing Hungarian public debt dropped significantly (-18.13%). The volume of government securities denominated in Hungarian Forint contracted 1.98% during this period to reach HUF 18 647 billion at the end of the year. While at the end of 2014 26.67% (HUF 5 074 billion) of the outstanding debt was held by foreign investors, by December 2015 this rate fell to 22.28% (HUF 4 154 billion). In terms ofthe maturity structure, the share of securities with remaining maturity less than one year fell from 30% in 2014 to less than 25% in 2015. The share of securities with remaining maturity between 1 and 2 years did not change, while the share of securities with longer remaining maturity grew. The share of securities with 2 to 5 years maturity increased from 35% to 41% , while the share of securities with remaining maturity of more than 5 years dropped from 23.53% in the previous year to 22.86%.

Changes of the BUX index in 2015

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

3 / KELER CCP's Activity

As a leading regional central counterparty in Central Eastern Europe, KELER CCP offered smooth, secure and high-level clearing services to domestic and international clients in 2015, as well. In addition to the traditional clearing of regulated derivative and securities markets, KELER CCP has been a reliable service provider in the domestic gas markets and helps domestic and international energy traders reach European energy markets.

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, with the consent of the ESMA Supervisory College.

KELER CCP'S SUBSIDIARY

In 2014, KELER CCP Ltd. as a sole owner established its subsidiary in Luxembourg. In 2015, the name of the subsidiary has been changed to KELER Energy Luxembourg S.a.r.l.

The subsidiary assists KELER CCP to further expand in Europe.

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 exchange and off-exchange capital market transactions.

KELER CCP operates in line with the provisions of the above regulations, 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 Decrees E-III/1012/2008, H-EN-III-1164/2012 and H-EN-III-43/2014, in line with the provisions of the Act on Capital Market and 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, EMIR and other applicable legal regulations valid from time to time.

In 2015, the operation of KELER CCP was affected by the following new regulations and changes to regulations:

/ Act CXX of 2001 on Capital Market,

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

In 2015 the Annual General Meeting of KELER CCP was held on 29 May.

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

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

/ acceptance of the financial statements in line with Act C of 2000 on Accounting and the distribution of profit after tax,

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

/ remuneration of officers,

/ election and remuneration of the independent auditor,

/ decision on discharging the Board of Directors

5 / Business Results of KELER CCP

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

The 2015 financial plan of KELER CCP was prepared in line with the plan of KELER. Due to the favorable economic outlook and the increasing number of clients, the clearing incomes from all markets were in line with the plan or exceeded the planned figure; only the income from the CEEGEX market was less than planned. Although the first quarter growth of cash securities market turnover stopped in the second quarter and started to decrease, by the end of the year the number of trades increased significantly, and derivative market turnover was higher than planned throughout the entire year.Thanks to November and December the cash securities market reached the planned annual income level; while the derivative market income was 20% higher than planned. Turnover decrease in the TP (Trading Platform) market was less than planned, CEEGEX figures did not meet the expectations; however, due to the clearing membership incomes, total income was in line with the plan. The total turnover of the energy markets is significantly above the planned figure, particularly due to the trading activity of the new clients.

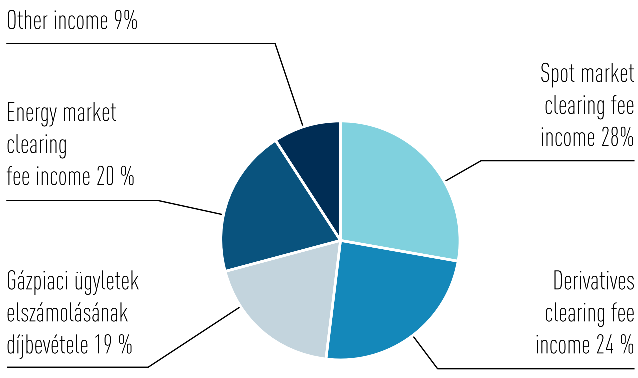
As a consequence, the total income was 10.2% higher than planned and 16.7% higher than in 2014.

Costs and expenses during the period remained slightly below the plan (1.6%), thus operating result in 2015 amounted to HUF 272.5 million, nearly 80% higher than planned.

Overall, in the subject period KELER CCP's operating result was HUF 272.5 million, while its financial result amounted to HUF 40.9 million, thus the result on ordinary activities was HUF 313.4 million. As there were no extraordinary items, the result on ordinary activities equals the profit or loss before tax. Profit or loss before tax is subject to corporate income tax payment in the amount of HUF 31.6 million, therefore the **KELER CCP's profit or loss after tax is HUF 281.8 million.**

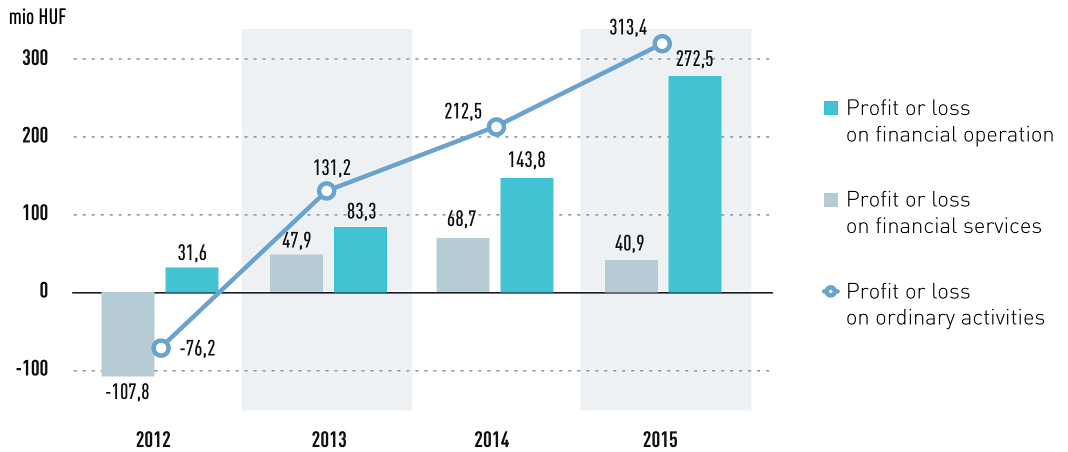
In 2015, profit before tax exceeded both the planned amount and the previous year figure.

Structure of income from services / 2015



No.	Description	2014. actual	2015. plan	2015. I-XII. actual	2015. I-XII. actual / 2015 plan (%)
KELER CCP Profit and Loss (in mio HUF)					
A.	**Profit and loss on financial operation**	**68.7**	**60.0**	**40.9**	**68.1%**
1.	Commissions and fees received	901.4	966.7	1 058.1	109.5%
2.	Other income	83.7	76.5	91.9	120.1%
B.	**Income from services (B.=1.+2.)**	**985.1**	**1 043.3**	**1 150.1**	**110.2%**
3.	Commissions and fees paid or payable	10.1	0.0	11.1	
4.	General administrative expenses	738.2	791.7	753.8	95.2%
5.	Depreciation	57.9	71.2	68.0	95.5%
C.	**Total costs of operation (C.=3.+4.+5.)**	**806.1**	**863.0**	**832.8**	**96.5%**
D.	Other expenses	35.2	28.7	44.7	155.9%
E.	**Cost os operation and expenses of services (E.=C.+D.)**	**841.3**	**891.6**	**877.5**	**98.4%**
F.	**Profit or loss on servicies (F.= B.-E.-13.)**	**143.8**	**151.6**	**272.5**	**179.7%**
G.	**Profit or loss on ordinary activities (G.= A.+F.)**	**212.5**	**211.6**	**313.4**	**148.1%**
I.	**PROFIT OR LOSS BEFORE TAX (I.=G.+H.)**	**212.5**	**211.6**	**313.4**	**148.1%**
K.	Corporate tax (10% below HUF 500 million, 19% above)	23.1	21.5	31.6	146.7%
M.	**PROFIT OR LOSS AFTER TAX (M.=I.-J.-K.-L.)**	**189.4**	**190.1**	**281.8**	**148.2%**
R.	**PROFIT OR LOSS FOR THE FINANCIAL YEAR (R.=M.-N.-O.-P.)**	**189.4**	**190.1**	**281.8**	**148.2%**

Profit or loss on financial operation, services and ordinary activities / 2012-2015 (million HUF)



6 / Risk Management

COUNTERPARTY RISKS

Clearing membership system

In 2015, the number of KELER CCP's clearing members has continued to grow, mainly in the gas and energy markets. The transformation of the Daily Natural Gas and Capacity Balancing Platform into the Trading Platform was the most important change in the gas market in 2015. As for the number of capital market clearing members, at the end of the year altogether 25 credit institutions, investment firms and commodity broker firms were members, which means that the number of members decreased by four compared to 2014.

With respect to the gas market, by the end of 2014, there were only 20 active members on the Trading Platform. By the end of 2015, due to the admission of new clients, the number of active participants was 28.Given the fact, that Trading Platform membership is the pre-condition of CEEGEX market membership, by the end of 2015 there were 8 direct clearing members on CEEGEX, four of them with headquarters abroad.

The number of energy market non-clearing members continued to grow; in particular with new participants headquartered abroad. On the other side, several memberships were terminated on the clients' own request.. All in all, by the end of 2015 there were 54 members, out of which 19 members trade in the HUPX day-ahead power market, and 16 of them are non-clearing members in the physical futures market, as well. There were 35 members interested in the expansion of their non-clearing membership to foreign energy markets, too. In 2014 only 31 members showed interest.

To sum up, at the end of 2015 there were 107 active clearing members, out of which 25 are capital market clearing members (2 commodity brokers, 4 Hungarian branches of foreign banks, 1 Hungarian branch of a foreign investment company, 1 foreign bank, 8 investment firms and 9 Hungarian banks), 28 gas market clearing members and 54 energy market non-clearing members. In the latter two clearing membership systems 7 participants are members in both markets.

MARKET RISKS

Clearing members' individual collateral

As a key operation, KELER CCP continuously monitors the adequacy of individual margin requirements and manages the collateral system. Depending on the changes of risks, capital market initial margins were changed on several occasions in 2015, and initial margin requirements for new products were defined based on the available information. The margining methodology is compliant with the legislative requirements.

From the start of 2015 there has been a favorable change in the level and order of energy market margining: if a third market is entered, the level of Basic Financial Collateral is reduced by 50% for every additionally entered market.

The guarantee system for the Trading Platform and CEEGEX has been already formed, hence it was reviewed and monitored throughout 2015. The shortening of the Trading Platform settlement cycle from 15 days to 5 days was a major change in 2015; accordingly, the turnover margin calculation parameter has been reduced also.

Default funds

KELER CCP Risk Management checks ifthe capital market and CEEGEX default funds comply with the requirements of EMIR on a daily basis, and, as part of regulatory compliance, it has developed a default fund calculation methodology that is based on the result of the daily stress test calculation. In the 2015 review, the parameter to prevent possible procyclical effects has been added to the default fund calculation algorithm; thus, the methodology became more prudent.

On the TP market the default fund has ensured an appropriate coverage for all the potential risks, and after the conduction of the methodological review, there were no changes needed.

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 the necessary adjustments were made accordingly.

7 / Regulated Market, Gas and Energy Market Clearing

2015 was the period of stabilization at the Budapest Stock Exchange. The operation of the earlier launched XETRA® trading system was continuous, smooth and reliable throughout the year.

In 2015, like most of the securities markets in Europe, the BSE settled securities have been traded with a two-day settlement period (T+2). The harmonization of the European settlement cycle has greatly increased the competition neutrality, market security and its efficiency, as well.

The product portfolio of the BSE offers investors a varied and broad range of products that is unique in Europe. On the cash securities market, the continuous listing of structured products (certificates, warrants), while on the derivatives market, theFX based listed derivatives have increased the number of investment oppurtunities.

MTS Hungary, the trading platform for primary dealers of government securities, has supported the continuous trading of government securities, T-bills and student loan bonds in 2015, as well, and made steps to prepare for the trading of MFB bonds (Hungarian Development Bank).

In 2015, European and domestic gas market participants witnessed a major change as the so-called Network Code, the European Union regulation governing the operation of natural gas markets, entered into force on 1 October 2015 in Hungary, as well, after an implementation period of several phases. Related to the introduction of the regulation, the name of the natural gas balancing market was changed to Trading Platform (earlier Balancing Platform). As a symbolic step of the development of the balancing gas market, after 5 years of operation, KELER CCP shortened the settlement cycle from 15 days to 5 days in the spring of 2015. Due to the positive market influence of the regulation, in the second half of 2015 market participants showed increasing interest in the CEEGEX organized natural gas market.

The energy market general clearing membership service, offered by KELER CCP is a dynamically expanding business based on the increasing number of clients, markets and the cleared volumes, as well. As the result of the spectacular growth, by today all major European energy markets can be accessed through KELER CCP, including EPEXSPOT, EEX, CGH and PXE, from the beginning of 2015 PEGAS, in addition to HUPX. As part of the market expansion, in 2015 KELER CCP created the conditions of clearing SEEPEX, the Serbian power market starting in 2016, and APX/Belpex, the British, Dutch and Belgian power markets. A special feature of clearing the Serbian market is that OTP Banka Srbija, the strategic partner of KELER CCP is involved in the settlement of trades concluded by participants registered in Serbia.

EMIR

By obtaining the EMIR license, KELER CCP not only gained admission to the narrow clearing house elite of Europe, but it has also become subject to stricter regulatory expectations. The Magyar Nemzeti Bank monitors this compliance by conducting comprehensive annual reviews; the first annual review was closed successfully.

KELER CCP managed to meet EMIR reporting obligations, while at the same time it has provided the smooth ancillary reporting to its clients, as well..

Figures and ratios illustrating guaranteed regulated markets in the BSE Cash Market in 2015

The aggregate single-counted BSE cash securities market turnover of HUF 2 225.1 billion is an increase of 14.6% compared to 2014. Average daily turnover increased to HUF 8.94 billion from HUF 7.83 billion in the previous year (249 and 248 trading days respectively). Equity trades have made up a large part of the securities market turnover.

BÉT and BÉTa market turnover					
	2011	2012	2013	2014	2015
Turnover (HUF billion)	7 695	4 864	4 695	3 764	4 284
Number of transactions (double-counted)	2 335	1 639	1 355	1 196	1 333

The turnover of equities was HUF 2 137.5 billion in 2015, this is an increase of 13.8% compared to 2014, thus the average daily equity market turnover was HUF 8.58 billion compared to HUF 7.57 billion in the previous year. Turnover resulting from equity trading represented 96.1% of the total market turnover.

The number of registered exchange traded transactions on the cash securities market have increased slightly; thus, in 2015, the number of trades was 1 555 087 compared to the 1 370 900 transactions in 2014, meaning an increase of 13.4%. The number of trades in equities was 11.2% more than in the previous year. On average 6 245 stock exchange cash trades per day were concluded in 2015, while only 5 528 trades per day were made in 2014. The average daily number of equity transactions was 5 304 in 2015 (4 788 in 2014).

BÉTa

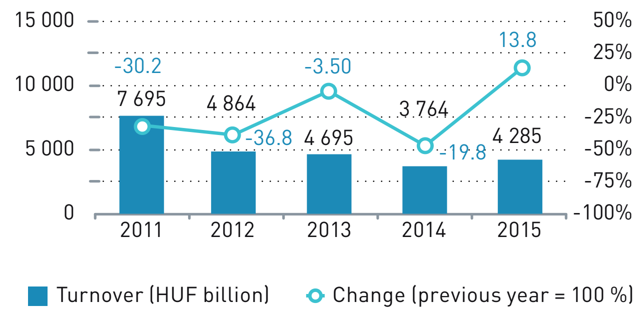
Single-counted total turnover of the 23 international shares listed on the BÉTa Market was HUF 4.8 billion; this is an increase of 9.1% compared to the HUF 4.4 billion turnover in the previous year. The number of registered transactions was 12 138, this is significantly (44.2%) more than the 8 419 trades registered in the previous period.

BSE Derivative

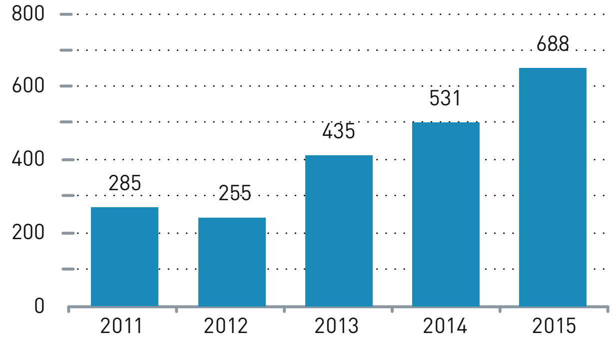
After the slowdown of the previous year, the BSE derivative market turnover increased significantly in 2015. The single-counted turnover of HUF 2 762.6 billion in 2015 represents an increase of 12% compared to the previous year turnover of HUF 2 467.4 billion. In line with the trends of the past years, 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 2 456.7 billion (88.9% compared to 77.6% in the previous period), while index and equity-based products generated a turnover of HUF 283 billion (10.2% compared to 21.5% last year). Compared to the figures of the previous period, the turnover of currencies increased by HUF 542.4 billion (on a nominal basis), while the turnover of equities was HUF 247.9 billion less. The turnover of the Commodity Section amounted to HUF 22.9 billion in 2015 after HUF 22.2 billion in 2014; this an increase of 3.3%.

Products / Transactions in 2015	(HUF billion)
Index based futures	48.08
Equities futures	234.94
FX futures	2 451.16
Interest futures	0.00
BUX option	0.00
Equities option	0.00
FX option	5.50
Commodity futures	22.95
Commodity option	0.00
Total	**2 762.64**

BSE and BÉTa equities turnover / 2011-2015 (double counted)



Year-end open interest on the BSE / 2011-2015
BSE contracts (thousands)



MTS Hungary

In 2015, there were 854 trades made in the value of HUF 380.3 billion in the cash government securities market of MTS Hungary, the market of primary dealers. In the previous year, the number of trades was 1 192, turnover amounted to HUF 541.4 billion; this is a contraction in annual turnover of 29.8%.

Trading Platform

The single-counted turnover of the natural gas balancing market was 6.83 TWh, at market value this represented HUF 59.4 billion. Compared to the previous period, the traded volume decreased by 6.3% (7.29 TWh), while the turnover at market value was 15.8% (HUF 70.5 billion) less.

CEEGEX

The single-counted gas turnover in the day-ahead market of the organized natural gas market was 0.01 TWh, turnover at market value amounted to HUF 110.2 million, no trades were made in the futures market. In the previous year, the day-ahead market turnover was 0.3 TWh, HUF 2.8 billion at market value, while turnover in the futures market was 0.02 TWh, HUF 199.8 million at market value in 2014.

Energy market (as general clearing member service provider)

In 2015, our clients generated 19.1 TWh turnover, more than HUF 210 billion at market value, in the day-ahead and intra-day energy markets cleared by KELER CCP and traded 3.7 million tCO2 (HUF 8.45 billion) emission allowances. In 2014, total turnover was 13.8 TWh, nearly HUF 150 billion at market value.

Within the total spot energy market turnover, KELER CCP cleared 17.1 TWh (HUF 198 billion) power trading and 2 TWh (HUF 12 billion) gas trading. Intra-day trades represented more than 7% of the trades cleared, this is a significant increase compared to the 2% share of last year.

Based on the volume of power trading cleared, most of the trades are related to the HUPX day-ahead market (11.03 TWh, representing a share of 64.5%); however, the share of EPEXSPOT increases dynamically each year (6.1 TWh, this is a share of 35.5%). Most of the trades in gas products were concluded on CEGH (1.4 TWh, this is a share of 69,8%), the remaining part of trades were made at PEGAS (0.6 TWh, 30.2%).

In 2015, the double-counted turnover of the HUPX day-ahead market was 29.94 TWh; thus, even with an annual market volume increase of 18%, KELER CCP was able to retain its market-leading position with the cleared volume of 11.03 TWh, representing a market share of 37.1%.

In 2015, the futures energy market turnover cleared by KELER CCP exploded: the turnover it cleared amounted to 17.2 TWh, the position value at trade price was HUF 173.3 billion compared to 3.3. TWh and HUF 42.6 billion in the previous period.

95.7 % of futures trades were made in power products (16.5 TWh), and trades were also made in natural gas (0.7 TWh) and emission allowance products (4 thousand tCO2). More than 80 % of the cleared power trades were made in products with financial settlement. The share of the various markets within the futures turnover cleared is as follows: 76.7% of trades were made on EEX, 19 % of trades were concluded on HUPX and the remaining 4.2% were made on PEGAS.

In 2015, the double-counted power trading on the HUPX futures market was 12.97 TWh, based on this figure the 3.28 TWh cleared turnover of KELER CCP represents a market share of 25.3%.

In 2015, delivery from physically delivered futures was 1.97 TWh (nearly HUF 24 billion at trade value) after the previous year turnover of 2.6 TWh.

8 / Client Relations

CLIENT FORUMS

In terms of client relations, 2015 was another very busy year for KELER CCP. Client forums were held focusing on various topics related to the revolutionary changes in the regulatory and market environment (e.g. REMIT taking force), and the developments of the KELER Group. 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 REMIT was the most intense during the year as the trade reporting requirement of REMIT entered into force on 7 October 2015. Regulatory changes came with significant challenges for clients, therefore KELER CCP assisted market participants with newsletters and shared expert knowledge at various forums. During the year, REMIT related information was shared at client forums and a workshop was also held for Hungarian market participants in the autumn.

In 2015, KELER CCP had a booth again at the ETCSEE (Energy Trading Central and South Eastern Europe) 2015 conference and exhibition, and the expert representing KELER CCP was invited as a panel speaker at this event. KELER CCP was a returning exhibitor at EMART Energy 2015, one of the most important events of the European energy trading sector.

Participation at various energy conferences, either as visitor or exhibitor, is becoming increasingly important for KELER CCP as personal client meetings are a valuable source of feedback that can be used in service developments. These events created a great opportunity to meet existing and potential clients and also contributed to the increased recognition of KELER CCP not only in the region but in Western Europe also. The goal of KELER CCP is unchanged: KELER CCP intends to become one of the most important service providers and offer energy market clearing services to the energy market participants of as many countries as possible.

CLIENT SATISFACTION SURVEY

After the 2014 online client satisfaction survey, in 2015, our clients were contacted online and personally also to perform the Group level client satisfaction survey of KELER and KELER CCP for the seventh time. During the 2015 customary autumn survey, 31 personal interviews were made and 85 clients completed the online questionnaire. The personal interviews conducted with 8 international clients of KELER CCP in the gas and power markets at the ETCSEE conference held in Budapest on 17-18 June 2015 were also part of the survey.

The main goal of the survey is to learn the views of capital market, gas market and energy market clients on services, development directions of the Group. Based on the results we can state that the positive perception of clients continued to improve in the past year. In order to keep the client satisfaction growing, we have built an action plan, along which we can address the issues raised in the survey and can, 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) and AFM (Association of Futures Markets), participates at the regular meetings of these organizations and is involved in the work of certain sub-committees. KELER CCP participates at the regular 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 2015, 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 in the meantime.

The deliberate, planned operation and the high level availability of information technology supporting business services remained the main goals of IT operation. During the year, the joint availability of KELER CCP systems to clients was 99.63%, which proves the efforts made in this field came to fruition.

In 2015, IT Management completed successfully the following major tasks related to the systems of KELER CCP:

/ 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.

/ In 2015, 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.

/ Only minor modifications were completed in the current KELER CCP systems that support existing business services:

- as part of gas market developments, a multi-level clearing membership system was introduced, the Daily Natural Gas and Capacity Trading Market was transformed, settlement cycle was shortened, EUR clearing was started, Network Code related changes were implemented, and the NRG system was integrated into the EnKLIR system;
- in 2015, it was decided to replace the risk management system; accordingly, tendering and selection were completed, related developments will start in 2016;
- the development of the EpER system was started, related to the new markets, the last phase of this development will be completed in 2016. This development will allow clearing in currencies other than Euro in the EpER system, clearing the Serbian market and fee posting in foreign currencies;
- coded database template passwords are stored in the DER-SPOT and EnKLIR systems, in line with security and internal audit requirements.

11 / Human Resources

In addition to making sure that KELER CCP provides high quality services daily, in 2015, the main task of Human Resources was compliance with law, in particular compliance with EMIR.

In June 2015, the compliance function was back sourced to KELER CCP to meet the requirements of EMIR. Compliance activity belongs directly to the Chief Executive Officer.

KELER CCP places strong emphasis on employee retention; therefore, it reviewed psychosocial risks at work and based on the results of the review actions plans were finalized to cover the areas to be improved.

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 2015, 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 of the Supervisory Board, KELER Internal Audit performs internal audit reviews at KELER CCP.

In 2015, 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 2015, 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;

/ Energy market clearing processes;

/ Energy market guarantee and risk management system.

Targeted reviews focused on the suitability of haircuts and the execution of disaster recovery tests.

The follow-up review checked the measures resulting from the overseer audit completed by the Magyar Nemzeti Bank.

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

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

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

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

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

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

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

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

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

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

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.

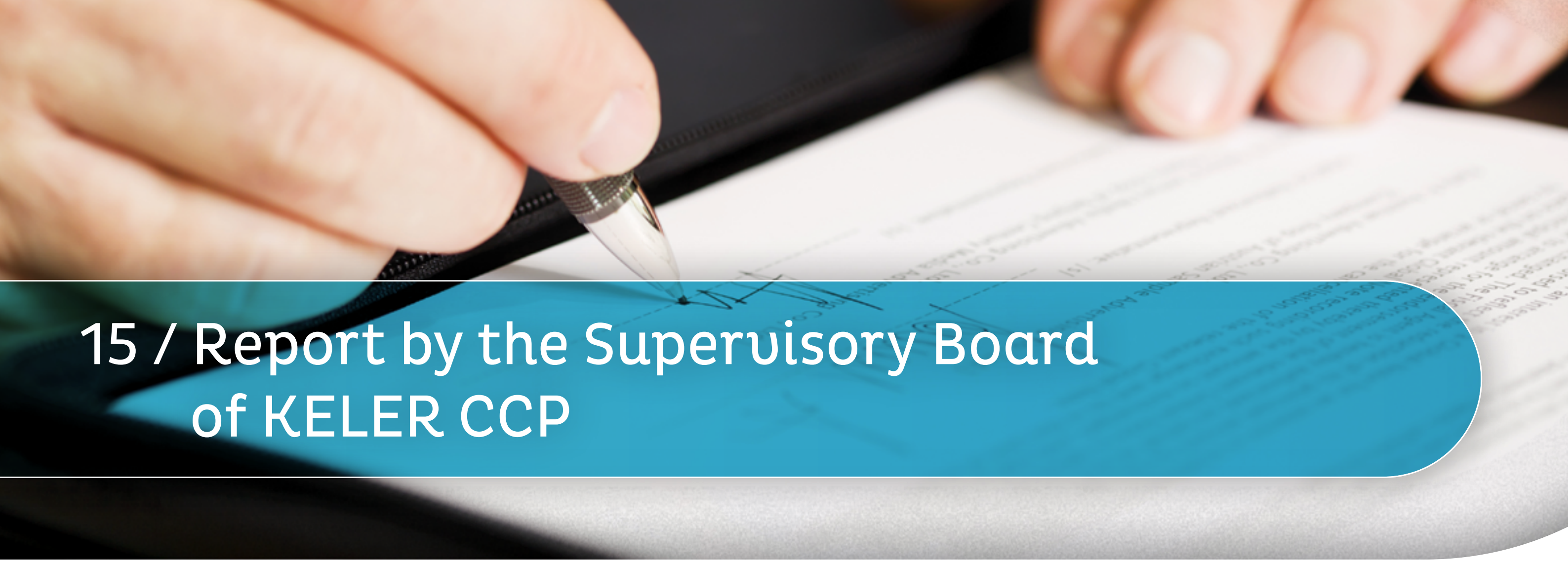
As of April 2014, the KELER Group operates in the R70 Office Complex in Budapest (7th district, Rákóczi út 70-72.). When selecting the new premises, the priorities considered included the need to create an attractive place of work for staff that they can truly enjoy, while environmentally conscious tools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

In 2015, KELER continued to take measures in line with the principles of the protection of the environment and energy efficiency has been vital: in the wake of the energy efficiency audit, new plans were finalized to promote energy efficient operation. Accordingly, a modern, highly energy efficient UPS equipment is planned to be installed at the KELER DRP site to reduce electricity consumption.

Furthermore, the continuous monitoring of the central printing system and the analysis of data ensure efficient paper use.



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 2015, the Supervisory Board of KELER CCP met 5 times.

In line with earlier practice, risk assessment and risk analysis were completed prior to finalizing the 2015 Internal Audit work schedule; 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.

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

1. the Balancing Platform clearing processes and guarantee system,
2. completed the follow-up audit of measures required in the comprehensive MNB Supervisory Audit review,
3. reviewed the Remuneration Policy of KELER CCP Ltd., and
4. energy market clearings.

In the fields of IT and security, Internal Audit reviewed:

1. the business continuity tests completed in 2015.

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

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

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

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 received the minutes of the Operational Risk Committee meetings.

The Supervisory Board received reports on the activity of the Compliance Officer in 2014 and the work schedule of the Compliance Officer for 2015, approved the amendment of the Regulation on the operation of the Internal Audit system of KELER CCP Ltd., and discussed and approved the 2015 risk assessment of KELER CCP.

The Supervisory Board approved the 2016 Internal Audit work schedule proposal for KELER CCP.

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 quality services is available to KELER CCP Ltd.

The Supervisory Board established that the management of the Company exercised due care with respect to the financial sources entrusted to it. The Supervisory Board reviewed the annual financial statements of the Company prepared in line with the Hungarian accounting standards, and the report by the auditor. Based on these documents, the Supervisory Board proposes the General Meeting to accept the annual financial statements of KELER CCP Ltd. for 2015 with total assets/total liabilities HUF 22 693 385 thousand and HUF 281 782 thousand profit for the financial year.

Budapest, 21 April 2016

Rita Szalay Dr.
Supervisory Board Chair

16 / KELER CCP Ltd.'s IFRS Consolidated Financial Statement

16.1 / Independent Auditors' Report

KPMG

Independent Auditors' Report

To the shareholder of KELER Központi Szerződő Fél Zrt.

We have audited the accompanying consolidated financial statements of KELER Központi Szerződő Fél Zrt. ("the Company") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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.

KPMG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiarises as at 31 December 2015, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Budapest, 4 May 2016

KPMG Hungária Kft.

Gábor Agócs
Partner

16.2 / Consolidated Statement of financial position

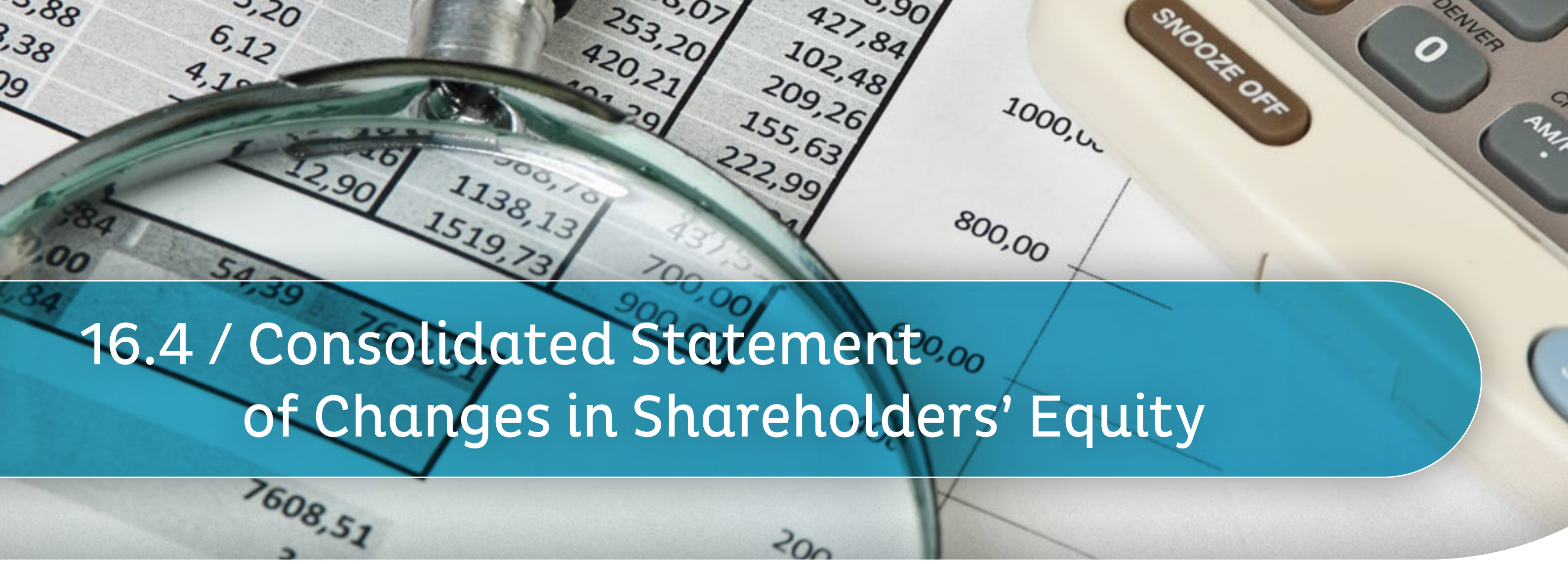
Statement of Financial Position As of 31 December 2015 (All amounts in THUF)			
	Note	31.12.2015	31.12.2014
Cash and cash equivalents	6	8 368 526	8 534 835
Fair value through profit or loss financial assets	7	-	2 544 639
Available for sale financial assets	8	2 487 892	-
Trade receivables relating to gas market	9	4 917 176	12 023 901
Trade receivables relating to central counterparty and other service	10	160 372	172 064
Other receivables	11	39 442	145 231
Receivables from foreign clearing houses	12	6 077 727	7 367 496
Income tax receivable	11	1 623	14 284
Intangible assets	13	577 651	534 603
Property, plant and equipment	14	598	151
Deferred tax assets	20	2 203	2 614
TOTAL ASSETS		**22 633 210**	**31 339 818**
Trade payables	15	217 765	218 481
Trade payable from gas market activity	9	4 873 096	12 028 105
Accruals and other liabilities	16	76 741	90 431
Income tax payable	16	2 050	1 011
Guarantee Fund liabilities	17	4 374 721	2 856 714
Financial guarantee contract liability	18	4 014	-
Collateral held from power market participants	19	7 462 665	10 761 321
Deferred tax liability		-	-
TOTAL LIABILITIES		**17 011 052**	**25 956 063**
Issued capital	21	1 823 200	1 823 200
Share premium		2 734 800	2 734 800
Retained earnings		1 063 631	825 755
Available for sale financial asset revaluation reserve		598	-
Accumulated translation difference on foreign operation		(71)	-
TOTAL SHAREHOLDERS' EQUITY		**5 622 158**	**5 383 755**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**22 633 210**	**31 339 818**

Budapest, 04 May 2016

Károly Mátrai
Chief Executive Officer

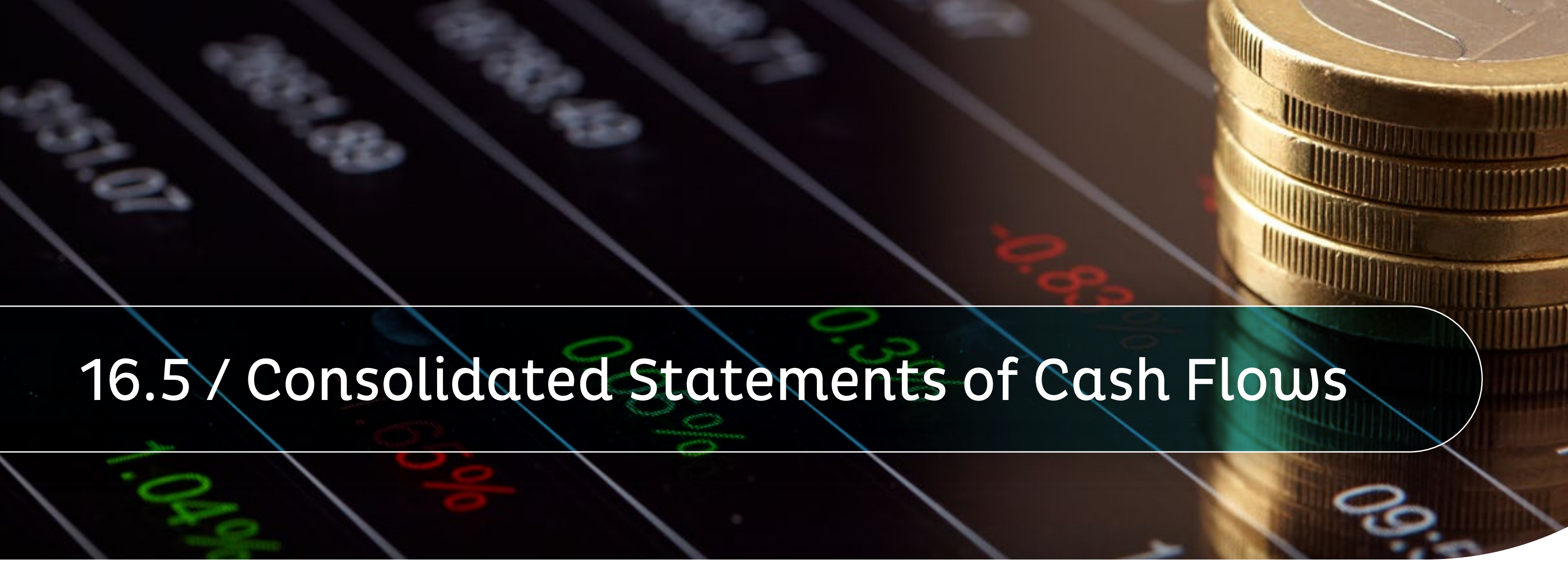
16.3 / Consolidated Statement of comprehensive income

Statement of Comprehensive Income for the year ended 31 December 2015 (All amounts in THUF)			
	Note	01.01.2015 - 31.12.2015	01.01.2014- 31.12.2014
Revenues from counterparty services	23	**1 051 934**	**898 018**
Other non-counterparty services	24	**79 173**	**75 461**
Bank fees, comissions and similar items	26	(45 962)	(57 420)
Personnel expenses	27	(217 027)	(169 975)
Depreciation and amortization	13, 14	(65 383)	(57 871)
Other operating expenses	28	(566 474)	(554 907)
Remeasurement gain or loss of fair value through profit and loss finiancial instruments	7	(2 937)	-
Impairment (loss)/reverseal of financial instruments	10	749	(5 216)
Expense/(income) from changes in financial guarantee contract liabilities	18	(4 014)	-
Operating expenses		**(901 048)**	**(845 389)**
Operating income		**230 059**	**128 090**
Interest income		70 403	66 748
Interest expense		(28 533)	(30 918)
Net interest income	29	**41 870**	**35 830**
Other financial gains/(losses)	30	(1 120)	32 915
Financial income		**40 750**	**68 745**
PROFIT BEFORE INCOME TAX		**270 810**	**196 835**
Income taxes	31	(32 934)	(24 132)
NET INCOME FOR THE PERIOD		**237 876**	**172 703**
Other comprehensive income			
Remeasurement gains/losses of available for sale financial instruments		665	–
Translation difference on foreign operation		(71)	–
Income tax of other comprehensive income		(67)	–
Other comprehensive income for the period	**32**	**527**	**–**
Of which later to be reclassified to net income		**527**	**–**
Of which later not to be reclassified to net income		**-**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**238 403**	**172 703**



16.4 / Consolidated Statement of Changes in Shareholders' Equity

Statement of Changes in Equity For the year ended 31 December 2015 (All amounts in THUF)						
	Share Capital	Share premium	Available for sale financial asset revaluation reserve	Accumulated translation difference on foreign operation	Retained Earnings	Total
Balance as of 1 January 2014	**1 823 200**	**2 734 800**	**-**	**-**	**653 052**	**5 211 052**
Total comprehensive income for the year	–	–	–	–	172 703	172 703
Balance as of 31 December 2014	**1 823 200**	**2 734 800**	**-**	**-**	**825 755**	**5 383 755**
Balance as of 1 January 2015	**1 823 200**	**2 734 800**	**-**	**-**	**825 755**	**5 383 755**
Total comprehensive income for the year	-	-	598	(71)	237 876	238 403
Balance as of 31 December 2015	**1 823 200**	**2 734 800**	**598**	**(71)**	**1 063 631**	**5 622 158**



16.5 / Consolidated Statements of Cash Flows

Statement of Cash Flows For the year ended 31 December 2015 (All amounts in THUF)

	Note	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT BEFORE TAXES		**270 810**	**196 835**
Interest expense	29	**28 533**	**30 918**
Non cash items - adjustments		**299 343**	**227 753**
Interest income	29	(70 403)	(66 748)
Depreciation and amortization charged	13, 14	65 383	57 871
Remeasurement of FVTPL financial assets	7	2 937	–
Recognition and release of financial guarantee contract	18	4 014	–
Operating cash-flow before working capital adjustments		301 273	218 876
Proceeds/(cash used) in gas market transactions, net	9	(48 283)	36 441
Proceeds/(cash paid back) in/from guarantee funds	17	(1 780 649)	5 425 145
Proceeds/(cash payments) from/to other clearing houses	12	1 289 769	(3 146 428)
Decrease/(increase) in trade and other receivables	10, 11	120 253	(142 429)
Increase/(decrease) in trade and other payables	15, 16	(2 037)	149 391
		(119 673)	*2 540 996*
Interest paid		(40 901)	(184 341)
Taxes paid (-/+)		(18 894)	91
Net cash used by operating activities		**(179 469)**	**2 356 746**
CASH FLOW FROM INVESTING ACTIVITIES			
Cash proceeds/cash paid from financial instruments	7, 8	54 475	(2 544 639)
Acquistion of propoerty, plant and equipment	14	(591)	(154)
Acquistion of intangible asset	13	(108 287)	(47 550)
Proceeds from interest		67 563	67 606
Net cash generated in investing activities		**13 160**	**(2 524 737)**
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash flow from financing activities		**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**(166 309)**	**(167 991)**
Cash and cash equivalents at the beginning of the year	6	8 534 835	8 702 826
Cash and cash equivalents at the end of the year	6	8 368 526	8 534 835
Net (decrease)/increase in cash and cash equivalents		**(166 309)**	**(167 991)**

16.6 / Notes to the Consolidated Financial Statements

NOTE 1: GENERAL

Statement of IFRS compliance

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

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

These financial statements were prepared using the accrual basis.

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

The entity (legal form, seat)

KELER CCP Ltd. was founded as a limited liability company according to the Hungarian laws, on 6 June, 2008. In 2011 KELER CCP was transformed to a private company limited by shares. Company's seat is H-1074 Budapest, Rákóczi str. 70-72 (until June 2014: H-1075 Asbóth str. 9-11).

Shareholders

KELER CCP Ltd.'s owners since 07 July 2013

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

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

The activity of the Entity

KELER CCP is a central counterparty business association pursuant to the requirements of the 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 a 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 founded a company in 2014. KELER Energy Luxembourg s.a.r.l. (also referred to as "LUX") was founded with a share capital of EUR 50,000.00 and 100% owned by KELER CCP. The newly established company will take part in the settlement process of physically delivered gas market and other energy market transactions.

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

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) Basis of measurement

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

b) Functional currency, presentation currency

Items included in the financial consolidated statements are measured using Hungarian Forint, the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency of LUX is the Euro, for consolidation purposes its financial statements are retranslated to the Hungarian forint.

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

c) Use of estimates and judgment's

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.

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

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

Items measured at fair value which is Level 3 measurement is especially judgmental, since the input date was determined based on information not directly observable. The information regarding the level of measurement of the items is provided in Note 35.

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

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

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

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

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

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

(See Note 13).

d) Basis of consolidation

Subsidiaries

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

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

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

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

Associates and joint arrangements

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

Transactions eliminated during consolidation

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

Goodwill

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

Negative goodwill

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

e) Foreign currency transactions

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

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

f) Cash and cash equivalents

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

g) Financial assets and financial liabilities

Classification

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

The Group concluded during the current period that certain investments that were held for trading (therefore were classified as FVTPL) shall be reclassified to the available for sale category in accordance with IAS 39 50B. For details see Note 7.

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. This category mainly includes financial instruments that are purchased with the view to invest surplus cash and similar items that are not traded actively, however certain trading activity may occur.

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

Other liabilities contain placements and loans from other banks, deposits from customers, liabilities relating to 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 derecognized 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

A gain or loss on a financial asset or financial liability classified as at vair value through profit or loss shall be recognized in profit or loss, as financial income or expense. 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 amortized cost less impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

A gain or loss on an available-for-sale financial asset shall be recognized in other comprehensive income, except for permanent impairment losses and foreign exchange gains and losses of debt instruments, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified to net profit (profit or loss), as financial income or expense.

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

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.

Amortized cost measurement

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the 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 amortized 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 recognized 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.

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

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss (the increase will be reported as OCI).

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

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

Financial assets are assessed individually or collectively. All individually significant financial assets 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 amortized cost) with similar risk characteristics.

Accounting for impairment losses other than financial instruments and identifying CGUs

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

/ damage;

/ decline in income;

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

/ increase in market interest rates.

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

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

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

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

/ first, damaged assets are impaired;

/ second, the goodwill is reduced;

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

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

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

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

h) 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.

i) Intangible assets

Intangibles are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. For software 25% depreciation rate is used on a straight-line basis.

Acquired customer relationship is an intangible asset with indefinite useful life, therefore no systematic amortization is charged on them. It represents contracts, concessions, licenses and similar rights in the course of the contribution of the clearing line of business in 2013 from the parent Company, KELER. These are subject to yearly impairment test. No impairment charge was required based on the 2015 December impairment test.

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

j) Trading on gas market

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

k) Trading on energy market

KELER CCP as a general clearing member of European Commodity Clearing AG (ECC) maintains positions and clears the cash side of the trades to its 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.

l) Sale and repurchase agreements and lending of securities

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

m) 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.

n) 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 in other comprehensive income, in which case it is recognized there.

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

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

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

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

o) 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.

p) Financial guarantee contract liability

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

q) Guarantee fund liability

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

r) Hedging

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

s) 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, certain treasury bills and government bonds and placements with the Central Bank of Hungary except those with more than three months maturity from the date acquisition.

t) Events after end of the reporting period

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

All adjusting events after balance sheet date have been taken into account in the preparation of the consolidated financial statements of the Group. The material non-adjusting events after the end of the reporting period are presented in Note 36.

u) 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

v) Reclassification

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

NOTE 4: FINANCIAL RISK MANAGEMENT

a) The main elements of the Group's counterparty risk management approach

As central counterparty, the Group 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 service, the Group operates a clearing membership system, with guarantee and margin elements, combined with monitoring and limit functions.

A two-level clearing membership system is operated by KELER CCP on prompt and derivative capital markets from 1 January 2009. KELER CCP operates a clearing membership system on Trading Platform. 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 its 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 Group constantly monitors the official bankruptcy databases. Partners are rated regularly by the Group.

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 Terms of KELER CCP, the utilization of guarantee element are the follows:

Segregation principle

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

Default waterfall

In case of default on own account:

/ balance of own bank account in the currency of settlement of the Clearing Member in case of a credit institution, debit to the bank account kept with CBH through VIBER)

/ own initial margin and financial collaterals of the Clearing Member

/ 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 2015, KELER CCP and the guarantee funds had not suffered any losses on the guarantee activities, despite of 3 brokerage liquidation procedures.

b) Foreign currency risk management

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

As at 31 December 2015, 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 6.262 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 license. Since KELER is regulated, and operates with a very conservative investment policy, KELER represents a very low credit and liquidity risk for KELER CCP.

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

Statement of Financial Position – As of 31 December 2015 (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	8 368 526	–	–	–	–	8 368 526
Fair value through profit or loss financial assets	–	–	–	–	–	–
Available for sale financial assets	–	2 487 892	–	–	–	2 487 892
Trade receivables relating to gas market	4 917 176	–	–	–	–	4 917 176
Trade receivables relating to central counterparty and other service	160 372	–	–	–	–	160 372
Other receivables	39 442	–	–	–	–	39 442
Receivables from foreign clearing houses	6 077 727	–	–	–	–	6 077 727
Income tax receivable	1 623					1 623
Intangible assets	–	–	–	–	577 651	577 651
Property, plant and equipment	–	–	–	–	598	598
Deferred tax assets	2 203	–	–	–	–	2 203
TOTAL ASSETS	**19 567 069**	**2 487 892**	**–**	**–**	**578 249**	**22 663 210**
Trade payables	217 765	–	–	–	–	217 765
Trade payable from gas market activity	4 873 096	–	–	–	–	4 873 096
Accruals and other liabilities	66 346	–	–	10 395	–	76 741
Income tax payable	2 050	–	–	–	–	2 050
Guarantee Fund liabilities	4 374 721	–	–	–	–	4 374 721
Financial guarantee contract liability	4 014	–	–	–	–	4 014
Collateral held from power market participants	7 462 665	–	–	–	–	7 462 665
Deferred tax liability	–	–	–	–	–	–
TOTAL LIABILITIES	**17 000 657**	**–**	**–**	**10 395**	**–**	**17 011 052**

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
Fair value through profit or loss financial assets	–	2 544 639	–	–	–	2 544 639
Available for sale financial assets		–	–	–	–	–
Trade receivables relating to gas market	12 023 902	–	–	–	–	12 023 902
Trade receivables relating to central counterparty and other service	172 064	–	–	–	–	172 064
Other receivables	145 231	–	–	–	–	145 231
Receivables from foreign clearing houses	7 367 496	–	–	–	–	7 367 496
Income tax receivable	14 284					14 284
Intangible assets	–	–	–	–	534 603	534 603
Property, plant and equipment	–	–	–	–	151	151
Deferred tax assets	2 614	–	–	–	–	2 614
TOTAL ASSETS	**28 260 425**	**2 544 639**	**–**	**–**	**534 754**	**31 339 818**
Trade payables	218 481	–	–	–	–	218 481
Trade payable from gas market activity	12 028 105	–	–	–	–	12 028 105
Accruals and other liabilities	90 431	–	–	–	–	90 431
Income tax payable	1 011	–	–	–	–	1 011
Guarantee Fund liabilities	2 856 714	–	–	–	–	2 856 714
Financial guarantee contract liability	–	–	–	–	–	–
Collateral held from power market participants	10 761 321	–	–	–	–	10 761 321
Deferred tax liability	–	–	–	–	–	–
TOTAL LIABILITIES	**25 956 063**	**–**	**–**	**–**	**–**	**25 956 063**

d) 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.

e) Regulation on the investment policy of the Group

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

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

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

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

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

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

1. capital requirement on credit and counterparty risks,

2. capital requirement on operational and legal risks;

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

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

5. capital requirement on business risk

Determination of available capital

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

/ SUBSCRIBED CAPITAL

/ ISSUED BUT NOT PAID CAPITAL (-)

/ CAPITAL RESERVES

/ RETAINED EARNINGS

/ ALLOCATED RESERVES

/ REVALUATION RESERVE

/ RETAINED EARNINGS OF THE YEAR

And the following items should be deducted:

/ Intangible assets

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

/ contribution to own guarantee fund

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

The available capital is required to cover the following elements:

/ Minimum required capital

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

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

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

HUF million	2014.12.31	2015.12.31*
Available capital	4 216	4 938
Minimum required capital	2 598	2 583
Dedicated own resources	590	587
Other financial resources	1 028	1 228

* unaudited data

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

NOTE 6: CASH AND CASH EQUIVALENTS

	2015	2014
Bank accounts		
In HUF	5 920 150	4 485 998
In EUR	2 448 376	4 048 837
Closing balance	**8 368 526**	**8 534 835**
Demand deposit	3 973 613	5 661 190
Designated deposits	4 394 913	2 873 645
Closing balance	**8 368 526**	**8 534 835**

The bank accounts are demand deposits, available immediately for withdrawal. The interest on the bank account is accrued between 0-1% for HUF deposits, and 0-0,5% for EUR deposits.

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

NOTE 7: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Financial assets at fair value through profit or loss		
Hungarian Government Discount Treasury Bills	-	2 544 639
	-	**2 544 639**

Financial assets measured at fair value through profit or loss		
Opening balance	2 544 639	–
Acquistion	2 482 725	2 544 639
Derecognition at expiration	(2 544 639)	–
Interest accrued	6 831	–
Remeasurement	(2 937)	–
Closing balance on 21 December 2015.	2 486 619	–
Reclassification to available for sale instruments	(2 486 619)	–
Closing balance on 31 December 2015.	**-**	**2 544 639**

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

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

NOTE 8: AVAILABLE FOR SALE FINANCIAL ASSETS

	2015	2014
Available for sale financial instruments		
Hungarian Government Discount Treasury Bills	2 487 892	–
	2 487 892	**–**

Available for sale financial instruments		
Reclassification from FVTPL	2 486 619	–
Acquistion	-	–
Derecognition to do exparation	-	–
Interest accrued	608	–
Remeasurement	665	–
Closing balance on 31 December 2015.	**2 487 892**	**–**

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

NOTE 9: TRADE RECEIVABLES AND TRADE PAYABLE RELATING TO GAS MARKET

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

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

The liabilities from the gas market embodies the other component of the clearing transaction ie. what the CCP needs to pay to the actual seller of the gas.. The payables are – by contractual agreement – due on the same day as the corresponding receivable.

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

NOTE 10: TRADE RECEIVABLES RELATING TO CENTRAL COUNTERPARTY AND OTHER SERVICES

	2015	2014
Trade receivables from central counterparty and other services		
Receivable balance	164 839	177 280
Accumulated impairment losses	(4 476)	(5 216)
Receivable balance net of impairment (book value)	**160 372**	**172 064**

Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	**(5 216)**	**-**
Impairment losses recognized in the current period	(4 327)	(5 216)
Impairment losses derecognized in the current period	5 076	-
Closing accumulated impairment losses	**(4 467)**	**(5 216)**

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

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

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

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

NOTE 11: OTHER RECEIVABLES, INCOME TAX RECEIVABLE

	2015	2014
Other receivables		
Interest	11 905	9 065
Tax receivables (other than income taxes)	18 289	114 420
Sundry other receivables	9 248	21 746
	39 442	**145 231**

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

The income tax receivable is disclosed on a separate balance sheet position (1 623 THUF, 2014: 14 284 THUF). The entity considers only corporate income tax to be income tax for accounting purposes.

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

NOTE 12: Receivables from foreign clearing houses

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

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

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

NOTE 13: INTANGIBLE ASSETS

For the year ended 31 December 2015:

Cost	Customer relationship	Software	Total
Balance as of 1 January 2015	382 526	264 014	646 540
Acquisition	20 005	88 282	108 287
Disposals	-	-	-
Balance as of 31 December 2015	402 531	352 296	754 827

Accumulated Amortization	Customer relationship	Software	Total
Balance as of 1 January 2015	–	111 937	111 937
Current year amortization	–	65 239	65 239
Disposals	–	–	–
Balance as of 31 December 2015	–	117 176	111 176

Net book value	Customer relationship	Software	Total
Balance as of 1 January 2015	382 526	152 077	534 603
Balance as of 31 December 2015	402 531	175 120	577 651

For the year ended 31 December 2014:

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

Accumulated Amortization	Customer relationship	Software	Total
Balance as of 1 January 2014	–	54 165	54 165
Current year amortization	–	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

The acquisition only include purchases.

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

The most important elements of the calculation were:

Cash flow estimation (pre-tax)	625 000
Pre-tax discount rate used	10,62%
Value in use	1 325 000
Book value	508 000
Impairment loss	0

The intangible asset is – as illustrated above – is not impaired.

The software products are contributing to the clearing house activity. The software are specific to the entity and were all provided by external supplier. The amortization period is four years on average.

There are no current commitment for purchase of intangible assets. There are no pledges or similar items limiting the transfer or use of these assets.

All the amortization is taken to the income statement.

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2015:

Cost		
	Machinery and equipments	Total
Balance as of 1 January 2015	890	890
Acquisition	591	591
Disposals (sale)	(89)	(89)
Balance as of 31 December 2015	1 392	1 392

Cumulated Depreciation and Amortization		
	Machinery and equipments	Total
Balance as of 1 January 2015	739	739
Current year amortization	144	144
Disposals (sale)	-89	-89
Balance as of 31 December 2015	794	794

Net book value		
	Machinery and equipments	Total
Balance as of 1 January 2015	151	151
Balance as of 31 December 2015	598	598

For the year ended 31 December 2014:

Cost		
	Machinery and equipments	Total
Balance as of 1 January 2015	768	768
Acquisition	154	154
Disposals (sale)	-32	-32
Balance as of 31 December 2015	890	890

Cumulated Depreciation and Amortization		
	Machinery and equipments	Total
Balance as of 1 January 2015	672	672
Current year amortization	99	99
Disposals (sale)	-32	-32
Balance as of 31 December 2015	739	739

Net book value		
	Machinery and equipments	Total
Balance as of 1 January 2015	96	96
Balance as of 31 December 2015	151	151

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

The depreciation is taken to the income statement.

NOTE 15: TRADE PAYABLE

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

NOTE 16: ACCRUALS AND OTHER LIABILITIES, INCOME TAXES PAYABLE

	2015	2014
Accruals and other liabilities		
Taxes payable (other than income taxes)	18 216	22 035
Accrued interest	17 219	29 588
Accrued expenses	35 100	35 392
Liabilities due to discounts granted	6 206	3 416
	76 741	**90 431**

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

The above table does not include the income tax payable that is presented in a separate position (2015: 2 050 THUF, 2014: 1 011 THUF). This income tax relates to the foreign subsidiary in Luxembourg and must be settled with that tax authority.

NOTE 17: GUARANTEE FUND LIABILITIES

	2015	2014
Liabilities for Guarantee Funds		
Exchange Settlement Fund	1 691 400	671 200
Collective Guarantee Fund	1 193 000	522 000
Gas Market Collective Guarantee Fund	1 465 321	1 623 514
CEEGEX Market Collective Guarantee Fund	45 000	40 000
Less own contribution	(20 000)	-
	4 374 721	**2 856 714**

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.

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

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

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

NOTE 18: FINANCIAL GUARANTEE CONTRACT LIABILITY

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

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

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

	2015
Financial guarantee contract liability	
Opening financial guarantee contract liability	–
Changes in the financial guarentee contract liability	4 014
Closing financial guarantee contract liability	**4 014**

NOTE 19: COLLATERAL HELD FROM POWER MARKET PARTICIPANTS

In the mid of 2012 KELER CCP has adopted a new margin settlement system regarding the Energy Market. As a result of the implemented changes; energy market non-clearing members are required to provide the entire daily margin requirement – established by ECC – in euro toward KELER CCP, which amount is forwarded directly toward ECC by KELER CCP to cover margin requirements occurred in line with the 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 20: DEFERRED TAXES

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

Due to the lack of actual transactions deferred tax assets of the Luxembourg operation was not recognized.

When computing taxes, the entity used a 10% rate upon reversal for both years as the assets and liabilities in question will turn into actual taxes in periods when the tax rate is 10% as specified by the effective laws.

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

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

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

	Tax base	Book value	Deductible, taxable difference	Deferred tax through income statement	Deferred tax through OCI
Cash and cash equivalents	8 341 492	8 341 492	-	-	–
Trade receivables	5 100 135	5 095 669	(4 467)	447	–
Other receivables	6 174 793	6 174 793	-	-	–
Fair value through profit or loss financial assets	2 482 725	2 479 788	(2 937)	294	–
Reclassification adjustment		(2 479 788)	-	-	–
Available for sale financial assets	2 482 725	2 480 453	(2 272)	-	(67)
Property, plant and equipment	598	598	-	-	–
Intangible assets	582 452	577 651	(4 801)	480	–
Investments	15 656	15 559	(97)	10	–
Trade payables	5 087 176	5 087 176	-	-	–
Accruals and other liabilities	11 926 573	11 932 952	(6 379)	638	–
Financial guarantee contract liability	–	4 014	(4 014)	401	–
Losses carried forward	–	-	-	-	–
Deferred tax assets	–	–	–	2 270	–
Deferred tax liability	–	–	–	-	(67)

In 2014 the Group identified one deferred tax item – a deductible difference – which was in connection with losses carried forward: 2 614 THUF.

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

NOTE 21: RESERVES

The changes of the reserves of the entity are explained in the statement of changes in the equity.

	2015	2014
Share capital		
KELER (KELER Central Depository 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 (KELER Central Depository 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 widing up. The shares are dematerialized.

The issued share capital remained unchanged throughout the covered periods. There are no treasury shares or preferred shares nor shares to be issued upon certain events.

Accumulated translation difference

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

Available for sale revaluation reserve

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

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

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

	2015	2014
Non current assets	578 249	534 754
Current assets	22 054 961	30 805 064
Short term liabilities	17 000 657	25 956 063
Financed by:		
Long term liabilities	10 395	–
Owners' equity (net assets)	5 622 158	5 383 755

NOTE 23: INCOME FROM CENTRAL COUNTERPARTY SERVICE

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

	2015	2014
Income from central counterparty service		
Clearing fees of spot market	233 200	205 942
Clearing fees of derivative market	236 427	192 707
Clearing membership fees	351 600	301 160
Clearing fees of gas market	122 102	131 774
Clearing fees of energy market	108 605	66 435
	1 051 934	**898 018**

NOTE 24: OTHER NON-COUNTERPARTY SERVICES INCOME

The entity has activities that are either not provided on regular basis or outside of the scope of the core activity. These items are not considered to be revenues.

	2015	2014
Share capital		
Income from risk management	78 800	75 400
Other sundry incomes	373	61
	79 173	**75 461**

NOTE 25: GAS TRADING ACTIVITY

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

The trading volume is the following:

	2015	2014
Gas trading activity		
Value of gas sold	47 916 449	57 752 630
Cost of gas sold	(47 916 449)	(57 752 630)
To the income statement, net	**-**	**-**

NOTE 26: BANK FEES, COMISSION AND SIMILAR ITEMS

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

NOTE 27: PERSONNEL EXPENSES

Personnel expenses		
	2015	2014
Wages	143 959	111 047
Base wages	122 905	94 377
Premium	21 054	16 670
Social security and other contributions	46 442	35 996
Other cost of personnel	26 626	22 932
	217 027	**169 975**

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

The average number of employees was 17 on 31 December 2015 (16 in 2014).

NOTE 28: OTHER OPERATING EXPENSES

Other expenses		
	2015	2014
Charges for infrastructure	314 960	338 328
IT support	68 328	65 016
Expert fees	40 018	30 593
Other administrative services	34 550	18 696
Local business and other taxes	24 310	20 795
Education fees	18 172	18 684
Rental fees	17 267	12 304
Membership fees	12 474	12 727
Levies	11 532	13 675
Legal fees	8 424	8 128
Travel expenses	6 312	5 674
Insurance fees	2 800	1 562
Other sundry expenses	7 327	8 725
	566 474	**554 907**

KELER CCP outsources some of its administrative services to KELER Ltd. (the parent company), including: supplying of data between KELER and KELER CCP and to third parties as well, handling of collaterals of the clearing members and of collective guarantees, IT related and other (finance, accounting, controlling, marketing, PR, HR, compliance, etc.).

IT support services covers the support and update of the software used by the entity. The elements of this expense is explained by the individual heading.

NOTE 29: NET INTEREST INCOME

The banking activity is not the core activity of the Entity. Interest income and expense is therefore presented under this heading.

	2015	2014
Interest income		
Interest income on demand deposit	1 005	30 481
Recharged negative interest on ECC security fund	11 210	-
Gains on repo deals	23 315	26 757
Interest on fair value through profit or loss financial assets	34 221	9 510
Interest on available for sale financial assets	608	-
Sundry interest income	44	-
	70 403	**66 748**

Interest expense		
Interest paid to customers on security funds	(15 951)	(29 588)
Interest paid to ECC	(12 582)	(1 330)
	(28 533)	**(30 918)**

The negative interest is for the EUR deposits held at ECC. These negative interests are recharged to the customers of the Entity. Interest on FVTPL and AFS financial assets are for the treasury bills. These treasury bills were reclassified to AFS category out of FVTPL category during year. The interest income from the date of the reclassification was also presented separately.

NOTE 30: OTHER FINANCIAL GAIN/ (LOSS)

Other financial gains and losses include foreign exchange gains and losses for period.

NOTE 31: INCOME TAX EXPENSE

For the entity only the corporate income tax is considered to be income tax. The rate for that tax was 19% and 10% (up to HUF 500 million profit) in Hungary in 2015.

A breakdown of the income tax expense is:

	2015	2014
Income Taxes		
Current tax charged to the income statement	32 590	24 132
Deferred tax charged to the income statement	344	-
Tax expense	**32 934**	**24 132**
Deferred tax charged to other comprehensive income	67	–
Total tax in total comprehensive income	**33 001**	**24 132**

The details about the deferred tax is in Note 20.

NOTE 32: OTHER COMPREHENSIVE INCOME

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

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

	2015	2014
Other comprehensive income:		
Remeasurement gain on AFS financial assets	598	–
Retranslation of foreign operation	(71)	–
	527	**–**

NOTE 33: OFF BALANCE SHEET ITEMS

	2015	2014
Guarantees received		
Cash	22 116 154	38 287 207
In HUF	14 008 866	27 167 131
In foreign currency	8 107 288	11 120 076
Security	24 042 215	29 128 707
Bank guarantee	3 263 420	3 290 000
	49 421 789	**70 705 914**

Specific safeguards		
Cash	6 077 727	7 367 496
In foreign currency	6 077 727	7 367 496
	6 077 727	**7 367 496**

Under specified circumstances these itmes maybe used by the Group for given reasons (ie. loss making event).

NOTE 34: 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:

	2015	2014
Shareholders		
Other operating income	78 817	75 452
Interest income	23 624	56 190
Charges for infrastructure	(314 960)	(354 961)
Fees and commissions expenses	(66 484)	(56 254)
Interest expenses	(789)	-
	-279 792	**-279 573**

Receivables	52 197	79 566
Bank	6 198 459	4 497 526
Accrued interest receivables	609	64
	6 251 265	**4 577 156**

Accounts payable	155 777	196 168
	155 777	**196 168**

Transactions are at arm's length condition. These balances and transactions will be eliminated at Group level (ie. in the consolidated financial statements of the KELER Depository Ltd.), however these balances are not eliminated in these financial statements.

Members of the key managements are related parties.

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

Board of Directors

Lantos Csaba, chairman of BoD (till 22nd December 2015)

Mátrai Károly, chief executive officer

Vonnák Balázs, member of BoD (till 29th May 2015)

Nagy Márton, member of BoD (from 1st June 2015)

Tóth Attila, member of BoD

Katona Zsolt, member of BoD

Balogh Csaba Kornél, member of BoD

Dudás György, member of BoD

Supervisory Board:

Bartha Lajos, chairman of SB (till 29th May 2015)

Dr. Szalay Rita

Varga-Balázs Attila

Varga Lóránt (till 29th May 2015)

Gerendás János

Baksay Gergely

KELER CCP also engages in transactions with it's subsidiary company KELER LUX. There are two transactions that was finalized by the Entiy:

- a shareholder loan provided by the Parent – 100 000 EUR (2014: nil);
- an administrative fee charged – 24 500,84 EUR, (2014: 33 180,57€).

These balances – with the corresponding charge in the comprehensive income statement – are all eliminated.

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

2015	Board of directors	Supervisory Board	Sum
Salary and similar	22 800	11 865	34 665
Fringe benefits	5 900	–	5 900
Total	**28 700**	**11 865**	**40 565**

2014	Board of directors	Supervisory Board	Sum
Salary and similar	15 433	4 192	19 625
Fringe benefits	372	–	372
Total	**15 804**	**4 192**	**19 997**

Other than the above stated remuneration no transactions are made with the foresaid people.

Disclosure of interests in other entities

The Group was not faced with any uncertainty and was not forced to decide on complex matters when making a judgment about how to treat its investments. The subsidiaries are controlled by the parent firm, since both power and exposure to variable return can be justified easily. One of the subsidiary is an intermediate parent.

The entity is not involved in any associates or joint arrangements.

The group does not face any limitations regarding any of its entities which would affect its access to net assets, profits or cash flows.

None of the members of the Group qualify as or have shares in an investment entity.

NOTE 35: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Classification of financial instruments

Classification of financial instruments | As at 31 December 2015

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	**Total carrying amount**	**Fair value**
Cash and cash equivalents	–	8 368 526	–	–	**8 368 526**	**8 368 526**
Treasury bills and government bonds	–	–	2 487 892	–	**2 487 892**	**2 487 892**
Trade receivables relating to gas market	–	4 917 176	–	–	**4 917 176**	**4 917 176**
Trade receivables relating to central counterparty and other service	–	160 372	–	–	**160 372**	**160 372**
Receivables from foreign clearing houses	–	6 077 727	–	–	**6 077 727**	**6 077 727**
Trade payables	–	–	–	217 765	**217 765**	**217 765**
Trade payable from gas market activity	–	–	–	4 873 096	**4 873 096**	**4 873 096**
Guarantee Fund liabilities				4 374 721	**4 374 721**	**4 374 721**
Financial guarantee contract liability	–	–	–	4 014	**4 014**	**4 014**
Collateral held from power market participants	–	–	–	7 462 665	**7 462 665**	**7 462 665**

*These items were reclassified to AFS from FVTPL on 21st December 2015.

Classification of financial instruments | As at 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	–	–	**8 534 835**	**8 534 835**
Treasury bills and government bonds	2 544 639	–	–	–	**2 544 639**	**2 544 639**
Trade receivables relating to gas market	–	12 023 901	–	–	**12 023 901**	**12 023 901**
Trade receivables relating to central counterparty and other service	–	172 064	–	–	**172 064**	**172 064**
Receivables from foreign clearing houses	–	7 367 496	–	–	**7 367 496**	**7 367 496**
Trade payables	–	–	–	218 481	**218 481**	**218 481**
Trade payable from gas market activity	–	–	–	12 028 105	**12 028 105**	**12 028 105**
Guarantee Fund liabilities				2 856 714	**2 856 714**	**2 856 714**
Financial guarantee contract liability	–	–	–	–	**–**	**–**
Collateral held from power market participants	–	–	–	10 761 321	**10 761 321**	**10 761 321**

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

Assets and liabilities measured at fair value – Fair value hierarchy | As on 31 December 2015				
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Treasury bills and government bonds	–	2 487 892	–	2 487 892

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
Treasury bills and government bonds	–	2 544 639	–	2 544 639

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

Assets and liabilities measured at non-fair value – Fair value hierarchy | As on 31 December 2015	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	8 368 526	–	–	8 368 526
Trade receivables relating to gas market	–	–	4 917 176	4 917 176
Trade receivables relating to central counterparty and other service	–	–	160 372	160 372
Receivables from foreign clearing houses	–	–	6 077 727	6 077 727
Trade payables	–	–	218 481	218 481
Trade payable from gas market activity	–	–	12 028 105	12 028 105
Guarantee Fund liabilities	–	–	2 856 714	2 856 714
Financial guarantee contract liability	–	–	-	-
Collateral held from power market participants	–	–	10 761 321	10 761 321

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
Trade receivables relating to gas market	–	–	12 023 901	12 023 901
Trade receivables relating to central counterparty and other service	–	–	172 064	172 064
Receivables from foreign clearing houses	–	–	7 367 496	20 730 800
Trade payables	–	–	218 481	218 481
Trade payable from gas market activity	–	–	12 028 105	12 028 105
Guarantee Fund liabilities	–	–	2 856 714	2 856 714
Financial guarantee contract liability	–	–	-	-
Collateral held from power market participants	–	–	10 761 321	15 103 300

NOTE 36: SUBSEQUENT EVENTS

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

A contract for material intangible asset supporting the risk management activity of the Entity was signed at the beginning of 2016. This asset is expected to be finalized in the following few years. The financial statements do not include any assets relating to this project yet, since it has not started yet.

The Board of Directors proposed no dividend for this financial year.

NOTE 37: 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.

	31.12.2015	31.12.2014
Cash and cash equivalents	8 368 526	8 534 835
Fair value through profit or loss financial assets	–	2 544 639
Available for sale financial assets	2 487 892	–
Trade receivables relating to gas market	4 917 176	12 023 901
Trade receivables relating to central counterparty and other service	160 372	172 064
Other receivables	39 442	145 231
Receivables from foreign clearing houses	6 077 727	7 367 496
Income tax receivable	1 623	14 284
Intangible assets	577 651	534 603
Property, plant and equipment	598	151
Deferred tax assets	2 203	2 614
TOTAL ASSETS	**22 633 210**	**31 339 818**
Trade payables	217 765	218 481
Trade payable from gas market activity	4 873 096	12 028 105
Accruals and other liabilities	76 741	90 431
Income tax payable	2 050	1 011
Guarantee Fund liabilities	4 374 721	2 856 714
Financial guarantee contract liability	4 014	–
Collateral held from power market participants	7 462 665	10 761 321
Deferred tax liability	–	–
TOTAL LIABILITIES	**17 011 052**	**25 956 063**
CCP Capital requirement acc. To EMIR	2 583 240	2 597 843
Skin in the game default Exchange Fund	223 040	135 915
Skin in the game default Collective Guarantee Fund	158 334	106 115
Skin in the game default Gas Market Collective Guarantee Fund	193 502	325 897
Skin in the game default CEEGEX Market Collective Guarantee Fund	5 942	8 054
Other Financial resources	2 458 100	2 209 931
TOTAL SHAREHOLDERS' EQUITY	**5 622 158**	**5 383 755**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**22 633 210**	**31 339 818**

NOTE 38: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

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

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

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

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

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

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

In terms of IFRS 13, it was confirmed that current receivables and payables with no stated interest rate may be measured at nominal value, provided that the impact of discounting is minimal. The standard was amended in regards to the so-called portfolio exception as well, allowing a group of financial assets and financial liabilities to be measured at fair value on a net basis (even if other standards do not allow offsetting in their case).

The first topic (measurement of current items) is relevant to the Group. The Group already applies this approach to such assets. Under IFRS 13, portfolio valuation is permitted for a group of financial assets and liabilities even if such items should be recognised in accordance with IAS 39 but do not fit the definition of financial instruments.

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

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

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

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

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

Standards issued but not yet effective

IFRS 9 Financial Instruments

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

This means that these items will be remeasured at the end of every period with the gain or loss taken to OCI. This OCI will be reclassified to the net profit when the item will be derecognized.

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

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

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

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

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenue from Contracts with Customers

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

/ IAS 18 Revenue

/ IAS 11 Construction Contracts

/ IFRIC 13 Customer Loyalty Programmes

/ IFRIC 15 Agreements for the Construction of Real Estate

/ IFRIC 18 Transfers of Assets from Customers

/ SIC 31 Barter Transactions Involving Advertising Services

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

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

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

Leases (IFRS 16)

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

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

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

The amendment clarifies the treatment of the acquisition of an interest in a joint operation which qualifies as a business under IFRS 3. In such cases, the guidance provided in IFRS 3 Business Combinations is applicable, along with other relevant standards (impairment losses, disclosures, etc.).

However, on the formation of the joint operation, this rule will be applicable only if a member of the joint operation contributes a business on the formation of the operation. This guidance is applicable prospectively as of 1 January 2016. The Group has no joint arrangements and, as a result, no changes are involved.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment entities (IFRS 10)

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

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

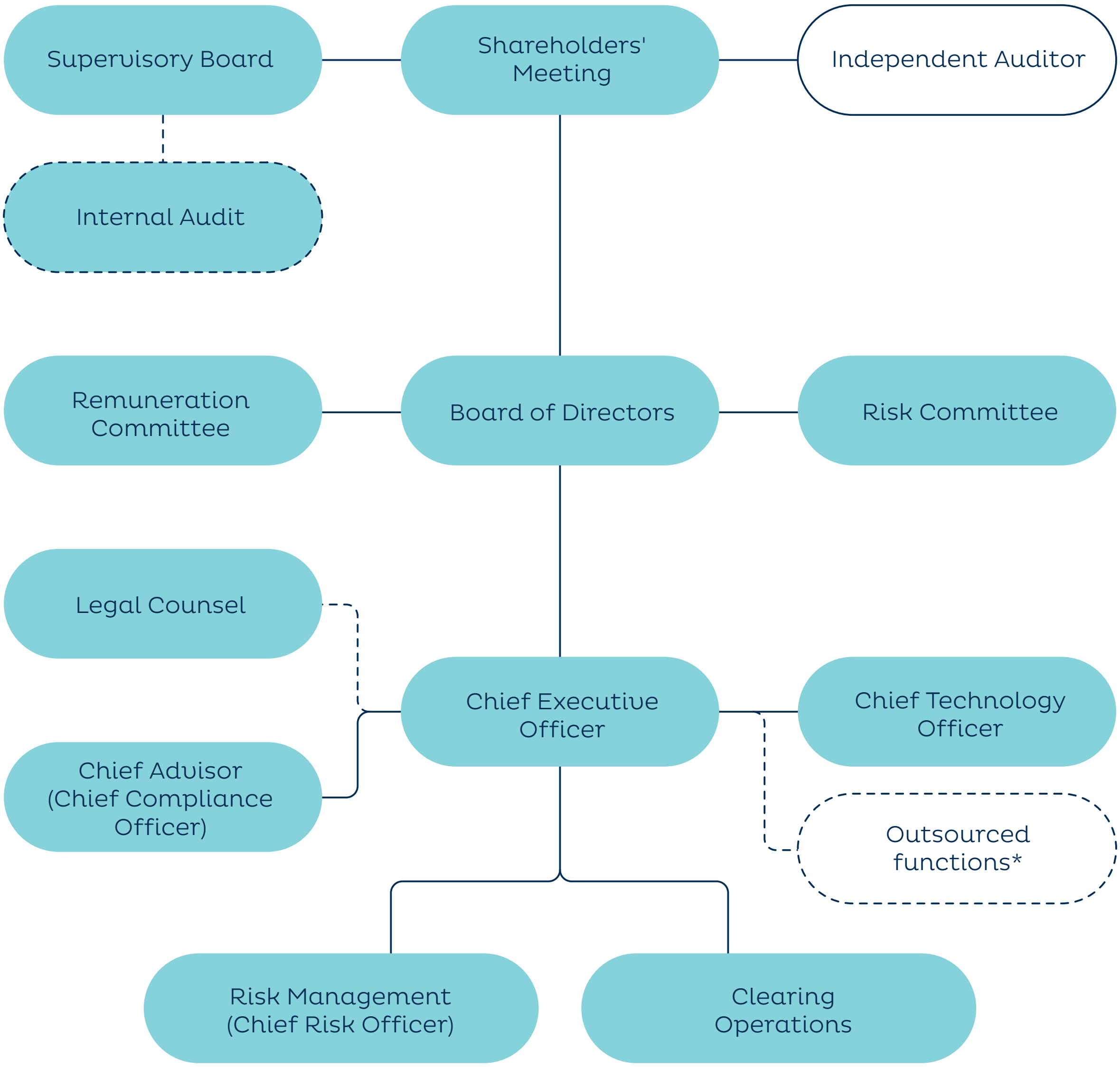
In connection with the statement of cash flows, the amendment requires entities to present both cash flow related and non-cash flow related reasons behind current-year changes in liabilities assumed for financing purposes. The amendment will be effective as from 1 January 2017 and will have an impact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

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

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

The effect of all other IFRSs not yet adopted is not expected to be materia.

17 / Organizational Structure of KELER CCP



*Outsourced functions:

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

Ágnes Juhász

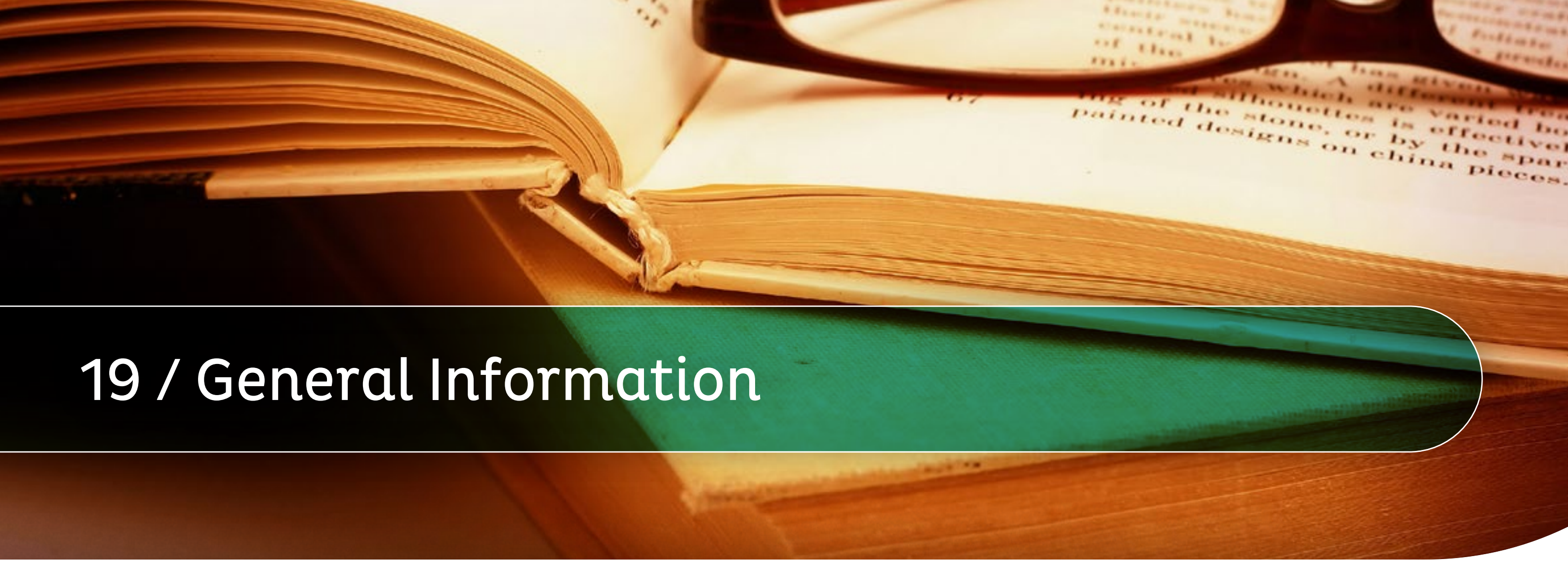
Chief Advisor

Tamás Horváth

Chief Operating Officer

Károly Mátrai

Chief Executive Officer



19 / General Information

Effective between January 1, 2015 and December 31, 2015.

Ownership Structure

Shareholders	Financial contribution	Ownership ratio
KELER	HUF 1 818 000 000	99,72%
National Bank of Hungary (NBH)	HUF 2 380 000	0,15%*
Budapest Stock Exchange (BSE)	HUF 2 720 000	0,13%**
Total	HUF 1 823 200 000	100,00%

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

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

Members of the Board of Directors in 2015

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

* Membership ended on May 31, 2015.

** Membership started on June 1, 2015.

Members of the Supervisory Board in 2015

Lajos Bartha*
Lóránt Varga*
Attila Varga-Balázs
Gergely László Baksay**
János Gerendás**

* Membership ended on May 31, 2015

** Membership started on June 1, 2015

Contact

Address: Rákóczi út 70-72.,
1074 Budapest, Hungary

Mailing address: H-1426 Budapest, POB 57

Phone: +36-1-483-6100
Fax: +36-1-342-3539

Home page: www.kelerkszf.hu
E-mail: kelerccp@kelerkszf.hu

Client Service

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

Service Desk

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