KELER

Central
Clearing House
and Depository
(Budapest) Ltd.

# 2009 annual report

# contents

# 1 chairman's message





After the ups and downs of 2008 the impact of the global economic crisis that originated from the US real estate market continued to be felt in the first quarter of 2009, consequences are reflected in the first quarter result of KELER. Nevertheless, thereafter the performance of KELER continued to improve due to favorable market conditions, new capital provided to financial systems in spectacular rescue packages, the increase of stock exchange prices from rather low levels and the partial calm down in markets. It was much to our pleasure that the annual result from both financial services and services provided significantly exceeded our expectations.

The total cash market turnover of the stock exchange at HUF 5,481.69 billion is a decrease of 5.2 % compared to 2008 annual turnover. Despite contracting turnover the number of stock exchange transactions increased to nearly 3.5 million that is an increase of 44 % over the annual transaction number of 2008. On the market of gross settlement OTC transactions turnover at deal prices in 2009 increased 21 % to HUF 132,645 billion compared to the previous year.

Similary to last years our fees continued to decrease in 2009.

In this year several significant events and forward looking positive changes occurred at KELER that also determine the future of the company. As a result of the functional separation of KELER from 1 January, 2009, with the joint and several liability of KELER, KELER CCP as central counterparty guarantees the financial performance of stock exchange transactions. KELER CCP proved its professionalism and expertise despite the serious impacts the global economic crisis had on Hungary, with the involvement of KELER CCP the financial settlement of transactions was completed in an orderly and safe manner in this financially extremely difficult situation.

A project of great importance was closed in 2009: the separation of clearing and settlement services at system level in line with the Code of Conduct allows the separation of cash market clearing and settlement at system level, as a result from the autumn of 2009 our customers can use clearing and settlement services independently in case of multinet settlement products.

KELER will play a key role in the settlement of new markets also: with KELER CCP Ltd. as the subcontractor of the company KELER won the public procurement request for proposal announced by Natural Gas Transmission Ltd. (FGSZ) in May for the settlement of the Daily Natural Gas and Capacity Trading Market. Accordingly KELER and KELER CCP will provide account management, clearing, guarantee and settlement services in the future for the players of the natural gas market operated by FGSZ.

This year increased attention was paid to developing our services flexibly, with a view to customer requirements, thus based on the positive experiences of the 2007 survey we repeatedly completed a customer satisfaction survey aimed at an expanded group of services and expanded target market. Based on the results of the survey an action plan was finalized to improve our processes in 2010 in line with requests and recommendations that can be met.

The conclusions of the survey support the efforts of KELER to make an increasing number of services available electronically, online. Therefore in 2009 the foundation of providing online services to issuers was laid. Our goal is to launch electronic services to issuers in line with customer requirements. Also, within the framework of interactive communication with customers the Custodian Forum, as a primarily consultation forum was launched and held three meetings in 2009.

In 2009 KELER hosted an international conference also. We were pleased that the 10th world meeting of central depositories, the CSD10 Conference was held in Budapest on 20-22 May, 2009. The European Central Securities Depositories Association (ECSDA) and KELER jointly organized the jubilee event with 140 senior managers of depositories from more than 50 countries of the world visiting Budapest. The event was a great success.

In 2009 also we continued to work to comply with the commitments listed in the Code of Conduct. In line with the commitments of the Code of Conduct on the unbundling and accounting separation of services in 2009 KELER qualified the level of compliance in a so-called self-assessment report audited by an independent auditor.

In 2009 KELER fully complied with the provisions of the Code of Conduct by completing the functional separation of central counterparty (CCP) and depository (central securities depository) services and the separation of clearing and settlement services.

I would like to take the opportunity to say thank you to the owners of KELER, credit institutions, investment service providers, issuers and further players in the Hungarian capital market and all the employees of KELER for being instrumental in the past year in ensuring that KELER as the background institution of the capital market could provide high level services and concentrate on professional duties.

**Csaba Lantos**
Chairman of the Board of Directors

Csaba Lantos
*Chairman of the Board of Directors*

# 2 market environment





In the first quarter of 2009 the impact of the global economic crisis that started in the US real estate market could still be felt, however, as a result of fresh capital made available by spectacular financial rescue operations and due to stock exchange rallies starting from low prices, markets partially calmed down and even a correction that could not be overlooked occurred in financial and capital markets amid continuously significant volatilities.

DJIA, the important US equities index increased 18.82 % in 2009 compared to the closing index value of the previous year and finally reached 10,428.05 points on the last trading day. From among the most significant European stock exchange indices the Frankfurt DAX registered an increase of 23.85 %, while the FTSE in London picked up 22.07 %. Finally DAX closed the year at 5,957.43 points, while FTSE was registered at 5,412.88 point at the end of the year.

In international FX markets the Euro was quite weak compared to the USD in the first three months of the year and its exchange rate tumbled as low as 1.256. From this low the Euro rate shortly started to soar and following a minor correction it was at 1.5139 at the end of November. In the last month of the year due to concerns over slow recovery the exchange rate slightly dropped from this high and closed December at 1.4316. All in all this is a 2.42 % rise compared to last year.

At the peak of the crisis in March 2009 the Hungarian Forint weakened to levels that were not seen for a long time (HUF 316.33), however, this did not turn out to be a lasting level. Except for smaller ups the foreign exchange rate of the Hungarian Forint strengthened continuously and reached its highest point in the year at 264.1 in October. The Euro rate was 2.1 % stronger than in 2008 and it closed the year at 270.35.

The Monetary Council of the National Bank of Hungary changed the base rate on seven occasions during 2009 and the change always meant a decrease in the base rate. The starting base rate of 10.0 % decreased to 9.5 % at the beginning of the year and reached 8.5 % by the middle of the summer. In the rest of year the pace of decrease gathered speed and in 4 steps of 50-50 basis points each the base rate reached 6.5 % and then 6.25 %. It was in the critical March period that government securities yields broke away most from the base rate steadily decreasing at the time and one year yields were seen to reach levels over 12 %. In the second half of the year government securities yields moved parallel with the base rate and market players continuously calculated with regular base rate cuts in their expectations. The interest of foreign investors financing the Hungarian state debt increased again in the first month of the year when they financed nearly 21 % (HUF 2,863.2 billion) of the total debt. As it later turned out this was the peak in 2009 as by the middle of the summer and by the end of the year the amount of government securities owned by international investors decreased to levels below what it was 5 or 6 years ago and amounted to HUF 2,190.1 billion on the last day of the year. Thus the share of foreign investors in financing Hungarian debt dropped to 15 %.

Following the decline at the beginning of the year the favorable effect of a rapid and continuous increase were felt by investors at the Budapest Stock Exchange as the BUX strengthened 65.59 % in 2009 and closed the year at 21,227.01 points. Apart from an unsteadiness in early summer the index increased decisively from its mid March annual low of 9,461.29 until October and in the fourth quarter it was registered at levels around the year end closing value.

BUX index levels during 2009

source: www.bet.hu

# 3 regulatory environment





## CHANGES IN THE REGULATORY ENVIRONMENT

In 2009 legal regulations on cash management changed considerably with the enactment of Act LXXXV of 2009 on cash management services and with changes to the Act on credit institutions and financial enterprises (Hpt.).

In the Act on capital markets (Tpt.) it was specified that in addition to the PSZÁF the NBH also acts as competent authority in licensing issues involving KELER.

Based on authorization by the Tpt. during 2009 the NBH issued decrees (NBH Decrees 9/2009. (II.27.), 10/2009. (II.27.), 11/2009. (II.27.)) on the requirements related to the regulations of three institutions (central depository, clearing house, central counterparty).

KELER modified its regulatory documents in line with the provisions of the above legal regulations.

KELER cooperated in finalizing the Ministry of Finance Decree of 1/2010. (I.8.) replacing Ministry of Finance Decree 37/1996. (XII.28.) on the ISIN identifier: from 2010 the new decree allows KELER to introduce electronic ISIN requests.

## GENERAL MEETING

The annual ordinary general meeting of KELER took place on 6 May, 2009. The agenda of the general meeting included among others the report by the Board of Directors on their activity in 2008 and acceptance of the Annual Report. The mandates of the members of the Board of Directors and the Supervisory Board for a definite period expired. Members of the new Board of Directors are Csaba Lantos, György Sándor, György Mohai Dr., Ferenc Pittner, György Dudás, Margit Brauner. Members of the new Supervisory Board are: Lajos Bartha, Judit Brosch, Attila Lovas, Attila Tóth. Having regard to the expiry of the mandate for definite period the Company elected a new auditor, also. KPMG Hungária Ltd. is the auditor of the Company for the period of 2009-2011.

In addition to the above issues the general meeting decided on the amount and expiry of the joint and several liability towards KELER CCP: the amount of the joint and several liability increased from HUF 11 billion to HUF 12 billion on 4 August, 2009.

# 4 business result of KELER



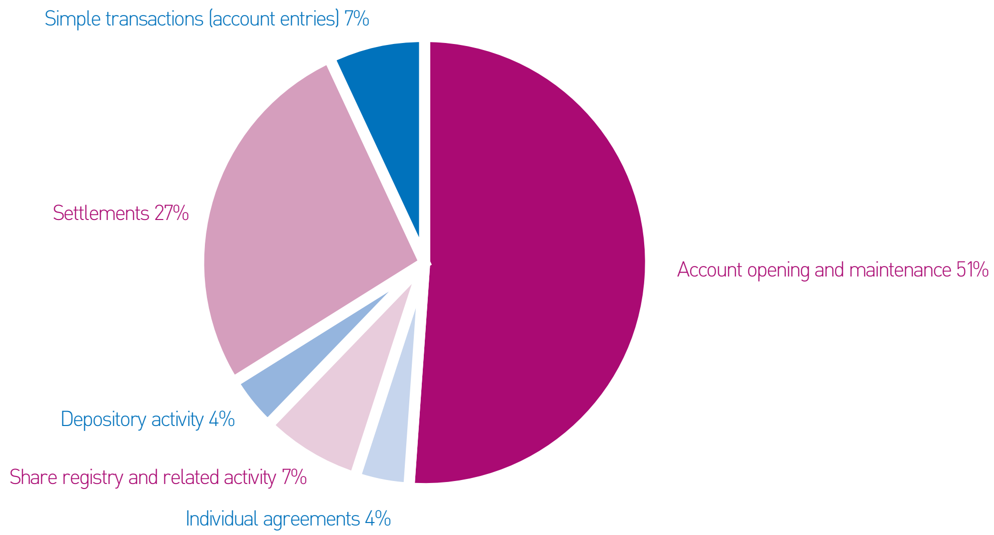
The impact of the economic crisis was felt most in the business results of KELER in the first quarter of 2009. Thereafter, due to favorable market conditions, the business results of KELER showed an improving trend and at an annual level the results from both financial activity and services provided exceeded our expectations significantly.

Results from financial activity (HUF 1,921.2 million) were outstanding primarily in the second quarter due to improving yields and rates and all in all it exceeded plans with about 60 %.

The positive trend in income (HUF 4,848.2 million, 113.5 %) is the reason why results from services provided exceeded planned figures to a large extent. Income from cash market turnover that turned out to be remarkably higher than expected offset stagnating derivative clearing income and securities account maintenance revenue that contracted due to low securities prices at the beginning of the year. At an annual level revenues from securities account maintenance also reached a higher than planned level due to increasing prices.

Structure of income from services provided

2009



Total operating expenses (HUF 4,651.4 million, 110.8 %) over plan is for the most part due to items recognized as other expenditure. General administration costs did not change compared to 2008 and depreciation recognized for investments was less than expected. However, settlement turnover costs exceeded planned figures and additional costs of intermediated services related to collecting fees higher than expected on behalf of KELER CCP arose. Nevertheless, this cost increase is felt in KELER only and is neutralized by related revenues in the financials of the KELER Group.

Ordinary business result that is the total of results from financial activity and services provided amounted to HUF 2,118 million that is 166.1 % of the plan. As there were no extraordinary items the ordinary (business) result equals profit before tax. The value of the ROE indicator is 12.2%.

After deduction of HUF 399.5 million tax payable and general reserves (HUF 171.8 million) the profit for the period after tax is HUF 1,546.6 million.

## Profit and loss

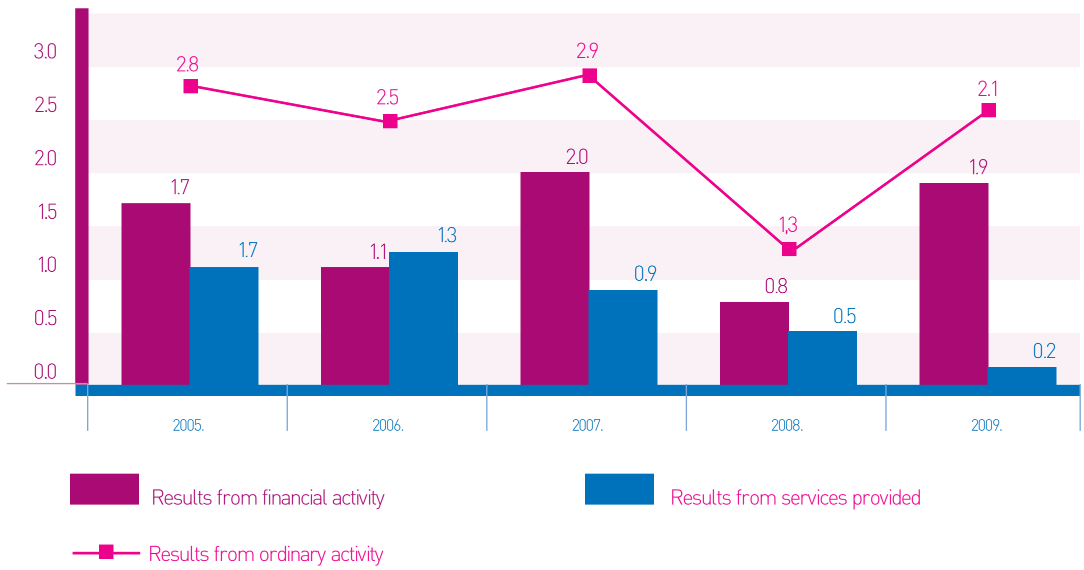
HUF million

| | Description | Actual 2008 | Planned 2009 | Actual 2009 | Actual 2009/ Planned 2009 |
|---|---|---|---|---|---|
| A. | **Result on financial activity** | **780.8** | **1,201.0** | **1,921.2** | **160.0%** |
| B/1. | **Received commissions and fees (B./1.=1.+ 2. + 3.)** | **4,262.6** | **3,876.3** | **4,437.2** | **114.5%** |
| 1. | Domestic sales based on Fee Schedule | 3,652.3 | 3,283.0 | 3,805.9 | 115.9% |
| 2. | Export sales (Fee Schedule + non-standard agreements) | 153.6 | 142.8 | 139.1 | 97.4% |
| 3. | Sales from non-standard agreements and other services | 456.7 | 450.5 | 492.2 | 109.3% |
| B/2. | Other operating income (B./2.= 4.+ 5.) | 59.9 | 396.7 | 411.0 | 103.6% |
| 4. | Other income from financial and investment services (income from intermediated services) | 2.7 | 1.5 | 11.0 | |
| 5. | Other income (from non-business services) | 57.2 | 395.2 | 400.0 | |
| B. | **Income from services provided (B.=B./1.+B./2.)** | **4,322.5** | **4,273.0** | **4,848.2** | **113.5%** |
| 6. | Paid (due commission and fee expenditures) | 249.3 | 503.0 | 881.5 | 175.3% |
| 7. | General administration costs | 2,687.0 | 2,685.4 | 2,683.4 | 99.9% |
| 8. | Depreciation and amortization | 619.7 | 806.0 | 723.7 | 89.8% |
| C. | Total costs of operation (C.= 6. + 7. + 8.) | 3,555.9 | 3,994.4 | 4,288.7 | 107.4% |
| D. | Other expenditures | 294.0 | 204.2 | 362.7 | 177.6% |
| E. | Operating costs and expenditures of services provided (E.=C.+D.) | 3,849.9 | 4,198.6 | 4,651.4 | 110.8% |
| F. | Impairment recognized (on receivables) (-) | | 0.0 | | |
| G. | Impairment reversed (on receivables) (+) | | 0.0 | | |
| H. | **Operating costs and expenditures of services provided (H.=E.-F.+G.)** | **3,838.9** | **3,870.6** | **4,651.4** | **120.2%** |
| F. | **Result on services provided (F.=B.-E.)** | **472.6** | **74.4** | **196.8** | **264.4%** |
| G. | **Result on ordinary (business) activities (financial + services) (G.=A.+F.)** | **1,253.5** | **1,275.4** | **2,118.0** | **166.1%** |
| H. | **Extraordinary result** | **0.0** | **0.0** | **0.0** | |
| I. | **PROFIT OR (LOSS) BEFORE TAX (I.=G.+H.)** | **1,253.453** | **1,275.4** | **2,118.0** | **166.1%** |
| 9. | Income tax | 178.9 | 204.1 | 315.4 | |
| 10. | supplementary information: solidarity tax (4%) | 49.9 | 51.0 | 84.2 | |
| J. | **PROFIT OR (LOSS) FOR THE PERIOD (J.=I. - 9. - 10.)** | **1,024.6** | **1,020.3** | **1,718.4** | |
| 11 | General reserves (10 % of profit for the period) | 102.5 | 102.0 | 171.8 | |
| 12 | Dividend payable (approved) | | 918.3 | | |
| K. | **NET RESULT (K.=J-11.-12.)** | **922.2** | **0.0** | **1,546.6** | |

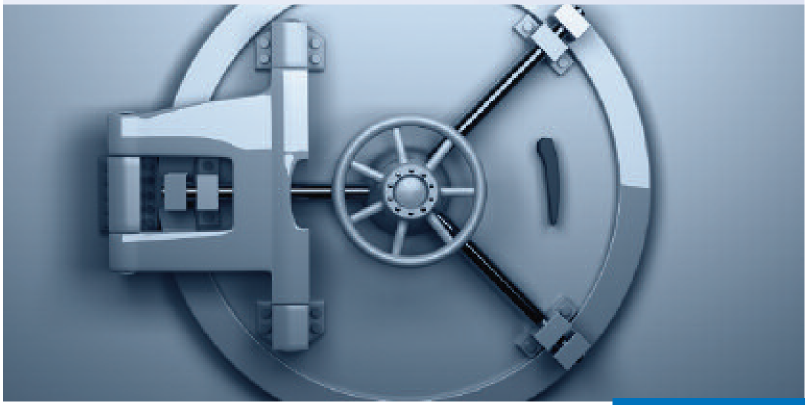
On the whole business results of 2009 are significantly better than the results of 2008 that is primarily due to outstanding results from financial activity. Results from services provided decreased, one of the reasons is that the revenue from Multinet and derivative settlement were divided between KELER and KELER CCP due to outsourcing the central counterparty activity. Consequently a part of the above results in 2009 are shown not in the financials of KELER but in the financials of KELER CCP.

## Results from financial activity, services provided and ordinary activity

**2005-2009, HUF billion**



# 5 treasury







As regards the operation of Treasury 2009 was an outstanding year both from the point of view of business results and dynamic changes and steps forward, organizational and technical developments.

The financial result of Treasury for 2009 is HUF 1,913.9 million that is 59 % more than the planned HUF 1,200.0 million. 2009 was not an easy year as at the beginning of the year the impact of the global economic crisis that started in the autumn of 2008 could still be felt. Both HUF and government securities yields showed long unseen volatilities. By the second half of the year yields improved with international and Hungarian market sentiment and this contributed to a large extent to closing the past year with such an excess over plan.

In 2009 the amount of assets managed by Treasury increased significantly compared to previous years also due to interest rate decisions made during the year. We started to offer our partners individual interest rates for long term deposits. This contributed to increasing liabilities with more than 50 % during the year.

Government securities made up on average 96 % of assets, interbank deposits and genuine repurchase agreements had a share of 3 %. There could be seen a more significant shift in government securities held with shorter terms towards securities with less than one year tenors. The majority of government securities were government bonds with fix interest rates (the amount of credit institution bonds is unchanged and is only HUF 100 million). The duration of the government securities portfolio on average was under two years, the average asset portfolio yield was 8.96 %. The average share of obligatory reserves within the total asset portfolio was 1 %.

In addition to government securities trading in 2009 we strengthened our role in the government securities lending market. By the end of the year our total repo lending turnover reached HUF 788 billion. In order to achieve this we built on technical developments allowing us to expand our clientele in the interbank market and beyond.

In 2009 with the major steps forward Treasury operations could be extended and new deal types were introduced. Hopefully this will allow us to contact new clients and open up towards international markets.

# 6 clearing house and central depository activity



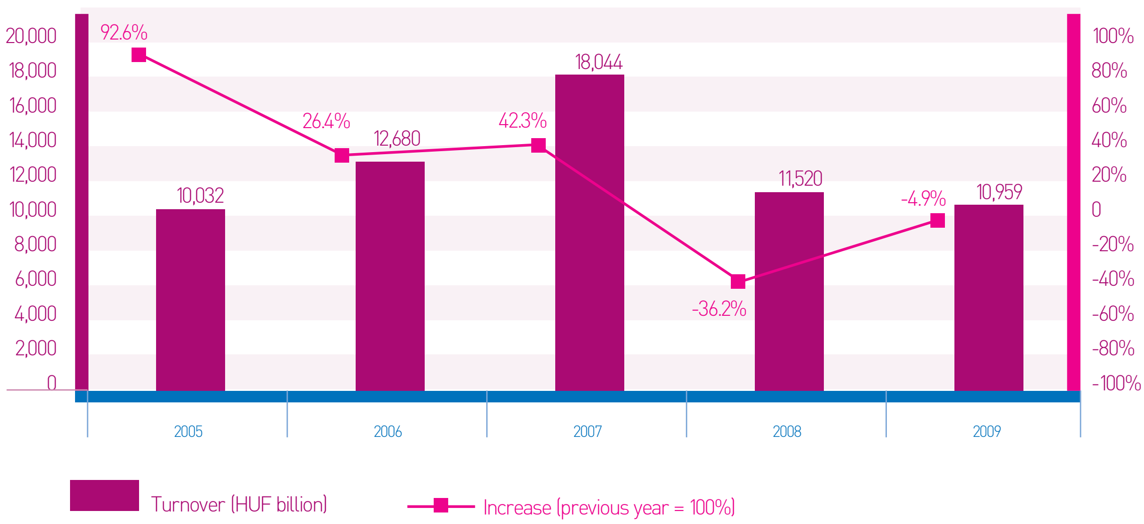


The aggregate cash market turnover of the stock exchange of HUF 5,481.69 billion is a decrease of 5.2 % compared to 2008. Average daily turnover contracted from HUF 23.03 billion in the previous year to HUF 21.83 billion in 2009. The aggregate turnover of equities, a key trading segment of the cash market was HUF 5,138.17 billion in 2009 that is a 3 % decline compared to 2008, thus average daily turnover dropped from HUF 21.05 billion in last year to HUF 20.47 billion in 2009.

Despite shrinking turnover the number of registered stock exchange transactions increased to 3,476,711 from 1,950,035 a year ago, thus the number of transactions increased with 44 % in 2009. The average daily transaction number increased to 13,796 deals from the previous year figure of 7,769 deals.

## BSE cash market equities turnover

**2005-2009, double counted**




| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Turnover* (HUF billion) | 10,032 | 12,680 | 18,044 | 11,520 | 10,959 |
| Number of transactions (thousands) | 1,120 | 1,494 | 1,655 | 1,950 | 3,304 |

* double counted

The aggregate derivative market turnover of HUF 3,698.57 billion shows a decrease of 13 % compared to last year. In the annual turnover equity based products had a share of HUF 1,545.39 billion that is 41.8 %, while financial products made up HUF 2,104.20 billion or 56.8 % of the turnover. At an annual level the turnover of equity based products contracted 23.17 %, while financial product turnover shrank 2.7 %. Commodities turnover amounted to HUF 48.93 billion that is a 34.7 % decline compared to the previous year.

Product type/transaction type in 2009

HUF billion

| | |
|---|---|
| Index based futures | 482.94 |
| Equities futures | 1,062.45 |
| FX futures | 2,040.1 |
| Interest futures | 0 |
| BUX option | 0 |
| Equities option | 0 |
| FX option | 63.21 |
| Commodities futures | 47.65 |
| Commodities options | 0.5 |
| **Total** | **3,696.85** |

Source: BSE statistics 2009

## STOCK EXCHANGE SETTLEMENT

The separation at system level of clearing and settlement on the spot market was a development based on market requirements, as a result of this development we comply with the provisions of the Code of Conduct on Unbundling.

As a result of the development the clearing functionality was concentrated in an independent, spot and derivative market integrated clearing system, thus making it independent from account maintenance systems.

Parallel with the development we standardized cash market default processes. Similarly to cash market stock exchange settlements at the request of our clients we created the opportunity of clearing member own, client, non-clearing member settlement and as a new service the settlement agent was introduced in multinet position settlement.

## OVER-THE-COUNTER SETTLEMENT

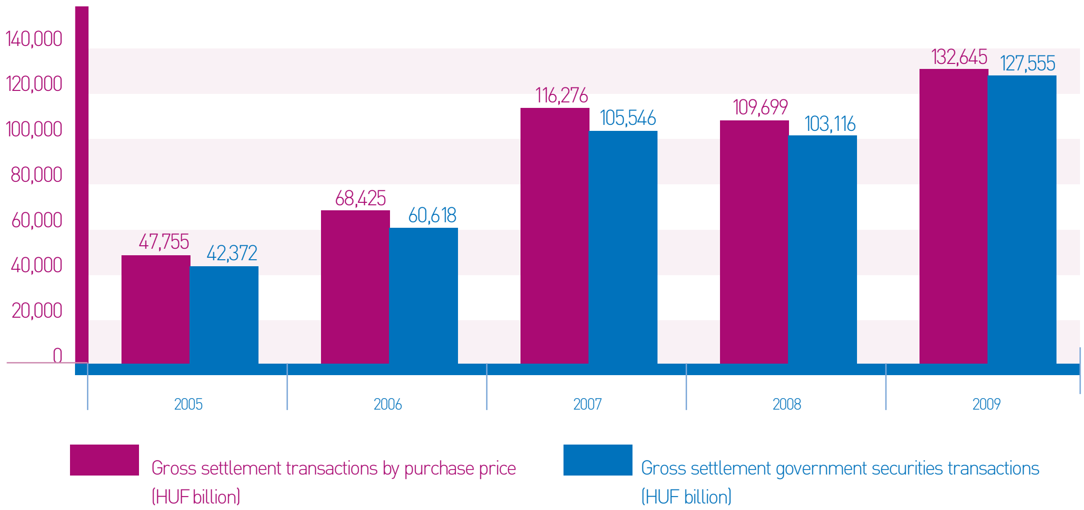
In 2009 the turnover on the market of over-the-counter transactions with gross settlement saw an increase of 21 % from HUF 109,699 billion in the previous year to HUF 132,645 billion in 2009. Government securities had a share of HUF 127,555 billion (72 thousand transactions).

## Number of transactions with gross settlement

**2005-2009, in thousands**


## Turnover of gross settlement transactions

**2005-2009, HUF billion**



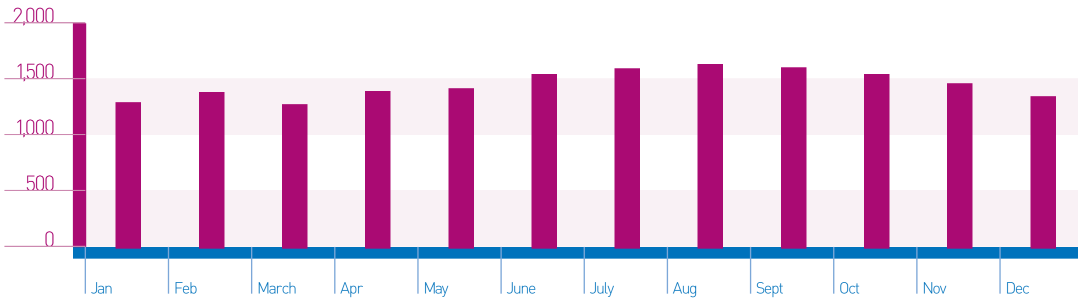

### INTERNATIONAL SETTLEMENTS

The general market and economic crisis in 2009 also had an impact on cross-border transactions. Despite the crisis the number of transactions in 2009 almost reached 10 thousand. The counter value of Euro transactions settled against payment reached EUR 181 billion, while turnover in other currencies exceeded EUR 294 billion.

As regards the settlement of transactions concluded on XETRA through KELER although the number of clients decreased in 2008, turnover increased in 2009 and exceeded 3,000 transactions.

## Monthly portfolio of international securities in 2009 (EUR)

**EUR million**




## CENTRAL DEPOSITORY ACTIVITY

### Management of dematerialized securities

In 2009 the number of dematerialized securities increased with 14 % (313 series).

In addition to creating 665 new securities series, KELER completed 829 other dematerialized securities related services (additional issue, partial cancellation, change of document, conversion of securities, cancellation) at the request of issuers (altogether 1494 demat event).

## Volume of securities kept in KELER

**31 December, 2009.**

| Securities type | Physical securities (thousand pieces) | Face value (HUF billion) | Number of dematerialized securities series | Face value (HUF billion) | Total face value (HUF billion) |
|---|---|---|---|---|---|
| Equities | 878 | 182 | 1,384 | 2,245 | **2,427** |
| Government securities | 0 | 0 | 108 | 14,467 | **14,467** |
| Other securities | 1 | 1 | 1,057 | 3,751 | **3,752** |
| **Total** | **879** | **183** | **2,549** | **20,463** | **20,646** |

| Non HUF based (thousand pieces) | Physical securities | In foreign currency million securities series | Number of dematerialised | In foreign currency million | In foreign currency total |
|---|---|---|---|---|---|
| USD | 0.1 | 5.53 | 28 | 524.71 | **530.24** |
| EUR | 0 | 0 | 124 | 2,944.68 | **2,944.68** |
| CHF | 0.6 | 0.03 | 246 | 2,342.07 | **2,342.1** |
| PLN | 0 | 0 | 4 | 35.75 | **35.75** |
| CZK | 0 | 0 | 3 | 511.12 | **511.12** |
| BGN | 0 | 0 | 1 | 9.61 | **9.61** |

## Corporate event related information

2005-2009

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Dividend payment | 30 | 35 | 24 | 25 | 15 |
| Yield payment | 0 | 17 | 9 | 17 | 42 |
| Interest payment (maturity) | 202 | 396 | 395 | 464 | 416 |
| Other corporate events | | | | 13 | 15 |
| General meeting | 67 | 145 | 75 | 66 | 60 |
| Updating share registry | 82 | 106 | 110 | 105 | 112 |
| Retrospective shareholders registration | 0 | 4 | 13 | 8 | 14 |

### Issuance of securities codes

In 2009 the number of ISINs issued was 856.

## GENERAL DEPOSITORY ACTIVITY

### Management of physical securities

In line with the decreasing trend of previous years at the end of 2009 the number of physical securities kept in our vault was nearly 6 thousand less than in the previous year (879 thousand pieces).

KELER outsourcing the general depository (custody) activity at the end of 2009 was a major change. ERSTE Bank Nyrt. was selected as the winner from among the institutions invited to make their bids.

# 7 share registry





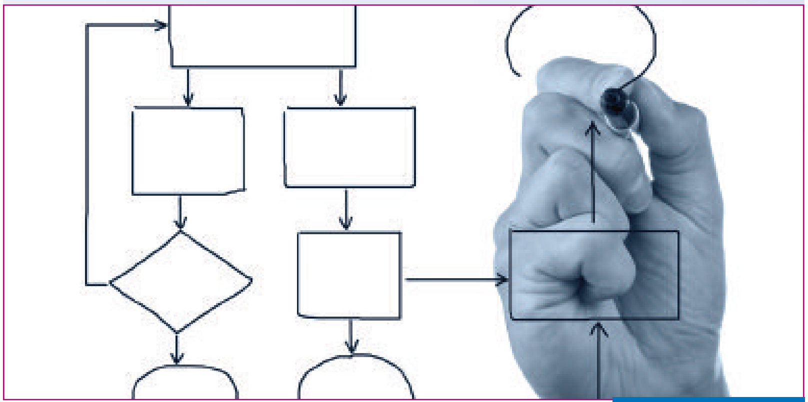
In 2009 the Share Registry Department had to cope with significant organizational and technical changes.

The number of our share registry clients increased with 4 during 2009, thus at the end of the year we had 52 issuer clients. Obviously this customer number includes partners utilizing our services related to dematerialization only and on a case by case basis and is without the few companies that have used other services we provide in addition to services they already use.

In addition to share registry our partners used services such as cooperation in dividend or interest payment and the organization of general meetings, the basis of which services in the majority of cases is the mandate given to KELER for the management of share registry.

Due to the modernization of the closed share registry IT system of KELER, from 2009 issuers are advised on the content of the share registry in closed system, in printed form or electronically, with the frequency defined in the service agreement.

# 8 projects of high priority





The following projects of high priority had an influence on KELER's operation in 2009.

## SEPARATION OF THE CLEARING SYSTEM

The goal of the project was to separate clearing and settlement at system level. As a result an integrated cash and derivative market clearing system was established on the one hand and the foundation of a pure account management system was created on the other. During the development all functions were integrated in a single clearing module. KELER CCP introduced a standard guarantee system on cash and derivative markets and simplified default processes. The clearing system thus formed is in compliance with the provisions of the Code of Conduct on Unbundling, that is with the rule on system level separation.

## VIRTUALIZATION

This project was aimed at up-dating and transforming IT infrastructure so that KELER has an IT system that is easier to operate than the previous system, scalable and provides cost efficient support to business processes.

## ASSESSMENT OF PROCESSES

A process focused operation will improve process efficiency and will enable us to optimize and make more efficient the operation of KELER.

The results of the process assessment project were entered in a standard joint model warehouse. From the business side process assessment concentrated on cash, FX and securities account management and paved the way for longer term development plans.

## HUNGARIAN NATURAL GAS MARKET PROJECT

KELER and KELER CCP Ltd. as subcontractor submitted a bid to the public procurement announced by Földgázszállító Ltd. (FGSZ) in May for the settlement of the Daily Natural Gas and Capacity Trading Market. The KELER Group was announced winner of the procurement and KELER concluded an agreement with FGSZ on 8 October, 2009. The KELER Group will provide account maintenance, clearing, guarantee and settlement services to the players of the natural gas market operated by FGSZ. In order to prepare for this new market KELER launched a project in 2009 to create the settlement, regulatory, technical, infrastructural and operational conditions of gas market settlement and to launch the service for new customers. The new market will start on 1 July, 2010.

## BUILDING RENOVATION

The renovation of the office building of KELER started at the end of 2008. During the renovation in 2009 the premises of client services and on the ground floor were fully renewed, offices and meeting rooms were redesigned.

# 9 additional service developments





Business and IT developments in 2009 were completed in line with the Annual Development and Investment Plan of KELER. In 2009 KELER finalized three major business version updates.

## INTERNET BASED SERVICES

With this development we created the foundation of services that can be used by issuers on the Internet. With Internet based services our goal is to provide client focused and cost efficient services so that services such as ISIN requests and the generation of dematerialized securities can be requested electronically in a convenient and time efficient manner and without personal contact.

## MODERNIZATION OF THE SHARE REGISTRY SYSTEM

With the modernization of our share registry system the data of companies with securities accounts kept by KELER can be reported to the entity managing the share registry. The development was required by section 202 (4) of the Act on business associations as the institutions managing securities accounts are obliged to report data stated in section 202 (1) of the same act to the institution managing the share registry within two business days of crediting the equities to the securities account. Individual hard copy registration requests currently submitted by institutions managing accounts are made electronic so that they can be submitted in KID in the future.

## KID AND STP KID CLIENT REQUESTS

In line with client requests received we developed certain functions of KID and STP KID. One of the results of this development is that several users can connect at the same time to the KELER system, data displayed on the queue screen were extended with business information, functions to reuse packages and new queries were introduced and certain functions of KID were accelerated.

## GROSS SETTLEMENTS

In the wake of client and internal requests a development was completed to enable search for the identifier of (any) messages on the VIBER screen. In line with client requests an additional development was undertaken to extend matching conditions of transfer items submitted from client terminals (KID) if the transferring sub account is given.

## MODERNIZATION OF THE DERIVATIVE SYSTEM

The modernization of the derivative system started in 2008 was completed in the first quarter of 2009. The modernization created the IT background to separate it from the clearing system and allowed significant acceleration of the processes of the current stock exchange closing. As a result of the more efficient closing processes better services are provided to our customers involved in stock exchange settlement.

## PAYING AGENCY

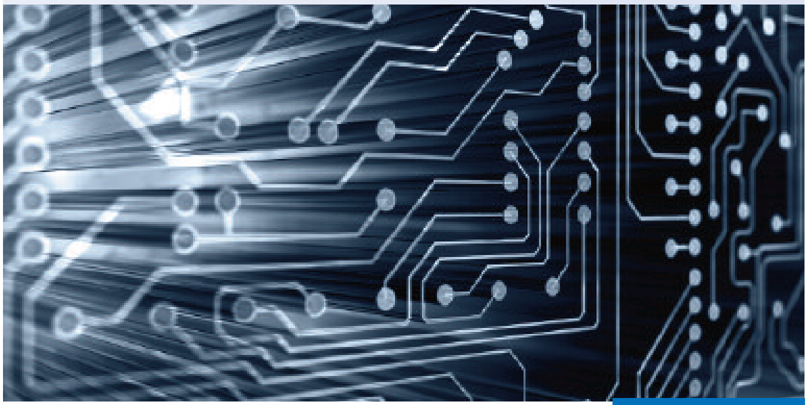
As a result of the development KELER is able to execute interest payments, capital repayments and payments on maturity of debt securities with HUF payments via VIBER by debiting the cash account of the issuer and crediting the cash account of custodians in line with payment instructions. This service was utilized first by ÁKK for payments related to government securities.

## MODERNIZATION OF THE TREASURY SYSTEM

In addition to modernizing existing functions new business functions were introduced (e.g. FX). Technical developments included among others the installation of Trasset version 10g that helps compatibility with Reuters Dealing System and automated trade display. With the new version KELER could create foreign exchange rates quoted for clients, thus an opportunity is created to introduce new deal types and produce additional profits.

During the year the ViberDeskPro system was installed, this system allows checking of credit and debit entries on the HUF account of KELER any time during the day. Due to this system daily liquidity management became flexible and easier to plan.

# 10 information technology







Similarly to past years 2009 was a period when a number of tasks had to be solved by IT.

We completed tasks in line with the accepted IT strategy and in 2009 we focused on strengthening the basics of operation and being client oriented. We also improved cost efficiency.

As a result of developments and with the replacement of the earlier technology, the IT infrastructure of KELER was put on virtual foundations. Consequently increased availability is guaranteed and in an eventual Disaster Recovery situation we can react faster than the industry average and can ensure undisturbed operation from our secondary data center.

In 2009 the availability of our systems at KELER and KELER CCP jointly was 99.92 %.

Portfolio and application development methodologies were fine tuned and development quality improved. Additionally we reviewed our test methodology and a new support tool was acquired to prepare test scenarios and manage implementation. Furthermore in 2010 we plan to complete testing and automate the assessment of results.

We plan to change from a reactive operation to a preventative one. In the future we will build on the capabilities of the tool monitoring our systems to guarantee the continuous operation required.

# 11 risk management





In compliance with the comprehensive counterparty qualification reform accepted by the Board of Directors in 2009 we completed the fine tuning of the credit institution qualification system. As a result of the modification we specified a part of objective ratios and completely changed the subjective assessment. Following the objective and subjective assessment our credit institution counterparties are put in any of the 9 newly formed qualification categories. The reform did not cover the qualification of investment firms and participations. Parallel with the modification of the qualification system the Client and counterparty qualification procedure and the Treasury limit system procedure were modified.

## COUNTERPARTY RISKS

### Treasury, bank rating

In 2009 in cooperation with Treasury Risk Management created the risk management conditions of Treasury taking over responsibility for foreign exchange conversions from the Account Management Department and that Treasury can conclude FX swap deals later. In the past year we reviewed our limit system: on the one part current limits were changed and on the other we managed the introduction of new deal types.

As regards bank rating we completed the rating of the counterparties of Treasury based on audited quarterly and annual data and made a proposal to the Asset and Liabilities Management Committee on counterparty risks that can be taken.

## OPERATIONAL RISK MANAGEMENT

On 1 January, 2009 the operational risk management system went live in KELER. The system guarantees compliance with the provisions of Section 13/C (3) e) of the Hpt. according to which all credit institutions are obliged to have procedures to measure and manage operational risks.

The goal of the system is to ensure that KELER is continuously aware of its own risks, monitors and as far as possible reduces them, additionally that it collects data on past losses and makes expert estimates on rarely occurring potential events resulting in huge losses.

Contact persons were designated within each organizational units to map, consider and monitor risks. The Operational Risk Committee held quarterly meetings and discussed actual loss data and actual operational risks. Where it was necessary and possible it took measures to mitigate and prevent risks and monitored the implementation of the measures taken.

In 2009 KELER defined the second pillar capital requirement of operational risk not exclusively pursuant to risk self-assessment but a hybrid methodology was followed to consider already occurred and registered loss events also.

# 12 marketing and customer relations





Marketing and Customer Relations organized several events of great importance in 2009 and completed a client survey to find out the comments, opinion and suggestions of clients related to the development of services of KELER.

### CSD10 CONFERENCE BUDAPEST – 20-22 MAY, 2009

We felt deeply honored by the request of the ECSDA (European Central Securities Depositories Association) to host the 10th global conference of central depositories in Budapest on 20-22 May, 2010. In the past two decades heads of depositories from all over the world meet bi-annually. CSD 10, a jubilee event was cosponsored by the ECSDA and KELER. At the conference 140 senior managers from more than 50 countries visited Budapest and the event was a great success.

### CLIENT SATISFACTION SURVEY

Two years ago in April 2007 we completed a client satisfaction survey. Based on positive experience after two years the survey was repeated with more topics covered and an extended target market and requested our counterparties and clients to share with us their experience, view and eventual critical remarks gained and formed during their work.

Based on the results of the survey we finalized an action plan that we rely on to map out opportunities and develop our processes in line with requests and suggestions that can be realized.

### CUSTODIAN FORUM

On 16 January, 2009 the Custodian Forum organized by KELER kept its first meeting. The purpose of launching the Forum was to establish an organization that on the one hand formalizes the representation of interests of the custodian market and keeping contact with KELER and on the other serves as a primary consultation forum with regard to the most important issues that are of interest to the custodian market, the market players and KELER. The Forum convened on two more occasions in 2009 on 27 March and 13 October.

### INTERNATIONAL RELATIONS

KELER holds membership in several international organizations. KELER is a member of ECSDA (European Central Securities Depositories Association) where Mr. György Dudás, Chief Executive Officer of KELER Ltd. is Vice Chairman. Due to its distinguished role within ECSDA KELER is continuously involved in drafting and reviewing operational and regulatory changes taking place in Europe and with an influence on Hungary.

The internal policies developed and maintained by ANNA (Association of National Numbering Agencies) allow members of the Association, among them KELER, to apply in a uniform manner the general rules on ISIN creation, modification and cancellation.

Furthermore KELER is a member of AFM (Association of Futures Markets) that plays a key role in the global market of futures transactions (futures, options) and aims to promote the integration of newly established derivative exchanges, broker companies in developing markets and the participation of other markets in the global futures market.

# 13 human resources



The year 2009 was the period of operating processes and completing tasks that support the human resources strategy defined earlier by the management of KELER.

Due to changes business performance became increasingly the focus of the performance management system review. Therefore performance goals are becoming more important related to competence goals in the new system. Management achieved goal oriented activity by all staff members by putting an increased emphasis on these elements.

This year KELER helped employees development by internal and external professional trainings. Management supported competence development with trainings held on time management, efficient communication, assertiveness and conflict management.

With the launch and efficient operation of the above measures KELER became able to better plan and develop human resources requirements that contributes to KELER having the human resources necessary to achieve strategic objectives

## ORGANIZATIONAL CHANGES

The year 2009 brought a number of restrictions in the field of human resources for KELER, too.

- The position of Deputy Director of Depository was terminated and the Partner and Product Information Department and the Demat Department were merged.
- The IT Infrastructure Development Department within the IT Directorate ceased to exist, tasks were transferred to the IT Development Department.
- The position of Deputy IT Director was terminated, as a result the IT Director became responsible for all activities related to IT.
- With the approval of the Supervisory Board from October 2009 the IT Internal Auditor activity requiring special expertise was outsourced to an external consultant company.
- Depository activity was outsourced, the Depository Group.
- From 2009 the Compliance function was outsourced. Therefore the compliance officer is no longer an employee of KELER but completes its activity based on an agreement.

# 14 internal audit



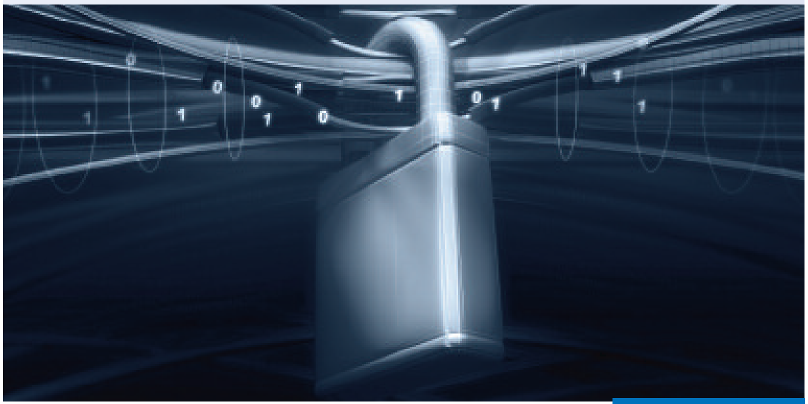


Internal Audit completed its activities in 2009 also in line with the annual work schedule approved by the Supervisory Board and based on risk assessment and risk analysis and the prevailing operating procedure on Internal Audit.

When defining areas to be covered the review of activities, processes and controls with inherent risks and high priority was considered an essential aspect. Internal Audit also acts as an obligatory reviewer of new or to be modified regulatory documents.

During the audits completed Internal Audit paid special attention to checking compliance with legal and internal regulations, the operation of controls and meeting security aspects. We also checked in follow-up audits the implementation of measures taken and recommendations made to remediate discrepancies identified in earlier audits. In order to increase efficiency the general and issue specific audits followed-up on the implementation of measures recommended in earlier reports on the same topic or area covered.

# 15 security management





In 2009 the entire regulatory environment was reviewed and the Board of Directors accepted the new Security Policy of KELER and Management approved the Security Strategy for the period 2009-2011.

The latter was based on security risk assessment and the lessons learnt from the ethic hacking (penetration test) concluded in May and June.

The test helped us form an objective view on the IT and physical security status of KELER and as a reaction to this (as part of a number of other measures) during the summer we held trainings to increase security awareness. As part of the renovation of premises physical security tools were modernized and a card entrance system was introduced. The consolidation plan of the log analyzing system was completed and reviews were started.

As part of BCP-DRP planning KELER completed a successful recovery site test in 2009 also.

# 16 Code of Conduct



Institutions represented by ECSDA (European Central Depositories Association), FESE (Federation of European Securities Exchanges) and EACH (European Association of Central Counterparty Clearing Houses), among them KELER Ltd. and KELER CCP Ltd. signed the Code of Conduct for Clearing and Settlement to support the integration of the European capital market.

With the execution of the Code of Conduct KELER and KELER CCP voluntarily undertook to comply with the provisions therein, the main points of which are as follows:

1. Price Transparency

2. Access & Interoperability

3. Unbundling & Accounting Separation

In line with requirements in April 2009 KELER finalized the General Implementation Report that covers the main measures taken in the interest of compliance and the self-assessment reports completed in the interest of price transparency, access and interoperability. The General Implementation Report was sent to the appropriate organizations (ECSDA and EACH) and for information to the Hungarian Financial Supervisory Authority.

In line with the requirements of the Code of Conduct KELER is to evaluate annually in the so-called Self-Assessment Report the level of compliance with the undertakings regarding unbundling and accounting separation and the Report is to be audited by an independent auditor.

In line with regulations as a result of the officially announced and completed tender by KELER and KELER CCP the auditor selected is KPMG Hungária Ltd. (hereinafter: KPMG).

KELER completed a self-assessment in May 2009 regarding the year 2008 to measure the extent of compliance with the requirements on unbundling and accounting separation.

The report concluded confirms that except for two areas KELER complies with the provisions of the Code.

In 2009 KELER completed both tasks, thus by the end of the year KELER fully complied with the provisions of the Code:

- Separation of central counterparty (CCP) and central securities depository (CSD) functionalities: KELER CCP Ltd. (independent company to act as CCP) started operation on 1 January, 20009. Thus KELER (CSD) separated central counterparty and depository services to comply with the provisions of the Code.
- Separation of clearing and settlement services: in 2009 KELER launched a project as a result of which within KELER clearing and settlement services were separated and thus customers can use clearing and settlement services separately.

# 17 report by the supervisory board of KELER on the year 2009






Report by the Supervisory Board of KELER Ltd. on the subject pursuant to Act C of 2000 on Accounting

The Supervisory Board held 5 meetings in 2009 and on one occasion passed decisions in writing out of session.

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

In the course of 2008, among others, comprehensive reviews on the operation of the Share Registry Department, the Securities Information Department, the Partner and Product Information Group were completed and the supplier and service agreements concluded by KELER, the securities portfolio management of Treasury and the Treasury limit system were reviewed. As part of the IT audit work schedule IT operations and IT development processes were reviewed in 2009. Additionally during the year the Supervisory Board discussed reports on the implementation of earlier approved audit reports and the supervisory authority action plans. The Internal Audit reports and related action plans discussed by the Supervisory Board contained discrepancies discovered during the audit and the measures recommended to remediate the discrepancies and responsible persons and defined the deadline to implement the measures. The follow-up reports informed the members of the Supervisory Board on the execution of such tasks.

Based on reports by management the Supervisory Board of KELER Ltd. continuously monitored the execution of measures required to be taken as a result of Internal Audit reports.

In the second half of the year, based on recommendation by the Chief Executive Officer and the head of Internal Audit, the Supervisory Board decided to terminate the IT Internal Audit position that had became vacant and mandate an external consultant with the IT audit tasks in the future. Due to this change the Supervisory Board approved the modification to this effect of the Internal Audit System procedure of KELER Ltd.

The Supervisory Board of KELER Ltd. consented to the execution of the cooperation agreement between the National Bank of Hungary and KELER Ltd.

The Supervisory Board monitored the public tender announced to select an auditor and made a recommendation to the general meeting of KELER Ltd. on the auditor of the KELER Group for the period 2009-2011.

Similarly to our last year practice tasks defined in the risk assessment and analysis methodology were completed before the Internal Audit work schedule was formed for the year 2010, which ensures that the activities and processes with highest inherent risks are in the focus of Internal Audit reviews.

In the interest of continuously monitoring risks impacting the business results of KELER Ltd. the Supervisory Board discussed at its meetings the quarterly reports by Internal Audit on the information related to the measurement of operational risks and the minutes on the meetings of the Operational Risk Committee.

The Supervisory Board was advised in a report on the activity of the Compliance Officer in 2008 and the work schedule of the Compliance Officer for the year 2009.

The Supervisory Board regularly discussed at its meetings the periodic reports on the operation and business results of KELER Ltd. The impact of the economic crisis could be felt most in the first quarter results of year 2009 of the KELER Group. From the second quarter account management revenues continuously increased and the exceptionally high cash market turnover resulted in significant additional revenue in the second and third quarters.

Based on Internal Audit reports and follow-up reports and other materials discussed the Supervisory Board declares that throughout the operation of KELER processes are regulated, management is in order, the Board of Directors and the Management of the Company make continuous efforts to maintain secure operation at a high level.

When establishing 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 and capital markets. The Supervisory Board is convinced that similarly to earlier periods KELER Ltd. has all personal and material conditions to meet the challenges of forthcoming years.

The capital structure of KELER Ltd. continues to provide great security to the players of the money and capital markets using the services of the Company. Furthermore we are convinced that the infrastructure necessary to provide quality services of high level is at the disposal of KELER Ltd.

The Supervisory Board found that the Management of the Company used financial sources entrusted to the Management with due care. The Supervisory Board reviewed financial statements of the Company and studied the report by the auditors. Accordingly the Supervisory Board makes a proposal to the General Meeting to accept the regular financial statement of KELER Ltd. for the year 2009 with total assets/liabilities of HUF 52,048,158 thousand and a net result of HUF 1,546,574 thousand.

Budapest, 29 April, 2010

**Attila Tóth**
Chairman of the Supervisory Board

18

CENTRAL CLEARING HOUSE
AND DEPOSITORY (BUDAPEST) LTD.

# Consolidated Financial Statements and Independent Auditor's Report

for the year ended 31 December 2009

# report by the independent auditor



KPMG Hungária Kft.
Váci út 99.
H-1139 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

## Independent Auditor's Report

To the shareholdes of Központi Elszámolóház és Értéktár (Budapest) Zrt.

We have audited the accompanying 2009 consolidated financial statements of Központi Elszámolóház és Értéktár (Budapest) Zrt. (hereinafter referred to as "the Company"), which comprise the consolidated statement of financial position as at 31 December 2009, which shows total assets of MHUF 52,767, the consolidated statement of comprehensive income, which shows profit for the year of MHUF 2,575, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated financial statements.

The 2008 annual report of the Company was audited by another auditor, who issued an unqualified opinion in its Auditor's Report dated 27 February 2009.

We conducted our audit in accordance with the Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work with respect to the consolidated business report was limited to the assessment of the consistency of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

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

*Opinion*

We have audited the consolidated financial statements of Központi Elszámolóház és Értéktár (Budapest) Zrt., its components and elements and their documentary support in accordance with Hungarian National Standards on Auditing and gained sufficient and appropriate evidence that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Központi Elszámolóház és Értéktár (Budapest) Zrt. and its consolidated subsidiaries as of 31 December 2009, and of their consolidated financial performance and of the consolidated result of their operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU. The consolidated business report is consistent with the disclosures in the consolidated annual financial statements.

Budapest, 28 April 2010

KPMG Hungária Kft.
Chamber registration number: 000202

Gábor Agócs
*Partner, Registered Auditor*
Identification number: 005600

# Consolidated statement of financial position as at 31 December 2009

all amounts in MHUF, unless stated otherwise

| | | 31. 12. 2009. | 31. 12. 2008. |
|---|---|---|---|
| Cash and cash equivalents | 5 | 363 | 121 |
| Placements with other banks | 5 | 4,727 | 3,013 |
| Financial assets at fair value through profit and loss | 6 | 44,028 | 28,864 |
| Receivables relating to clearing and depository activities | 7 | 443 | 367 |
| Accrued interest receivables | | 781 | 815 |
| Other investments | 8 | 20 | 20 |
| Held-to-maturity securities | 9 | 100 | 100 |
| Intangible assets | 11 | 1,438 | 1,439 |
| Property, plant and equipment | 12 | 590 | 562 |
| Current tax assets | | 64 | 391 |
| Other assets | 10 | 213 | 347 |
| **TOTAL ASSETS** | | **52,767** | **36,039** |
| | | | |
| Placement and loans from other banks | 13 | 25,566 | 11,534 |
| Deposits from customers | 14 | 9,387 | 9,467 |
| Accrued interest payable | | 143 | 145 |
| Current tax liabilities | | 59 | 0 |
| Deferred tax liabilities | 22 | 182 | 32 |
| Other liabilities | 15 | 645 | 651 |
| **TOTAL LIABILITIES** | | **35,982** | **21,829** |
| | | | |
| Share capital | 16 | 4,500 | 4,500 |
| Retained earnings | | 11,010 | 8,658 |
| Statutory reserves | 17 | 1,245 | 1,039 |
| Minority interest | | 30 | 13 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **16,785** | **14,210** |
| | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **52,767** | **36,039** |

# consolidated statement of comprehensive income





## Consolidated statement of Comprehensive income for the year ended 31 December 2009

all amounts in MHUF, unless stated otherwise

| | | 01. 01. 2009. - 31. 12. 2009. | 01. 01. 2008. - 31. 12. 2008. |
|---|---|---|---|
| Income from clearing and depository activity | 18 | 4,429 | 4,263 |
| | | | |
| Interest income | 19 | 2,642 | 2,210 |
| Interest expense | 19 | (1,275) | (702) |
| **Net interest income** | | **1,367** | **1,508** |
| | | | |
| Other operating income | | 167 | 81 |
| | | | |
| Fees and commissions expenses | | (286) | (249) |
| Gains and loss on securities, net | | 1,341 | (202) |
| Personnel expenses | 20 | (1,556) | (1,536) |
| Depreciation and amortization | | (724) | (620) |
| Other expenses | 21 | (1,565) | (1 ,666) |
| Other operating expenses | | (2,790) | (4,273) |
| | | | |
| **PROFIT BEFORE INCOME TAX** | | **3,173** | **1,578** |
| | | | |
| Taxation | 22 | (598) | (248) |
| | | | |
| **NET PROFIT FOR THE YEAR** | | **2,575** | **1,330** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **2,575** | **1,330** |
| | | | |
| **NET PROFIT ATTRIBTABLE TO:** | | | |
| Shareholders of the Company | | 2,558 | 1,330 |
| Non-controlling interest | | 17 | |
| **NET PROFIT FOR THE YEAR** | | **2,575** | **1,330** |
| | | | |
| **TOTAL COMPREHENSIVE INCOME ATTRIBTABLE TO:** | | | |
| Shareholders of the Company | | 2,558 | 1,330 |
| Non-controlling interest | | 17 | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **2,575** | **1,330** |

# consolidated statement of changes in equity





## Consolidated statement of changes in equity for the year ended 31 December 2009

all amounts in MHUF, unless stated otherwise

| | Share capital | Retained Earnings | Reserves | Minority Interest | Total |
|---|---|---|---|---|---|
| **Balance as of 1 January 2008** | **4,500** | **9,559** | **898** | **-** | **14,957** |
| Total comprehensive income for the year | - | 1,330 | - | - | 1,330 |
| Dividends paid | - | (2,090) | - | - | (2,090) |
| Statutory reserves | - | (141) | 141 | - | - |
| Minority interest | - | - | - | 13 | 13 |
| **Balance as of 1 January 2009** | **4,500** | **8,658** | **1,039** | **13** | **14,210** |
| Total comprehensive income for the year | - | 2,558 | - | 17 | 2,575 |
| Statutory reserves | - | (206) | 206 | - | - |
| **Balance as of 31 December 2009** | **4,500** | **11,010** | **1,245** | **30** | **16,785** |

# consolidated statement of cash flows

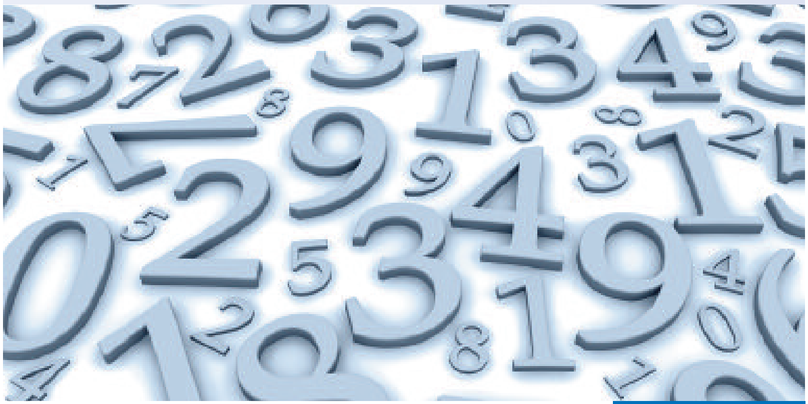




## Consolidated statement of cash flows for the year ended 31 December 2009

all amounts in MHUF, unless stated otherwise

| | 01. 01. 2009. - 31. 12. 2009. | 01. 01. 2008. - 31. 12. 2008. |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| | | |
| **Income before income taxes** | **2,575** | **1,330** |
| | | |
| Adjustments to reconcile income before income taxes to net cash provided by operating activities: | | |
| Income Taxes | 742 | 248 |
| Depreciation and amortization | 724 | 620 |
| Unrealised (gains) / losses on fair value adjustment on financial assets at fair value through Income Statement | (886) | (111) |
| | | |
| Changes in operating assets and liabilities | | |
| Net (increase) / decrease in financial assets at fair value through Income Statement | (14,279) | (609) |
| Net (increase) / decrease in Receivables relating to clearing and depository activities | (76) | - |
| Net (increase) / decrease in other assets | 134 | - |
| Net (increase) / decrease in accrued interest receivables | 34 | (287) |
| Net increase / (decrease) in accrued interest payable | 2 | 99 |
| Net increase / (decrease) in other liabilities | 204 | 272 |
| Income Taxes paid | (421) | (402) |
| | | |
| **Net cash used in operating activities** | **(11,245)** | **(170)** |
| | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| | | |
| Net (increase) / decrease in placements with other banks, net of allowance for placement losses | (1,381) | 1,816 |
| Net (increase) / decrease in associates and other investments | - | (1) |
| Net (increase) / decrease in securities held-to-maturity | - | (323) |
| Net additions to premises, equipments and intangible assets | (751) | (869) |
| | | |
| **Net cash used in investing activities** | **(2,133)** | **623** |
| | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| | | |
| Net increase / (decrease) in due to banks and deposits from the National Bank of Hungary and other banks | 14,032 | 7,454 |
| Net increase / (decrease) in deposits from customers | (80) | (9,944) |
| Net increase / (decrease) in the compulsory reserve established by the National Bank of Hungary | (332) | 780 |
| Dividends paid | - | (2,090) |
| | | |
| **Net cash flow from financing activities** | **13,620** | **(3,800)** |
| | | |
| **Net increase / (decrease) in cash and cash equivalents** | **242** | **(2,017)** |
| | | |
| Cash and cash equivalents at the beginning of the year | 121 | 2,138 |
| | | |
| Cash and cash equivalents at the end of the year | 363 | 121 |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | **242** | **(2,017)** |







Notes to Consolidated Financial Statements

For the year ended 31 December 2009 (All amounts in MHUF, unless stated otherwise)

## NOTE 1: GENERAL

Central Clearing House and Depository (Budapest) Ltd. ("the Company" or "KELER") is a limited company incorporated under the laws of the Republic of Hungary on 12 October 1993. The official address of the company: 1075 Budapest, Asbóth utca 9-11.

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

In accordance with the decision made by the NBH (KELER's majority owner), as a result of the functional separation, the activity of the central contractual party (CCP) was transferred into KELER CCP Ltd., the clearing and settlement functions remained at KELER Ltd.

KELER CCP Ltd. was founded by KELER Ltd. and Budapest Stock Exchange.

KELER CCP Ltd. is a limited liability company according to the Hungarian laws. Registration of the company: 6 June, 2008. Company's seat: H-1075 Budapest, Asbóth str. 9-11.

KELER CCP Ltd.'s owners when established

- KELER Ltd. 74.5%
- Budapest Stock Exchange 25.5%

KELER CCP Ltd.'s owners since 26 February 2009.

- KELER Ltd. 74.5%
- National Bank of Hungary 13.6 %
- Budapest Stock Exchange 11.9%

KELER CCP Ltd. has started its obligate business activity, central counterparty service, as of 1 January 2009. CCP service, provided by KELER CCP Ltd., means guarantee taking on BSE traded cash and derivatives transactions.

From 1st January 2009 the guarantee is not provided by KELER Ltd but by KELER CCP Ltd. The upper limit of the guarantee is set based on the equity of the Group (31. December 2009: equity of KELER CCP and MHUF 12,000)

KELER and KELER CCP (hereinafter the "Group") serve their clients in Hungary.

## NOTE 2: BASIS OF PREPARATION

### a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on 28 April 2010. The financial statements are subject to shareholders' approval on the General Meeting to be held 14 May 2010.

### b) Basis of measurement

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

These consolidated financial statements are presented in million Hungarian Forints ("MHUF")

### c) Functional currency

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

### d) Use of estimates and judgements

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

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

Group's management makes estimates concerning accrued bonuses, which are based on profit of the year and are paid in the following year.

### e) Changes in accounting policies

Effective of 1 January 2009 the Group has changed its accounting policies in the following areas:

- Presentation of financial statement

The group applies revised IAS 1 Presentation of Financial Statement (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard.

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of consolidation

*Subsidiaries*

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

*Associates*

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

*Transactions eliminated during consolidation*

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

*Goodwill*

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

*Negative goodwill*

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

### b) Foreign currency transactions

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

**c) Cash and cash equivalents**

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

**d) Financial assets and financial liabilities**

*Classification*

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

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

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

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

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

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

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

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

*Recognition*

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

*Derecognition*

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

*Measurement*

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

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

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

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

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

*Fair value measurement*

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

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

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

*Amortised cost measurement*

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses.

*Impairment of financial assets*

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

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

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

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

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

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

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

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

**e) Impairment of non-financial assets**

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

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

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

**f) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The rates used by the Group are 14.5% for building improvements, 14.5% for office machines and 33% for office equipment and computers. For software 25% depreciation rate is used on a straight-line basis.

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

**g) Intangible assets**

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

For software 25%, valuable rights and interests 17% depreciation rate is used on a straight-line basis.

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

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

### i) Revenue recognition

- Fee revenue

The Group receives revenue for its clearing and depository activities, such revenue is recognized when these services are performed.

- Interest income

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

- Dividends

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

### j) Income taxes

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

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

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

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

### k) 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.

### l) Statutory reserves

*i) General reserve*

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

*ii) General risk reserve*

Under Section 87 of Act No. CXII of 1996, a general risk reserve of maximum 1.25% of the risk weighted assets may be made. The general risk reserve is treated as appropriations against retained earnings.

**m) Hedging**

The Group is not engaged in any hedging activity.

**a) Statement of cash flows**

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

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

**b) Events after the balance sheet date**

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

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

## NOTE4: FINANCIAL RISK MANAGEMENT

As on 31 December 2009, 46.6% (31 December 2008: 99%) of the Group's financial assets held for trading portfolio consisted of securities issued by the Hungarian State and 53.4% issued by the National Bank of Hungary. The Group's investment activity is ruled by the Act CXX of 2001 on Capital Market ("Act on Capital Market"), according to which the Group can only invest its liquid assets in securities issued or guaranteed by an EU state or credit institute.

The Group has policies in place to ensure that services are made to customers with an appropriate credit history. Repurchase agreements are limited to high credit quality brokers and financial institutions. Group has policies that limit the amount of credit exposure to any one broker and financial institution. As on 31 December 2009, there was no open repurchase agreement.

The main elements of the Companies counterparty risk management approach are the following:

(i) The performance and financials of members are continuously monitored and the Group constantly monitors bankruptcy. Member banks are rated quarterly based on financial statements and subjective aspects.

(ii) A two-level clearing membership system is operated by the KELER CCP Ltd. on BSE prompt and derivative markets from 1 January 2009. Clearing members have to comply with specified requirements including equity capital criteria.

(iii) A real-time price monitoring system is operated on the prompt- and derivative markets of BSE. KELER CCP Ltd. is entitled to dispose intraday clearing in case price changes exceed certain limits, while KELER Ltd. executes it.

(iv) A multi-level guarantee system is operated on prompt and derivative markets. The elements of the guarantee system are: individual collaterals and collective guarantee elements.

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

The collective guarantee elements are the following: collective guarantee funds for both derivative and prompt markets.

(v) A capital position limit is set for clearing members, which is monitored.

**Credit risk management**

The most significant credit risk of the Group is in the KELER CCP Ltd., according to the clearing membership. You can find the main elements of its risk management above. KELER Ltd. faces with credit risk because of its fee claims to clients and the exposures against the Treasury partners. KELER Ltd. manages credit risk through the Treasury limit system, which main elements are: partner limit, partner group limit, pre-settlement and settlement limit.

**Foreign currency risk management**

There have been no significant differences in daily portfolios of assets and liabilities denominated in foreign currency during the financial year 2009 and 2008. The majority of assets and liabilities denominated in foreign currency are composed by cash accounts for foreign currency owned by customers; the amounts on cash accounts for foreign currency owned by Group are relatively low compared to total balances. Due to this the Group does not have significant exposure to foreign currency risk.

The actually opened foreign currency positions are investigated by Group exclusively to self-owned foreign currency portfolios, considering the fact that foreign currency portfolios owned by customers do not generate foreign currency risk exposure to Group, because the conversions of foreign currencies can be performed only upon customers' requests, therefore the customers run the total foreign currency risk arising from conversions.

Foreign currency denominated assets amounted to HUF 4,632 million and HUF 2,997 million, while the foreign currency denominated liabilities amounted to HUF 4,537 million and HUF 2,807 million as on 31 December 2009 and 31 December 2008, respectively. Considering the own net foreign currency position during the investigated period Group was every time in long position, the portfolio fluctuated around the average amount of 152 HUF million in a medium compass (standard deviation: 47.96%) and the composition of balances was affected by no significant change.

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

31 December 2009

| FX | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | in FX | In HUF mn | in FX | In HUF mn | in FX | In HUF mn |
| AUD | 54,519 | 9 | 953 | 0 | 53,566 | 9 |
| CAD | 87,373 | 16 | 50,678 | 9 | 36,695 | 7 |
| CHF | 97,991 | 18 | 53,272 | 10 | 44,719 | 8 |
| CZK | 6,823,132 | 70 | 6,468,864 | 66 | 354,268 | 4 |
| EUR | 6,699,694 | 1,815 | 6,628,927 | 1,795 | 70,767 | 20 |
| GBP | 174,847 | 53 | 133,119 | 40 | 41,728 | 13 |
| HKD | 114,099 | 3 | 114,099 | 3 | 0 | 0 |
| HRK | 0 | 0 | 0 | 0 | 0 | 0 |
| HUF | 3,620,900 | 4 | 3,526,176 | 4 | 94,724 | 0 |
| JPY | 4,162,838 | 8 | 1,614,947 | 3 | 2,547,891 | 5 |
| NOK | 149,230 | 5 | 46,000 | 2 | 103,230 | 3 |
| NZD | 0 | 0 | 0 | 0 | 0 | 0 |
| PLN | 6,671,188 | 440 | 6,604,571 | 435 | 66,617 | 4 |
| RON | 6,000 | 0 | 6,000 | 0 | 0 | 0 |
| SEK | 241,893 | 6 | 170,753 | 5 | 71,140 | 2 |
| SKK | 0 | 0 | 0 | 0 | 0 | 0 |
| TRY | 5,800 | 1 | 2,900 | 0 | 2,900 | 0 |
| USD | 11,620,437 | 2,185 | 11,533,207 | 2,165 | 87,230 | 20 |
| **Total** | | **4,632** | | **4,537** | | **95** |

31 December 2008

| FX | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | in FX | In HUF mn | in FX | In HUF mn | in FX | In HUF mn |
| AUD | 74,106 | 10 | 20,550 | 3 | 53,556 | 7 |
| CAD | 68,935 | 11 | 44,755 | 7 | 24,180 | 4 |
| CHF | 124,396 | 22 | 90,787 | 16 | 33,609 | 6 |
| CZK | 1,973,385 | 20 | 1,635,267 | 16 | 338,118 | 4 |
| EUR | 5,490,289 | 1 454 | 5,160,065 | 1 366 | 330,224 | 88 |
| GBP | 162,401 | 44 | 118,158 | 32 | 44,244 | 12 |
| HKD | 17,923 | 0 | 17,923 | 1 | 0 | -1 |
| HRK | 0 | 0 | 0 | 0 | 0 | 0 |
| HUF | 294,341,430 | 294 | 294,246,707 | 294 | 94,723 | 0 |
| JPY | 5,075,598 | 11 | 1,609,907 | 3 | 3,465,691 | 8 |
| NOK | 149,230 | 4 | 46,000 | 1 | 103,230 | 3 |
| NZD | 0 | 0 | 0 | 0 | 0 | 0 |
| PLN | 324,045 | 21 | 230,529 | 15 | 93,517 | 6 |
| RON | 6,000 | 0 | 6,000 | 0 | 0 | 0 |
| SEK | 143,359 | 3 | 104,279 | 3 | 39,080 | 0 |
| SKK | 0 | 0 | 0 | 0 | 0 | 0 |
| TRY | 7,377 | 1 | 4,477 | 1 | 2,900 | 0 |
| USD | 5,864,794 | 1,102 | 5,583,645 | 1,049 | 281,148 | 53 |
| **Total** | | **2,997** | | **2,807** | | **190** |

Maturity analysis of assets and liabilities and liquidity risk

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

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

| **As on 31 December, 2009** | **Within 3 months** | **Within one year and over 3 months** | **Within 5 years and over one years** | **Over 5 years** | **Without maturity** | **Total** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 363 | - | - | - | - | 363 |
| Placements with other banks | 4,727 | - | - | - | - | 4,727 |
| Financial assets at fair value through profit and loss | 197 | 26,183 | 10,394 | 7,254 | - | 44,028 |
| Receivables relating to clearing and depository activities | 443 | - | - | - | - | 443 |
| Accrued interest receivables | 781 | - | - | - | - | 781 |
| Other investments | - | - | - | - | 20 | 20 |
| Held-to-maturity securities | - | 100 | - | - | - | 100 |
| Intangible assets | - | - | - | - | 1,438 | 1,438 |
| Property, plant and equipment | - | - | - | - | 590 | 590 |
| Current tax assets | 64 | - | - | - | - | 64 |
| Other assets | 203 | 3 | 7 | - | - | 213 |
| **TOTAL ASSETS** | **6,778** | **26,286** | **10,401** | **7,254** | **2,048** | **52,767** |
| | | | | | | |
| Placement and loans from other banks | 25,566 | - | - | - | - | 25,566 |
| Deposits from customers | 9,387 | - | - | - | - | 9,387 |
| Accrued interest payable | 143 | - | - | - | - | 143 |
| Current tax liabilities | 59 | - | - | - | - | 59 |
| Deferred tax liabilities | 182 | - | - | - | - | 182 |
| Other liabilities | 645 | - | - | - | - | 645 |
| **TOTAL LIABILITIES** | **35,982** | **-** | **-** | **-** | **-** | **35,982** |
| | | | | | | |
| Share capital | - | - | - | - | 4,500 | 4,500 |
| Retained earnings | - | - | - | - | 11,010 | 11,010 |
| Reserves | - | - | - | - | 1,245 | 1,245 |
| Minority Interest | - | - | - | - | 30 | 30 |
| **TOTAL SHAREHOLDERS' EQUITY** | **-** | **-** | **-** | **-** | **16,785** | **16,785** |
| | | | | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **35,982** | **-** | **-** | **-** | **16,785** | **52,767** |
| | | | | | | |
| **LIQUIDITY (DEFICIENCY)/EXCESS** | **(29,204)** | **26,286** | **10,401** | **7,254** | **(14,737)** | **(0)** |

| As on 31 December, 2008 | Within 3 months | Within one year and over 3 months | Within 5 years and over one years | Over 5 years | Without maturity | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 121 | - | - | - | - | 121 |
| Placements with other banks | 3,013 | - | - | - | - | 3,013 |
| Financial assets at fair value through profit and loss | 300 | 7,629 | 16,186 | 4,749 | - | 28,864 |
| Receivables relating to clearing and depository activities | 367 | - | - | - | - | 367 |
| Accrued interest receivables | 815 | - | - | - | - | 815 |
| Other investments | - | - | - | - | 20 | 20 |
| Held-to-maturity securities | - | - | 100 | - | - | 100 |
| Intangible assets | - | - | - | - | 1,439 | 1,439 |
| Property, plant and equipment | - | - | - | - | 562 | 562 |
| Current tax assets | 391 | - | - | - | - | 391 |
| Other assets | 332 | 4 | 10 | 1 | - | 347 |
| **TOTAL ASSETS** | **5,339** | **7,633** | **16,296** | **4,750** | **2,021** | **36,039** |
| | | | | | | |
| Placement and loans from other banks | 11,534 | - | - | - | - | 11,534 |
| Deposits from customers | 9,467 | - | - | - | - | 9,467 |
| Accrued interest payable | 145 | - | - | - | - | 145 |
| Current tax liabilities | - | - | - | - | - | 0 |
| Deferred tax liabilities | 32 | - | - | - | - | 32 |
| Other liabilities | 651 | - | - | - | - | 651 |
| **TOTAL LIABILITIES** | **21,829** | **-** | **-** | **-** | **-** | **21,829** |
| | | | | | | |
| Share capital | - | - | - | - | 4,500 | 4,500 |
| Retained earnings | - | - | - | - | 8,658 | 8,658 |
| Reserves | - | - | - | - | 1,039 | 1,039 |
| Minority Interest | - | - | - | - | 13 | 13 |
| **TOTAL SHAREHOLDERS' EQUITY** | **-** | **-** | **-** | **-** | **14,210** | **14,210** |
| | | | | | | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **21,829** | **-** | **-** | **-** | **14,210** | **36,039** |
| | | | | | | |
| **LIQUIDITY (DEFICIENCY)/EXCESS** | **(16,490)** | **7,633** | **16,296** | **4,750** | **(12,189)** | **0** |

## Interest rate risk management

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

The majority of Group's assets and liabilities have interest risk, but Group's liabilities are usually less sensitive for interest fluctuation than its assets.

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

### INTEREST RATE RISK MANAGEMENT (IN HUF MN) AS ON DECEMBER 31, 2009.

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 year over 1 year | | over 2 years | | without maturity | | Total | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | total |
| **Due to banks and deposits with the National Bank of Hungary** | **461** | **4,629** | | | | | | | | | | | **461** | **4,629** | **5,090** |
| fixed interest / discounted | | | | | | | | | | | | | | | |
| variable interest | **461** | **4,629** | | | | | | | | | | | **461** | **4,629** | **5,090** |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Securities held for trading** | | | **197** | | **26,183** | | **5,207** | | **12,442** | | | | **44,028** | | **44,028** |
| fixed interest / discounted | | | 197 | | 26,183 | | 5,207 | | 12,442 | | | | 44,028 | | 44,028 |
| variable interest | | | | | | | | | | | | | | | |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Securities held-to-maturity** | | | | | **100** | | | | | | | | **100** | | **100** |
| fixed interest / discounted | | | | | 100 | | | | | | | | 100 | | 100 |
| variable interest | | | | | | | | | | | | | | | |
| **Loans (other assets)** | | | | | **3** | | **5** | | **2** | | | | **10** | | **10** |
| fixed interest / discounted | | | | | | | | | | | | | | | |
| variable interest | | | | | 3 | | 5 | | 2 | | | | 10 | | 10 |

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 year over 1 year | | over 2 years | | without maturity | | Total | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | total |
| **Due to banks and deposits with the National Bank of Hungary** | **21,667** | **3,899** | | | | | | | | | | | **21,667** | **3,899** | **25,566** |
| fixed interest | 3,250 | | | | | | | | | | | | 3,250 | | 3,250 |
| variable interest | 18,417 | 3,899 | | | | | | | | | | | 18,417 | 3,899 | 22,316 |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Deposits from customers** | **8,749** | **638** | | | | | | | | | | | **8,749** | **638** | **9,387** |
| fixed interest | | | | | | | | | | | | | | | |
| variable interest | 8,487 | | | | | | | | | | | | 8,487 | | 8,487 |
| non-interest-bearing | 262 | 638 | | | | | | | | | | | 262 | 638 | 900 |
| **Net position** | **29,955** | **92** | **197** | | **26,286** | | **5,212** | | **12,444** | | | | **14,183** | **92** | **14,275** |

## INTEREST RATE RISK MANAGEMENT (IN HUF MN) AS ON DECEMBER 31, 2009.

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 year over 1 year | | over 2 years | | without maturity | | Total | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | total |
| **Due to banks and deposits with the National Bank of Hungary** | **432** | **2,702** | | | | | | | | | | | **432** | **2,702** | **3,134** |
| fixed interest / discounted | | | | | | | | | | | | | | | |
| variable interest | 432 | 2,702 | | | | | | | | | | | 432 | 2,702 | 3,134 |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Securities held for trading** | **102** | | **198** | | **7,629** | | **6,411** | | **14,524** | | | | **28,864** | | **28,864** |
| fixed interest / discounted | 102 | | 198 | | 7,629 | | 6,411 | | 14,524 | | | | 28,864 | | 28,864 |
| variable interest | | | | | | | | | | | | | | | |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Securities held-to-maturity** | | | | | | | **100** | | | | | | **100** | | **100** |
| fixed interest / discounted | | | | | | | 100 | | | | | | 100 | | 100 |
| variable interest | | | | | | | | | | | | | | | |
| **Loans (other assets)** | | | | | | | **5** | | **12** | | | | **17** | | **17** |
| fixed interest / discounted | | | | | | | | | | | | | | | |
| variable interest | | | | | | | 5 | | 12 | | | | 17 | | 17 |

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 year over 1 year | | over 2 years | | without maturity | | Total | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | HUF | foreign | total |
| **Due to banks and deposits with the National Bank of Hungary** | **9,809** | **1,725** | | | | | | | | | | | **9,809** | **1,725** | **11,534** |
| fixed interest | | | | | | | | | | | | | | | |
| variable interest | 9,809 | 1,725 | | | | | | | | | | | 9,809 | 1,725 | 11,534 |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Deposits from customers** | **8,679** | **788** | | | | | | | | | | | **8,679** | **788** | **9,467** |
| fixed interest | | | | | | | | | | | | | | | |
| variable interest | 8,679 | 788 | | | | | | | | | | | 8,679 | 788 | 9,467 |
| non-interest-bearing | | | | | | | | | | | | | | | |
| **Net position** | **17,954** | **189** | **198** | | **7,629** | | **6,516** | | **14,536** | | | | **10,925** | **189** | **11,114** |

### Application of VaR methodologies

The VaR risk measure estimates the maximum potential loss referring to the portfolio's value change i.e the maximum potential, not realized loss on rate over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches.

Considering the fact that Group is affected significantly neither the foreign currency risk nor risk of fluctuation in equity instrument prices, the majority of VaR exposure is connected to interest rate risk.

Risks exposures of Group computed by VaR methodology are contained by following table. Calculation of VaR amounts has being prepared by 99% probability and one-day relative shift. Foreign currency VaR concerns to foreign currency denominated balances, the interest VaR is connected to the portfolio of securities issued by Hungarian State, the one of the investment securities, and the one of secured and non-secured loans and deposits.

| | | 31 December 2009 | 31 December 2008 |
|---|---|---|---|
| Interest Var | By 250-daily standard deviation | 216.27 | 284.17 |
| | By 60-daily standard deviation | 152.88 | 456.60 |
| Foreign currency VaR | By 250-daily standard deviation | 2.49 | 5.06 |
| | By 60-daily standard deviation | 1.68 | 8.41 |

### Sensitivity analyses

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

- **Foreign currency sensitivity analysis**

The Group is performing foreign currency sensitivity analysis just for its own foreign currency positions. The data in following table show the relative (expressed in percentage) and absolute decrease of HUF value of own foreign currency positions in the case of weakening of EUR and USD prices compared to HUF (ceteris paribus).

| | | 31 December 2009 | 31 December 2008 |
|---|---|---|---|
| 1% Weakening of EUR | Sensitivity of portfolio (%) | 0.22% | 0.47% |
| | Sensitivity of portfolio (HUF million) | 0.20 | 0.88 |
| 1% Weakening of USD | Sensitivity of portfolio (%) | 0.18% | 0.26% |
| | Sensitivity of portfolio (HUF million) | 0.16 | 0.48 |

- **Interest rate sensitivity analysis**

Group measures interest rate sensitivity of asset side on a daily basis. The interest rate sensitivity of assets (i.e the potential loss expected in the case of a 100 base point parallel positive shift of the yield curve) was HUF 647.03 million and HUF 619.3 million as on 31 December 2009 and 31 December 2008, respectively.

- **Equity price sensitivity analysis**

The Group has no significant equity instruments hold in 2009 and 2008 therefore is not exposed to a significant equity price risk.

## NOTE 5: CASH AND CASH EQUIVALENTS

| | 2009 | 2008 |
|---|---|---|
| Due from banks and balances with NBH | | |
| Within one year | | |
| In HUF | 363 | 121 |
| | 363 | 121 |

| | | |
|---|---|---|
| Placements with other banks, net of allowance for placement losses | | |
| Within one year | | |
| In HUF | 4,727 | 3,013 |
| | 4,727 | 3,013 |

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 522 million and HUF 190 million as on 31 December 2009 and 2008, respectively. (The reserve has to comply with the monthly average balance of NBH.)

Daily balance was HUF 363 million and HUF 121 million as on 31 December 2009 and 2008, respectively.

Interbank placements include bank accounts at Clearstream Banking, Citibank A.G., NBH and OTP Bank Plc. Group manages its own money and its clients' money on these accounts.

## NOTE 6:FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | 2009 | 2008 |
|---|---|---|
| Financial assets at fair value through profit and loss | | |
| Securities held for trading | | |
| Hungarian Government Discount Treasury Bills | 22,294 | 5,669 |
| Hungarian Government Bonds | 21,734 | 23,195 |
| | 44,028 | 28,864 |

In Group's security portfolio the proportion of Hungarian Government Discount Treasury Bills is 51% and 20% as on 31 December 2009 and 31 December, 2008, respectively. The main purpose is to assure the continuous liquidity within one year. In the remaining proportion, Group has government bonds with fixed interest rate. The annual average yield was 8.99% and 7.84% in the year 2009 and 2008, respectively.

## NOTE 7:RECEIVABLES RELATING TO CLEARING AND DEPOSITORY ACTIVITIES

| | 2009 | 2008 |
|---|---|---|
| **Receivables relating to clearing and depository activities** | | |
| Receivables from custodian services | 70 | 37 |
| Receivables from customers on stock exchange transactions | 373 | 330 |
| | 443 | 367 |

## NOTE 8: INVESTMENTS

| | 2009 | 2008 |
|---|---|---|
| **Investments** | | |
| GIRO | 20 | 20 |
| | 20 | 20 |

No impairment had to be charged against these investments.

## NOTE 9: HELD-TO-MATURITY SECURITIES

| | 2009 | 2008 |
|---|---|---|
| **Held-to-maturity securities** | | |
| Debanture bonds | | |
| HVBV 2010/B-001 | 100 | 100 |
| | 100 | 100 |

Group had a debenture bond issued by UniCredit Jelzálogbank Ltd. and denominated in HUF as on 31 December 2009 and 2008. The debenture bond is a security with floating interest rate, the interest rates have being adjusted based on auction market average yields of Hungarian Government Discount Treasury Bills with one-year maturity.

The nominal interest rate of bond HVB 2010/B-001 issued by the Unicredit Jelzálogbank Ltd. was 10.27% on 19th May 2009 and 11.35% on 19th May 2010.

## NOTE 10: OTHER ASSETS

| | 2009 | 2008 |
|---|---|---|
| **Other Assets** | | |
| Trade receivables | 22 | 4 |
| Other advances | 26 | 117 |
| Prepayments and accrued income | 152 | 184 |
| Other | 13 | 42 |
| | 213 | 347 |

Prepayments and accrued income contain the interest due on securities and deposits.

## NOTE 11: INTANGIBLE ASSETS, NET

| Intangible assets Cost | Valuable rights and interests | Good will | Intellectual product | Total |
|---|---|---|---|---|
| Balance as on 1 January, 2009 | 106 | 47 | 5,108 | 5,261 |
| Net additions | 9 | - | 1,019 | 1,028 |
| Net disposals | - | - | 574 | 574 |
| Balance as on 31 December, 2009 | 115 | 47 | 5,553 | 5,715 |
| **Cumulated Depreciation and Amortization** | | | | |
| Balance as on 1 January, 2009 | 20 | 47 | 3,755 | 3,822 |
| Net additions | 18 | 0 | 512 | 530 |
| Net disposals | - | - | 75 | 75 |
| Balance as on 31 December, 2009 | 38 | 47 | 4,192 | 4,277 |
| **Net book value** | | | | |
| Balance as on 1 January, 2009 | 86 | (0) | 1,353 | 1,439 |
| Balance as on 31 December, 2009 | 77 | (0) | 1,361 | 1,438 |

| Intangible assets Cost | Valuable rights and interests | Good will | Intellectual product | Total |
|---|---|---|---|---|
| Balance as on 1 January, 2008 | 9 | 47 | 4,457 | 4,513 |
| Net additions | 97 | - | 1,161 | 1,258 |
| Net disposals | - | - | 510 | 510 |
| Balance as on 31 December, 2008 | 106 | 47 | 5,108 | 5,261 |
| **Cumulated Depreciation and Amortization** | | | | |
| Balance as on 1 January, 2008 | 9 | 47 | 3,328 | 3,384 |
| Net additions | 11 | 0 | 438 | 449 |
| Net disposals | - | - | 11 | 11 |
| Balance as on 31 December, 2008 | 20 | 47 | 3,755 | 3,822 |
| **Net book value** | | | | |
| Balance as on 1 January, 2008 | - | - | 1,129 | 1,129 |
| Balance as on 31 December, 2008 | 86 | (0) | 1,353 | 1,439 |

## NOTE 12: PROPERTY, PLANT AMD EQUIPMENTS, NET

| **Property, plant and equipment**<br>**Cost** | **Buildings**<br>**and improvements** | **Machinery**<br>**and equipments** | **Total** |
|---|---|---|---|
| Balance as on 1 January, 2009 | 291 | 1,553 | 1,844 |
| Net additions | 133 | 859 | 992 |
| Net disposals | 74 | 816 | 890 |
| Balance as on 31 December, 2009 | 350 | 1,596 | 1,946 |
| **Cumulated Depreciation and Amortization** | | | |
| Balance as on 1 January, 2009 | 95 | 1,187 | 1,282 |
| Net additions | 24 | 170 | 194 |
| Net disposals | 20 | 100 | 120 |
| Balance as on 31 December, 2009 | 99 | 1,257 | 1,356 |
| **Net book value** | | | |
| Balance as on 1 January, 2009 | 196 | 366 | 562 |
| Balance as on 31 December, 2009 | 251 | 339 | 590 |

| **Property, plant and equipment**<br>**Cost** | **Buildings**<br>**and improvements** | **Machinery**<br>**and equipments** | **Total** |
|---|---|---|---|
| Balance as on 1 January, 2008 | 246 | 1,524 | 1,770 |
| Net additions | 45 | 72 | 117 |
| Net disposals | - | 43 | 43 |
| Balance as on 31 December, 2008 | 291 | 1,553 | 1,844 |
| **Cumulated Depreciation and Amortization** | | | |
| Balance as on 1 January, 2008 | 80 | 1,067 | 1,147 |
| Net additions | 15 | 156 | 171 |
| Net disposals | - | 36 | 36 |
| Balance as on 31 December, 2008 | 95 | 1,187 | 1,282 |
| **Net book value** | | | |
| Balance as on 1 January, 2008 | 166 | 457 | 623 |
| Balance as on 31 December, 2008 | 196 | 366 | 562 |

## NOTE 13:PLACEMENT AND LOANS FROM OTHER BANKS

| | 2009 | 2008 |
|---|---|---|
| **Deposits for Mutual Fund clearing** | | |
| Within one year | | |
| In HUF | 21,667 | 9,550 |
| In foreign currency | 3,899 | 1,984 |
| | **25,566** | **11,534** |

## NOTE 14: DEPOSITS FROM CUSTOMERS

| | 2009 | 2008 |
|---|---|---|
| **Interest-bearing** | | |
| Within one year | | |
| In HUF | 8,487 | 1,050 |
| In foreign currency | 0 | 823 |
| | | |
| **Non interest-bearing** | | |
| Within one year | | |
| In HUF | 262 | 7,594 |
| In foreign currency | 638 | - |
| | **9,387** | **9,467** |

In 2009 and 2008 KELER paid an annual average rate of 4.5% for the HUF interest-bearing deposits. In 2009 did not pay interests rate for the foreign exchange deposits. In 2008 the interests paid for the foreign exchange deposits moved between an annual rate of 0.25% and 0.5% on average.

## NOTE 15: OTHER LIABILITIES

| | 2009 | 2008 |
|---|---|---|
| **Other Liabilities** | | |
| Accrued expenses | 367 | 326 |
| Accounts payable | 141 | 192 |
| Other taxes payable | 60 | 66 |
| Salaries and social security payable | 42 | 59 |
| Other | 35 | 8 |
| | **645** | **651** |

## NOTE 16: SHARE CAPITAL

There was no change in the share capital of the Company since the prior year. The share capital consists of 900 shares with nominal (par) value of HUF 5 million per share as on 31 December 2009. All 900 shares have been authorized, issued and fully paid.

| | 2009 | 2008 |
|---|---|---|
| **Share capital** | | |
| Magyar Nemzeti Bank (National Bank of Hungary) | 2,400 | 2,400 |
| Budapesti Értéktőzsde (Budapest Stock Exchange) | 2,100 | 2,100 |
| | **4,500** | **4,500** |

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

Magyar Nemzeti Bank (National Bank of Hungary) held 53.33% directly and 1.85% indirectly as on 31 December 2009 and 31 December 2008.

Budapesti Értéktőzsde (Budapest Stock Exchange) held 46.67% directly as on 31 December 2009 and 31 December 2008.

Minority interest represents the 11.9% share of BSE in KELER CCP.

## NOTE 17: STATUTORY RESERVES

| | 2009 | 2008 |
|---|---|---|
| **Statutory Reserves** | | |
| General reserve | 1,171 | 1,000 |
| General risk reserve | 74 | 39 |
| | **1,245** | **1,039** |

## NOTE 18: INCOME FROM CLEARING AND DEPOSITORY ACTIVITY

| | 2009 | 2008 |
|---|---|---|
| **Income from clearing and depository activity** | | |
| Clearing fees | 2,126 | 2,259 |
| Other commission income | 689 | 655 |
| Transaction fees | 932 | 649 |
| Other security transaction fees | 575 | 588 |
| Accounts maintenance | 107 | 112 |
| | **4,429** | **4,263** |

## NOTE 19: NET INTEREST INCOME

| | 2009 | 2008 |
|---|---|---|
| Interest income: | | |
| Loans | 187 | 48 |
| Due from banks and balances with the National Bank of Hungary and other banks | 93 | 209 |
| Held for trading securities | 2,351 | 1,943 |
| Held-to-maturity securities | 11 | 10 |
| | 2,642 | 2,210 |
| Interest expense: | | |
| Due to banks and deposits from the National Bank of Hungary and other banks | (642) | (234) |
| Deposits from customers | (511) | (317) |
| Other | (122) | (151) |
| | (1,275) | (702) |
| **NET INTEREST INCOME** | **1,367** | **1,508** |

## NOTE 20: PERSONNEL EXPENSES

| | 2009 | 2008 |
|---|---|---|
| **Personnel expenses** | | |
| Wages | 978 | 998 |
| Base wages | 814 | 768 |
| Premium | 164 | 230 |
| Social security and other contributions | 347 | 357 |
| Other cost of personnel | 231 | 181 |
| | **1,556** | **1,536** |

The average number of employees was 121 and 121 as on 31 December 2009 and 2008 respectively. Average rate of wage increasing was 0% in 2009.

## NOTE 21: OTHER EXPENSES

| | 2009 | 2008 |
|---|---|---|
| **Other expenses** | | |
| Contracted services | 705 | 685 |
| Taxes | 253 | 202 |
| Fees paid to experts | 26 | 42 |
| Rental fees | 147 | 139 |
| Postage and phone fees | 81 | 78 |
| Material type expenses | 76 | 83 |
| Fees paid for education | 21 | 45 |
| Fees paid to authorities | 16 | 11 |
| Insurance fees | 9 | 7 |
| Marketing cost | 2 | 5 |
| Depreciation in value of financial assetes | 34 | 233 |
| Value of propery, plant and intangibles goods sold | 63 | 27 |
| Lawyer's fee | 66 | 63 |
| Other | 66 | 46 |
| | **1,565** | **1,666** |

## NOTE 22: INCOME TAX EXPENSE

Group is presently liable for income tax at a rate of 16% and an special (solidarity) tax at a rate 4%. In the calculation of deferred tax the 19% tax rate was taken into account.

A breakdown of the income tax expense is:

| | 2009 | 2008 |
|---|---|---|
| **Income Taxes** | | |
| Current tax | 448 | 229 |
| Deferred tax | 150 | 19 |
| | 598 | 248 |

A reconciliation of the deferred tax liabilities is as follows:

| | 2009 | 2008 |
|---|---|---|
| **Deferred tax assets (+) / liabilities (-)** | | |
| Balance as at 1 January | (32) | (13) |
| Deferred tax charge | (150) | (19) |
| Balance as at 31 December | (182) | (32) |
| Deferred tax assets (+) / liabilities (-) | | |
| Fair value adjustment of held for trading and held-to-maturity securities | (168) | (28) |
| General risk provisions | (14) | (4) |
| | **(182)** | **(32)** |

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

A reconciliation of the income tax charge is as follows:

| | | 2009 | | 2008 |
|---|---|---|---|---|
| Net income before income taxes | | 3,173 | | 1,578 |
| Income tax with statutory tax rate (16%) | | 508 | | 253 |
| Solidarity tax (4%) | | 127 | | 63 |
| Total tax | 20% | 635 | 20% | 316 |
| | | | | |
| Income tax adjustments are as follows: | | | | |
| Effect of general risk reserve | (0.4%) | (14) | 0.2% | 3 |
| Dividend income | (0.1%) | (3) | (0.2%) | (3) |
| Corrections of previous financial years | 0.7% | 22 | | - |
| Investments at fair value | (5.3%) | (168) | (1.2%) | (20) |
| Local community business tax | (0.7%) | (23) | (1.1%) | (19) |
| Subsidies | - | 0 | (0.1%) | (2) |
| Other | 4.8% | 150 | (1.6%) | (27) |
| Income tax | | 598 | | 248 |
| | | | | |
| **Effective tax rate** | | **19%** | | **16%** |

## NOTE 23: SECURITIES SAFEGUARDED AND DEPOSITED

Off balance sheet items include securities safeguarded and deposited at the Group by customers.

| | NOMINAL VALUE | |
|---|---|---|
| | **31.12.2009** | **31.12.2008** |
| **SECURITIES** | | |
| **Physical securities** | | |
| Securities introduced to the stock exchange-Physical | - | - |
| | | |
| Securities not introduced to the stock exchange-Physical | | |
| Corporate bonds | 1,084 | 1,171 |
| Shares | 51,441 | 46,535 |
| Investment Fund coupons | - | - |
| | 52,525 | 47,706 |
| | | |
| **Dematerialized securities** | | |
| Introduced to the stock exchange | 12,126,109 | 12,746,699 |
| Not introduced to the stock exchange | 9,586,442 | 7,246,091 |
| | 21,712,551 | 19,992,790 |
| | | |
| **TOTAL** | **21,765,076** | **20,040,496** |

| | 31. 12. 2009 | 31. 12. 2008 |
|---|---|---|
| **Materialized securities denominated in foreign currency** | | |
| Share denominated in foreign currency (CHF) | 1 008 | 983 |
| Share denominated in foreign currency (USD) | 6 | 6 |
| **Dematerialized securities denominated in foreign currency** | | |
| Investment Fund coupons (EUR) | 248,211 | 229,252 |
| Investment Fund coupons (USD) | 80,901 | 21,428 |
| Investment Fund coupons (PLN) | 2,356 | 4,099 |
| Investment Fund coupons (CZK) | 580 | 580 |
| Investment Fund coupons (BGN) | 1,331 | 201 |
| Share denominated in foreign currency (EUR) | 65,683 | 29,345 |
| Share denominated in foreign currency (USD) | 16,926 | - |
| Mortgage bonds denominated in foreign currency (EUR) | 400,979 | 439,864 |
| Mortgage bonds denominated in foreign currency (CZK) | 4,654 | 4,518 |
| Capital bonds denominated in foreign currency (EUR) | 2,708 | - |
| Bonds (CHF) | 427,054 | 417,219 |
| Bonds (EUR) | 79,956 | 38,971 |
| Bonds (USD) | 854 | 444 |
| **TOTAL** | **1,333,209** | **1,186,910** |

## NOTE 24: RELATED PARTY TRANSACTIONS

As on 31 December 2009 the Group had provided housing loans to management. The outstanding amount was HUF 4 million as on 31 December 2009 and HUF 6 million as on 31 December 2008 respectively.

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

| NATIONAL BANK OF HUNGARY | 2009 | 2008 |
|---|---|---|
| Term deposit placements | 292 | 36 |
| Interest income | 23 | 5 |
| Other income | 17 | 14 |
| Bank account costs | 10 | 11 |
| Other costs | 0 | 1 |
| | **344** | **67** |

| Transactions with directors and officers | 2009 | 2008 |
|---|---|---|
| | | |
| Remuneration of the members of the Board of Directors | 24 | 23 |
| Remuneration of the members of the Supervisory Board | 8 | 8 |
| Remuneration of the members of the Board of Management | 193 | 174 |
| Loans given to management | 82 | 82 |
| Loan repayment by management | 78 | 76 |
| | **385** | **363** |

Transactions performed with BSE during 2009 are immaterial for disclosure.

### NOTE 25: SUBSEQUENT EVENTS

Following the settlement date up to the time of the balance sheet the yields of Hungarian Government Bonds increased, which changed the amount of gain in government bonds to HUF 1.015 million.

In 2009 KELER did not pay dividend for financial year 2008 to owners. The dividend for the financial year 2009 will be stated on the General Meeting to be held the 14th May 2010.

### NOTE 26: PRESENTATION OF THE DIFFERENCE BETWEEN HAS AND IFRS INCOME

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

| | Net profit under HAS | Reversed (effect of prior years) | General risk reserve | General reserve | Correction of go. securities | Correction of discount treasury bills at fair value | deferred tax | Adjusting items under IFRS | Difference between Net profit under IFRS |
|---|---|---|---|---|---|---|---|---|---|
| **Net profit of KELER** | **1 547** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **830** |
| Exchange gains and losses of securities | | (111) | | | 863 | 23 | | 775 | 2,337 |
| Other expenses (General risk reserve) | | | 35 | | | | 35 | | |
| Other expenses (General reserve) | | | | 172 | | | | 172 | |
| Corporate tax | | | | | | | (152) | (152) | |
| **Adjusting items** | | **(111)** | **35** | **172** | **863** | **23** | **(152)** | **830** | **830** |
| **Net profit of KSZF** | **198** | | | | | | | | **198** |
| **Consolidated profit of KELER** | **1,744** | | | | | | | **830** | **2,575** |

## NOTE 27: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standards and interpretations issued but effective only for annual reporting periods beginning after 1 January 2009.

1) Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009)
2) Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
3) Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual period beginning on or after 1 February 2010)
4) Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009)
5) IFRIC 12 Service Concession Arrangements (effective for first annual reporting period beginning on or after 1 April 2009)
6) IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2010)
7) IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009)
8) IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 1 November 2009)
9) IFRIC 18 Transfers of Assets from Customers (effective prospectively for annual period beginning on or after 1 November 2009)

# 24 organisational structure of KELER





- **Supervisory Board**
  - **Internal Audit**
- **Shareholders' Meeting**
  - **Board of Directors**
    - **Chief Executive Officer - Dudás György**
      - **Internal Audit**
      - **Legal Counsel**
      - **Security Management**
      - **Human Resources Management**
      - **Quality Assurance Management**
      - **Operations**
        - Dematerialization
        - Depository**
        - International Settlements
        - Account Management
        - Share Registry
        - Stock Exchange Clearing and Settlement
      - **Marketing and Customer Relations**
        - Marketing
        - Customer Relations
      - **IT**
        - IT Development
        - Service Desk
        - IT Operations
      - **Risk Management and Finance**
        - Compliance*
        - Risk Management
        - Finance and Accounting
        - Maintenance and purchasing
        - Treasury
        - Business Development
- **Independent Auditor**

* Compliance was outsourced in 21 December 2009.

** Depository was outsourced in 16 December 2009.

# management





## MEMBERS OF MANAGEMENT IN 2009

| | |
|---|---|
| György Dudás | Chief Executive Officer |
| Margit Brauner | Director, Operations |
| Károly Mátrai | Director, Risk Management and Finance |
| András Katkó | Director, IT |
| Ádám Práger | Director, Marketing and Customer Relations |

**György Dudás**
*Chief Executive Officer*

**Margit Brauner**
*Director*
*Operations*

**Károly Mátrai**
*Director*
*Risk Management*
*and Finance*

**András Katkó**
*Director*
*IT*

**Ádám Práger**
*Director*
*Marketing and Customer Relations*

# 26 general information





## Ownership structure

| Shareholders | | Shareholding |
|---|---|---|
| National Bank of Hungary (NBH) | 2,400 M Ft | 53.33% |
| Budapest Stock Exchange (BSE) | 2,100 M Ft | 46.67% |
| **Total** | **4,500 M Ft** | **100%** |

## Members of the Board of Directors

Csaba Lantos chairman
György Sándor vice chairman
András Kármán
Dr. György Mohai
Ferenc Pittner
György Dudás
Margit Brauner

## Members of the Supervisory Board

Lajos Bartha chairman
Attila Tóth vice chairman
Judit Brosch
Attila Lovas

## Contact

Address: Asbóth u. 9-11, 1075 Budapest
Mailing address: H-1367 Budapest 5, POB 73
Phone: +36-1-483-6100
Fax: +36-1-342-3539
Home page: www.keler.hu
E-mail: keler@keler.hu

Published by the Central Clearing House and Depository (Budapest) Ltd.

# 27 Statistics

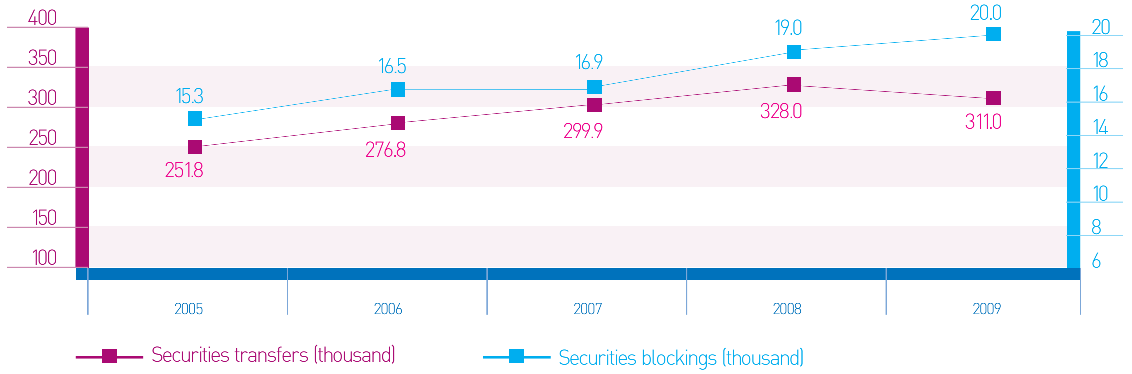
## Total securities in KELER by number of pieces and by market value

**2009. december**

| | number of pieces | Market value (HUF) |
|---|---|---|
| Government bonds | 1,254,914,233 | 12,264,887,810,046 |
| Treasury bills | 228,160,000 | 2,242,957,646,700 |
| Bonds | 48,110,047,374 | 2,845,344,487,759 |
| Equities | 260,057,063,397 | 8,237,213,126,183 |
| Investment units | 1,547,377,986,307 | 3,083,677,194,336 |
| Foreign securities | 14,612,691,224 | 370,951,925,848 |
| **Total** | **1,871,640,862,535** | **29,045,032,190,872** |

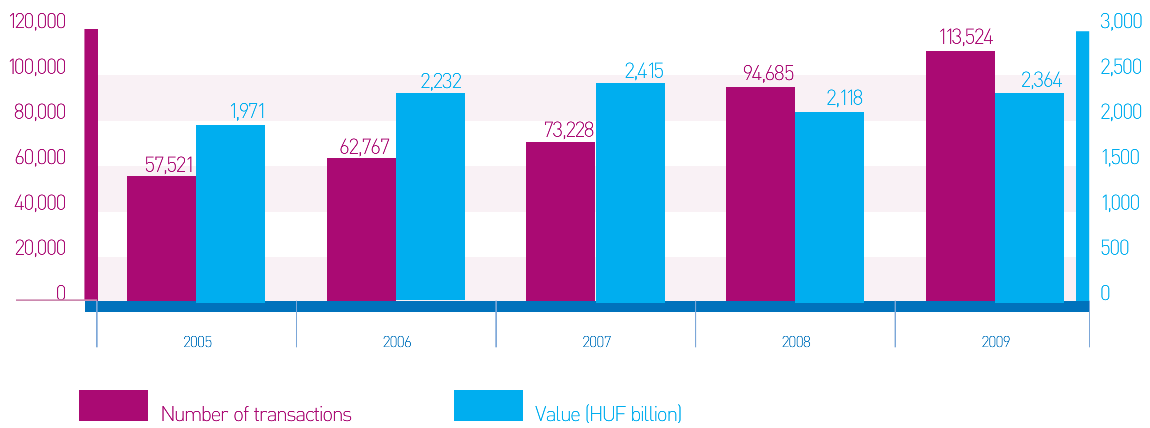
## Number of other securities transactions

**2005-2009**



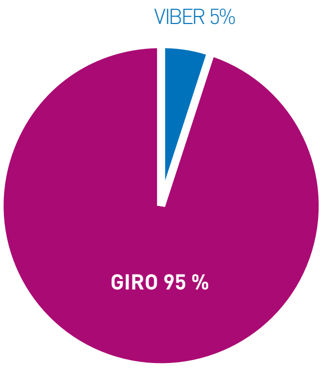

## Funds transfer by customers from and to currency accounts kept by KELER

**2005-2009**

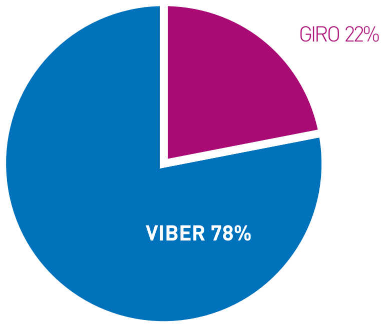


## The share of GIRO -- VIBER turnover in 2009

**BAsed on transaction numbers**

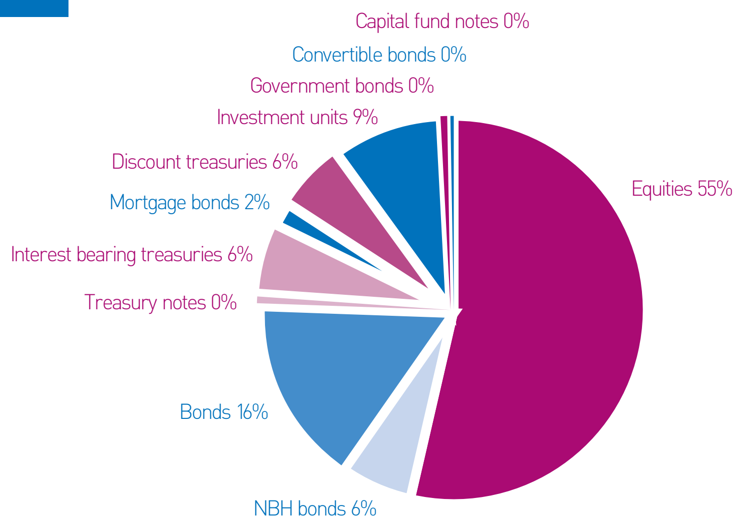



**Based on turnover**




## ISIN codes by number of securities

**Number of ISINs issued, 2009**




## Volume of year end open contracts at the BSE

**number of contracts (thousand), 2005-2009**