KELER

Central Clearing House and Depository (Budapest) Ltd

ANNUAL REPORT 2011

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4. CHAIRMAN'S MESSAGE

Globally the year of 2011 focused on efforts to restore the stability of international financial markets and the common European currency that has been troubled by the financial difficulties of EU member states with high debt, resulting effects could be felt in Hungary also. We are pleased that despite the less than expected growth rate and downgrading of the Hungarian economy in 2011 the annual figures of the KELER Group, both in terms of financials and services provided, are favorable.

In 2011 the KELER Group finalized its medium term strategy for the period 2011-2015, the main goals of the strategy are to ensure high level and stable operation and it defines directions of future development.

In 2011 KELER closed an eventful year when we worked hard so that the KELER Group can offer high level services in new markets too. In the first 6 months' period we focused on the development of energy market settlements. Linked to gas market settlements and in addition to a number of technical improvements, a new collateral calculation method was launched in February. In addition to gas market developments from July 2011 the KELER Group offers clearing services in the futures power market also, apart from the spot market launched a year earlier.

The second half of the year was the period of capital market developments. In addition to the settlement of traditional stock exchange securities deals, in the summer of 2011 we started to define the conditions of settlement provided by the KELER Group with respect to transactions concluded in the multilateral trading platform (BÉTa, BÉT Alternative Market) of the Budapest Stock Exchange, the market was launched in the autumn of 2011. The start of the BÉTa market and the listing of European blue chip equities on this market was an important step forward as it offers unique opportunities to domestic retail investors and investment services providers to trade in European shares on a HUF bases and at reasonable fees. In the autumn, jointly with the Government Debt Management Agency and the Italian EuroMTS, we started to finalize the terms of settlement of a new government securities trading platform with the goal that from the beginning of 2012 market makers can conclude secondary market deals in government securities at the MTS Hungary platform, in line with the trading practice of the BSE, that is with multilateral netting, guarantee undertaken by KELER CCP Ltd. This development was completed by December 2011.

The year was also an active period as far as customer events are concerned. KELER organized two Custodian Forums when participants could have a dialogue on subject matters related to the market.

Internationally participation in the T2S project set up to standardize European capital markets, bring down borders in terms of securities transactions, create a uniform system of European securities account management and settlement posed serious challenges. During 2011 the KELER Group established and operated several professional forums. The T2S National User Group (NUG) was formed and operates as an open forum with the participation of customers. Within the NUG two working groups were set up to help participants prepare for T2S. In the autumn of 2011, within the framework of NUG, our customers could attend a one day T2S conference where ECB experts were present and the management of T2S informed the Hungarian market on the T2S project.

Following the customer satisfaction surveys in 2007 and 2009 the KELER Group completed personal and online interviews with market participants including gas and power market players to learn about the opinions, comments and development requirements related to the services of the KELER Group. Once survey results were analyzed we finalized an implementation schedule and action plan in order to integrate in the operation of the KELER Group as much as possible from the useful and constructive opinions and recommendations made by customers.

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

Csaba Lantos

Chairman of the Board of Directors

2. MARKET ENVIRONMENT

The crisis of the common European currency, caused by the financial problems in EU member states with high budget deficit, and efforts to recover the financial stability of markets dominated the year in 2011 on the international markets. The potential bankruptcy of Greece that was neither confirmed nor denied for weeks, then fears related to the financing difficulties encountered by Italy, Portugal and Spain continued to increase anxiety in markets and strengthened Eurosceptics.

The Dow Jones Industrial Average Index (DJIA), the US equities index with a history increased by 5.53% compared to the closing value of the previous year in 2011 and finally closed the year at 12,217.56 points. Whereas the DAX in Frankfurt decreased by 14.69%, the London FTSE100 weakened by 5.55%, as a result the closing value of DAX was 5,898.35 points, while the FTSE100 was at 5,572.30 points on the last day of the previous year.

In the international FX markets the Euro was under pressure for the larger part of 2011. In about the first four months of the year the European currency was able to strengthen both against the USD and the CHF up to levels of 1.4828 and 1.3179 respectively; however, the increasing fears related to financing of some Euro zone countries resulted in a tumbling Euro in the second half of the year. The weakening may have been less spectacular against the USD as by the end of the year the EURUSD exchange rate gradually reached the level of 1.2940 that is a loss of 12.73% compared to the peak level reached during the year, at an annual level this is a loss of 3.06%. In the summer the Swiss Frank reached its new historic maximum of 1.0305 against the Euro, representing a rather significant strengthening of 21.80% during the year. However, the period of extraordinarily strong CHF turned out to be short-lived, chiefly because of the exchange rate barrier defined by the Swiss and the European Central Banks; additionally, towards the end of the year there was somewhat less pressure on the Euro. As a result, the closing EURCHF exchange rate of 1.2149 was formed, which is a 2.63% decrease compared to the closing rate of the previous year.

The exchange rate of our national currency HUF against the Euro was quite stable until September; the average rate was at around 269.55. However, thereafter the HUF weakened considerably and in the remaining part of the year the it reached a new historic high of 316.24 to close the year at 311.13. At an annual level this is an increase of 11.62% in the Euro exchange rate. Following some correction, the rate of the Swiss Frank against the Forint continued the rally it started last year and realized a further strengthening of 14.92% in the last year. It reached the record level of HUF 263.92 in August and rate of 255.91 at the end of December is not much weaker. The exchange rate of the USD against the HUF also moved in a very wide band in 2011. The US Dollar could not gather strength until the end of April, however, after its ongoing increase from the level of 177.69 it closed the year at 240.68, a rate we have not seen for a long time, showing a Forint weakening of 15.35% compared to 2010.

In 2011 the Monetary Council of the National Bank of Hungary increased the base rate on three occasions: 25 bps in the first month of the year , while 50 bps in each of the last two months of the year. The base rate increased to 6.00% in January from the 5.75% level at the beginning of the year, then after ten months and due to deteriorating investor confidence and increasing government bond reference yields it changed to 6.50% in November and to 7% in December.

Significant shifts took place in the structure of the group of investors financing the Hungarian state debt during the year. Foreign investors held 18.41% (HUF 2,718.6 billion) of the HUF-denominated government securities portfolio of HUF 14,766.2 billion in January. This share increased to 27.29 % (to HUF 4,069.8 billion) by December, while the portfolio size stayed at about the same level (HUF 14,910.5 billion). This reflects the drop in demand by domestic investors.

BUX, the equities index of the Budapest Stock Exchange closed 2011 at 16,974.24 points that is 20.41% lower than the closing value of the previous year, which drop is due to the spectacular correction that occurred in the second half of the year. The highest value of the index last year was reached in the first four months of the year at 24,451.38, then it lost nearly 39% by mid-September to reach its annual low of 14,929.76 points.

Domestic energy markets in 2011

2010 was the year of moving towards transparent markets in the domestic energy sector as the daily balance gas market (NFKP) was formed and at about the same time trading started also in the day-ahead organized power market (HUPX). In the winter of 2010 the gas crisis in Ukraine resulted in an unforeseen difficulty for gas market participants, however, the domestic market successfully managed this situation. It was partially due to the gas crisis that the largest domestic gas storage was built, which securely meets domestic gas demand. In 2011 the average daily gas market turnover was 70 million MJ that is 3% of domestic consumption.

The seasonal volatility is well illustrated by the daily average of winter months of 100 million MJ and the daily average of summer months barely reaching 17-20 million MJ.

The daily trade volume of 1,000-2,000 MW at the start of the day-ahead power market reached 13-15,000 MW by today that is more than 10% of the domestic consumption. Several developments in the gas and power markets allowed launching the capacity independent flexible instrument (KFRE) that offers a wider range of trading opportunities to gas market traders. In the summer of 2011 the power market launched the long-term physical delivery market allowing market participants to also trade in monthly, quarterly and annual products. Product developments planned for the forthcoming years are expected to lead to the launch of intra-day trading in the day-ahead power market and from mid-2012 Hungary will join to the linked SK-CZ markets as a first step towards fully integrated European power market trading.

BUX index levels in 2011

3. REGULATORY ENVIRONMENT

CHANGES IN THE REGULATORY ENVIRONMENT

During 2011 KELER took part in clarifying the provisions of the sections of Act IV of 2006 on business associations relating the management of share registry.

Additionally, the KELER Group participated in the preparation for implementing the following EU regulations:

- European Market Infrastructure Regulation („EMIR"),
- Regulation on central securities depositories („CSDR")
- Capital Requirements Directive (CRD),
- Markets in Financial Instruments Directive and Regulation (MIFID, MIFIR).

GENERAL MEETING

The annual general meeting of KELER was held on 18 May 2011. The agenda included – among others – the following items:

- Board of Directors report on the business activity in 2010,
- acceptance of the Annual Report and the consolidated financial statements according to the International Financial Reporting Standards (IFRS),
- modification of the By-laws of the Company,
- modification of the Supervisory Board regulation,
- election of Mr. Hannes A. Takacs, the new member of the Board of Directors and Mr Georg Zinner, the new member of the Supervisory Board,
- acceptance of the medium term strategy of the KELER Group.

The annual general meeting passed a decision on the amount and the expiry date of the joint and several liability undertaken in respect of KELER CCP: the amount of the joint and several liability as of 16 August 2011 is HUF 12 billion and this amount will be in force until the 90th day after the annual general meeting of KELER in 2012.

KELER held no extraordinary general meeting in 2011.

4. BUSINESS RESULTS OF KELER

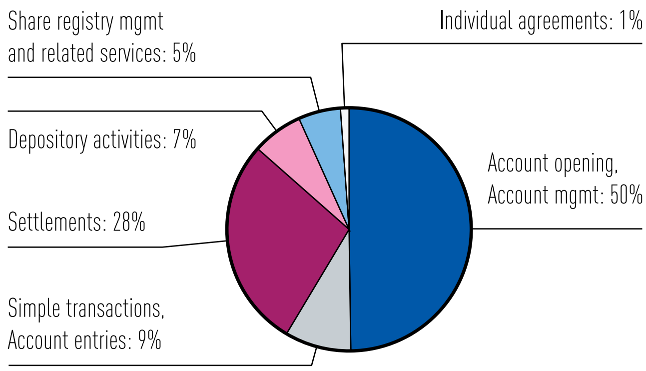
In our business plan for 2011 we estimated the growth potential for the Hungarian economy to be 3% with fragile investor sentiment. Hungary did not reach the planned economic growth and its risk rating deteriorated in 2011. However, the results from both financial activity and services provided exceeded our expectations at an annual level.

Results from financial activity (HUF 1,788.6 million) were 17.1% higher than planned due to the interest difference realized above expectations, while a significant loss in the value of securities held was accounted for at the end of the year due to the unfavorable economic environment.

The higher than planned result from services can be explained by the decrease in income (to HUF 4,950.2 million, 96.7% of previous year) and the savings related to costs of operation. Similarly to previous years, income from account management continued to be a key factor: due to the fee decrease at the beginning of the year this income reached levels below the amount realized in 2010 and it was less than planned on an annual level. Income from settlements was nearly at the same level as in the previous year; however the favorable trend in energy market settlements could not compensate for the low multinet and derivative volumes, thus income from settlements was less than planned at an annual level. Income from transactions and from issuers was at about the planned figures, while export revenues were higher than planned.

Total operating expenses amounted to HUF 4.640.1 million, or 96% of plan, due to cost savings in general administration expenses and amortization accounted for in relation to investments.

Structure of revenues from services | 2011



The reason for other expenses higher than planned is that taxes turned out to be more than expected due to the favorable financial results realized and to a change in the regulations of bank tax, the basis of which was expenses and not profit as planned.

Operating income, the total of results from financial activities and services provided, amounted to HUF 2.098.7 million that is 115.5% of the plan. In the absence of extraordinary items the operating income equals profit before taxes. The value of the ROE indicator[1] is 9.8%.

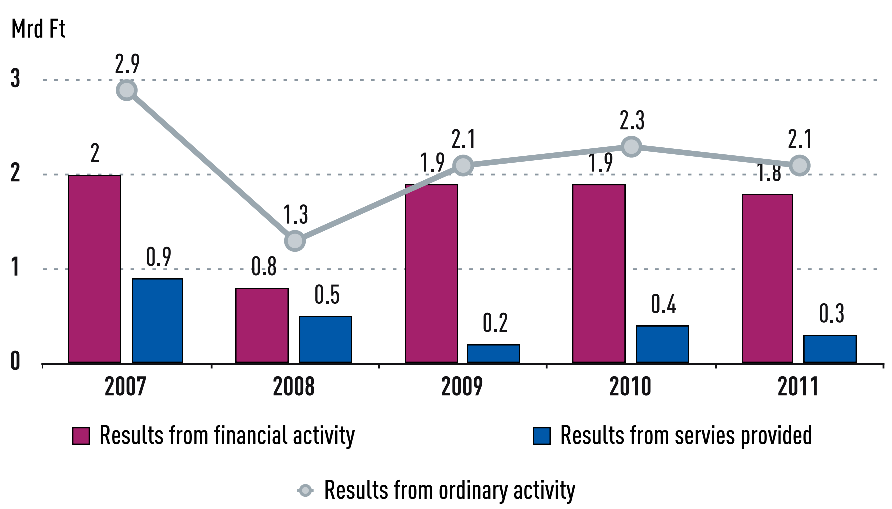
After deduction of income tax of HUF 355.7 million and the general reserves (HUF 174.3 million) profit for the period is HUF 1.568.7 million.

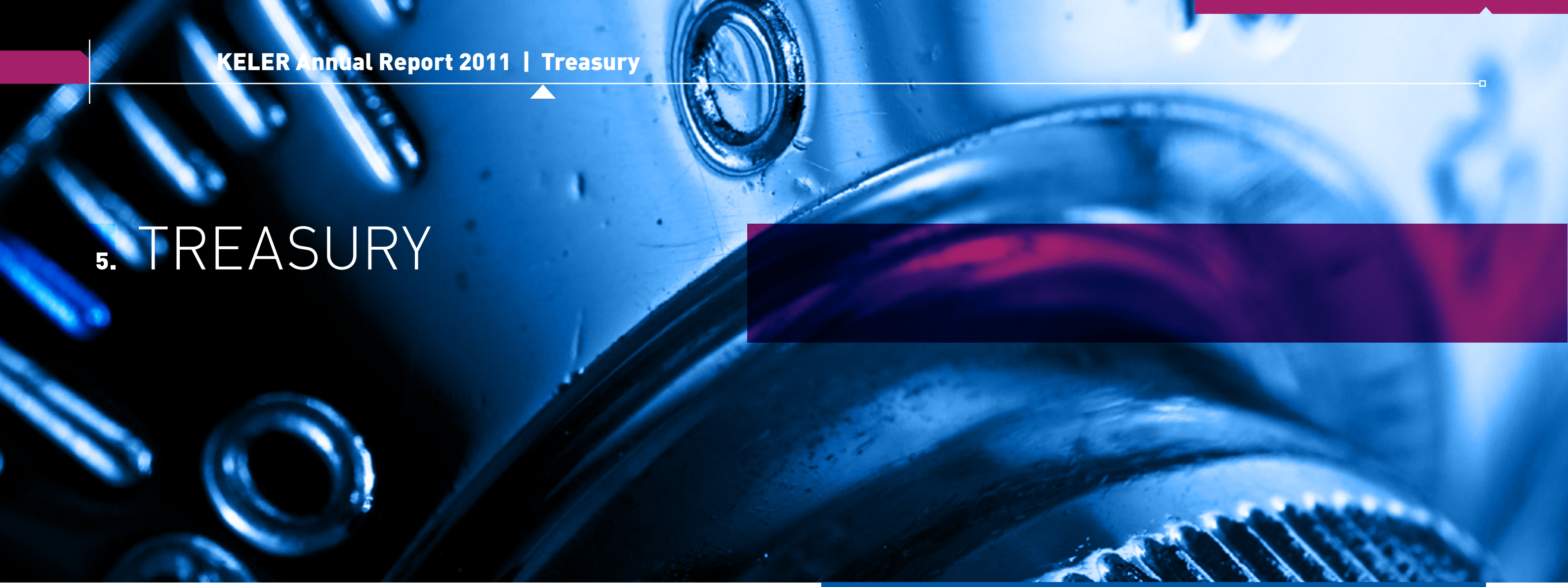
Although the business result of 2011 was less than in 2010, the results from services provided and financial activities reached levels higher than planned for 2011.

1 Profit for the period after taxes (HUF 1.743 million) / equity capital at the beginning of the year (HUF 17.778.8 million) = 9.8%

PROFIT ADN LOSS FIGURES (in HUF million)					
Sorsz.	Description	2010. Actual	2011. Plan	2011. Actual	2011 Actual / 2011 Plan (%)
A.	**Profit (or loss) of financial activity (A.=1.+2.+3.+4.)**	**1,851.5**	**1,527.5**	**1,788.6**	**117.1%**
B./1.	**Fees and commissions received (B./1.=5.+6.+7.)**	**4,734.8**	**4,749.7**	**4,594.2**	**96.7%**
5	Domestic income realized pursuant to Fee Schedule	4,248.8	4,360.1	4,118.4	94.5%
6.	Income from export (Fee Schedule and individual agreement)	171.7	120.0	166.4	138.7%
7.	Income from services provided based on individual agreement and other service income	314.3	269.6	309.4	114.8%
B./2.	**Other income (B./2.=8.+9.)**	**328.2**	**370.7**	**356.0**	**96.0%**
8.	Other income from financial and investment services (income from intermediated services)	3.2	2.7	2.7	
9.	Other income (from non-business services)	325.0	368.0	353.2	
B.	Income from services provided (B.=B./1.+B./2.)	5,062.9	5,120.3	4,950.2	96.7%
10.	Fees and commissions paid	840.0	971.9	868.1	89.3%
11.	General administration expenses	2,664.1	2,794.8	2,747.4	98.3%
12.	Depreciation and amortization	788.0	802.4	711.7	88.7%
C.	**Total operating costs and expenditures (C.=10.+11.+12.)**	**4,292.1**	**4,569.1**	**4,327.3**	**94.7%**
D.	**Other expenditures**	**321.5**	**262.1**	**312.9**	**119.4%**
E.	**Operating expenditures of service activity (E.=C.+D.)**	**4,613.6**	**4,831.3**	**4,640.1**	**96.0%**
F.	**Profit (or loss) of service activity (F.=B.-E.)**	**449.3**	**289.0**	**310.1**	**107.3%**
G.	**Result on ordinary activities (financial and services) (G.=A.+F.)**	**2,300.8**	**1,816.5**	**2,098.7**	**115.5%**
H.	**Extraordinary result**	**0.0**		**0.0**	
I.	**PROFIT (LOSS) BEFORE TAX (I.=G.+H.)**	**2,300.8**	**1,816.5**	**2,098.7**	**115.5%**
10.	Income tax	317.8	382.3	355.7	
J.	**PROFIT (LOSS) FOR THE PERIOD AFTER TAX (J.=I.-10.)**	**1,983.0**	**1,434.2**	**1,743.0**	
11	General reserves (10 % of profit (loss) after tax)	198.3	143.4	174.3	
12	Dividends payable (approved)				
K.	**NET RESULT (K.=J-11.)**	**1,784.7**	**1,290.8**	**1,568.7**	

Results from financial activity, services provided and ordinary activity 2007-2011





5. TREASURY

As far as the operation of Treasury is concerned, 2011 was a successful year from the point of view of business results. Treasury closed the year with a profit of HUF 1.746.4 million, that is 13% higher than the planned profit of HUF 1.550 million. One of the reasons for the overperformance is the more than 50% increase in volumes by the end of the year. Account balances with individual interest rates contributed significantly to the increased volumes.

As far as the structure of assets is concerned, government securities had a share of nearly 98%, while interbank deposits remained below 1%. There was a significant restructuring in the government securities portfolio in favor of short-term securities (less than one year tenor) and fixed-rate government securities and NBH bonds dominated this segment. The duration of the government securities portfolio on average was within one year. The average annual yield of the asset portfolio reached 8.38%. The average proportion of obligatory reserves within the total asset portfolio was slightly more than 1%.

6. CLEARING HOUSE AND CENTRAL DEPOSITORY ACTIVITY

REGULATED MARKET SETTLEMENT

The first six months of 2011 was spent by focusing on energy market settlements. A new collateral calculation method was introduced in respect of gas market settlements in February, and then two developments went live in the first half of the year. As a result of the developments KFRE settlement became available and the practice of result distribution was modified, for gas market clearing members daily reports became available in excel format also.

Simultaneously with gas market developments, and almost exactly one year after the launch of the HUPX day-ahead power market trading in July 2011, trading in the physical futures market was launched on HUPX. The creation of the settlement terms of the new market segment was a complex regulatory and operations exercise, which resulted in that both the day-ahead and the physical futures trades are settled in one settlement cycle. Since November 2011 the ECC defines differentiated risk parameters by daily expiries for the physical futures trades; the resulting effect of this change, along with the collateral calculation practice of KELER CCP, had to be integrated into the daily processes.

The second half of the year was spent by concentrating on capital market developments. In the summer of 2011 we started to work on creating the settlement conditions for the BÉTa market (BSE Alternative Market). The new market, founded by the Budapest Stock Exchange, plays a pioneer role in domestic settlements by allowing MTF market trading, also provided by the KELER Group, after traditional stock exchange securities trading. The BÉTa market was launched in October 2011 after the regulatory and operational terms applicable to the market were established.

In the autumn, jointly with the State Debt Management Agency (ÁKK) and the Italian EuroMTS, we started to work on the settlement conditions of a new government securities trading platform so that from the beginning of 2012 Primary Dealers can make their government securities trades in the MTS Hungary platform. As a result of continuous liaison and cooperation with market players as well as the foreign partner, the development was completed in December 2011 and simultaneously with the approval of related changes in regulations MTS Hungary was successfully launched on 2 January 2012.

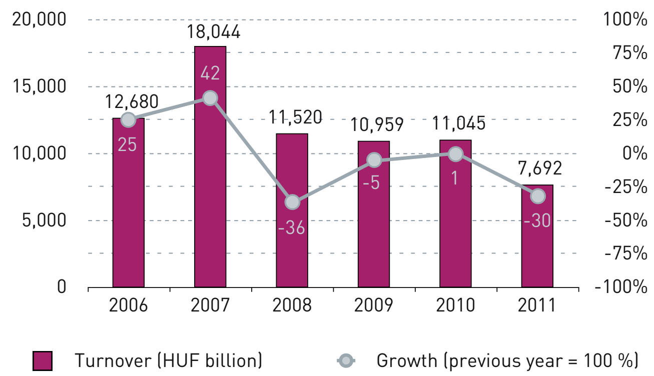
In addition to the professional challenge of implementing priority developments we believe it is a great success that the number of contracted partners in guaranteed markets dynamically increased in 2011 too and by the end of the year it – taking all the markets into account – exceeded 60.

TURONVER FIGURES IN THE REGULATED MARKETS IN 2011

BSE Cash Market

The aggregate single-counted cash market turnover of the stock exchange of HUF 4,224.02 billion is a 27.46% decrease compared to 2010. Simultaneously, the average daily turnover dropped to HUF 16.7 billion from HUF 22.92 billion a year earlier. The aggregate turnover of equities, a key trading segment of the cash market suffered a decrease of 30.36% compared to 2010 and reached HUF 3,846.14 billion in 2011, thus the average daily turnover of the equities market was HUF 15.2 billion as opposed to HUF 21.74 billion in the previous year. Despite the strong contraction in turnover, a smaller level of decrease was witnessed in the number of registered stock exchange transactions: the number of transactions was 2,790,242 in 2010, while in 2011 after a drop of only 6.51% compared to the previous year it was 2,608,683. In terms of average daily transaction numbers this means 10,311 transactions in 2011 compared to 10,985 transactions a year ago.

BSE cash market equities turnover 2006-2011 (double counted)



	2006	2007	2008	2009	2010	2011
Turnover* (HUF billion)	12,680	18,044	11,520	10,959	11,045	7,692
Number of transactions (in thousands)	1,494	1,655	1,950	3,304	2,612	2,334

** double counted | Source: BSE Annual Statistics 2011.*

Product type/transaction type in 2011	HUF billion
Index based futures	386.0
Equities futures	805.8
FX futures	1,533.0
Interest futures	0.0
BUX option	0.0
Equities option	0.0
FX option	9.3
Commodities futures	35.5
Commodities options	0.0
Total	**2,769.61**

Source: BSE Annual Statistics 2011.

BÉTa Market

In 2011 the total turnover of the 10 international equities listed in the BÉTa market reached HUF 1.31 billion with a transaction number of 1,050.

BSE Derivative Market

The aggregate derivative market turnover of HUF 2,769.64 billion represents a decrease of 30.4% compared to the previous year. In the annual turnover, the index and equities based products had a share of HUF 1,191.8 billion (43.03%), while the turnover of financial products reached HUF 1,533 billion (55.35%). At an annual level the turnover in index and equities based products decreased by 42.57%, while the decrease was 17.73% in the turnover of financial products. The turnover in commodities based products was HUF 35.5 billion, that is an increase of 2.04% over the previous year.

NFKP Gas Market

The first full business year of gas market settlements was closed in 2011. The total annual single-counted turnover was 30.11 billion MJ that represents HUF 87.33 billion at market price.

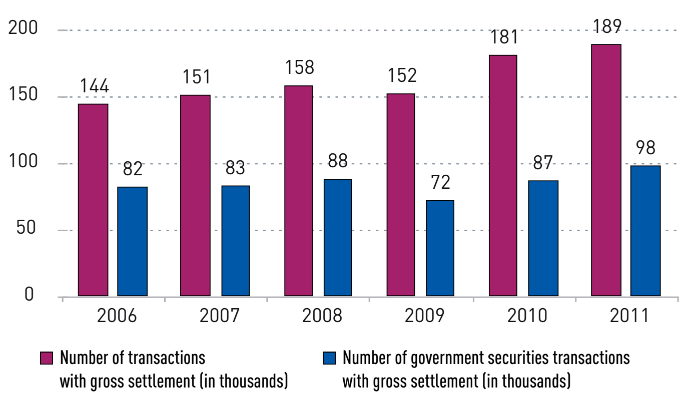
HUPX Power Market

In 2011, 1.95 million MWh power was settled on the HUPX day-ahead market in the total value of HUF 31.99 billion, while turnover through the KELER Group in the physical futures market was 33.36 thousand MWh in the total value of HUF 646.29 million.

OFF-EXCHANGE SETTLEMENT

2011 was a successful year in terms of OTC deals with gross settlement where turnover calculated at purchase price increased by 30% and amounted to HUF 229,821 billion after HUF 176,563 billion in 2010. Government securities amounted to HUF 224,524 billion. This turnover was generated by 98 thousand transactions.

Number of transactions with gross settlement 2006-2011



INTERNATIONAL SETTLEMENTS

The uninterrupted and continuously increasing level of provided service is an important element of the emerging positive international image of KELER, and this is the primary goal for the International Settlements Department. The survey completed by Clearstream on services provided by KELER resulted in a very positive opinion in respect of the work done in 2011. In all areas (settlements, corporate actions, taxation, reconciliation, etc.) the average rating received was 6 out of maximum of 7 – this is a very good result indeed.

In order to provide high level services a number of developments were implemented in 2011. New standards issued by SWIFT that primary effected corporate action management related communication were introduced. The new event codes added and the regrouping of codes used in the existing block structure allow more sophisticated and detailed information flow.

Additionally, a number of developments were implemented in line with customer requirements in order to improve the quality of the KID cross-border module (e.g. automatically accessing new international markets from the KID, modification of instruction elements in line with ISO standards, flexible management of collateral blocking rules in line with securities acceptance deadlines that vary by markets) and cross-border settlements.

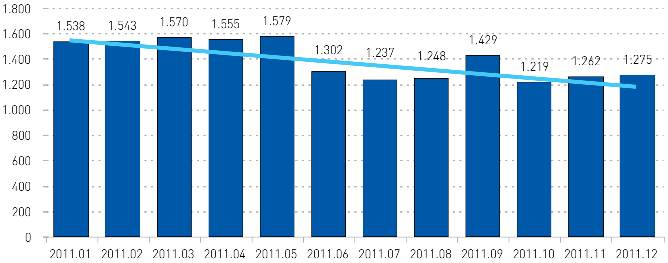
However, the economic crisis resulted in very strong reduction of customer activity; in fact, the government took over the savings in private pension funds, which led to a contraction of 24% in the international securities portfolio managed by KELER. This contraction was slightly compensated for by the increase in volumes we experienced in the second half of the year, thus we closed the year with a decrease of 16% (EUR 1.28 billion) compared to 2010.

There was no significant change in the number of cross-border orders. During the year 6,500 orders were settled, this is a decrease in transaction numbers of only 6% compared to the previous year.

No material change occurred with respect to the domestic settlements of non-resident customers (inflow business). Although the nominal value of the custody portfolio reached nearly HUF 665 billion that is an improvement of 13% compared to the previous year, in terms of transaction numbers 4,920 transactions were completed in 2011 as opposed to 5,100 transactions a year earlier.

The settlement volume of transactions concluded at the Deutsche Börse and managed by KELER exceeded HUF 165 million in 2011; which is slightly less than the volume last year (HUF 170 million). However, the number of transactions exceeded 10,000, which is an increase of nearly 70% over the turnover in 2010.

Cross-border securities kept in KELER end of month value in million EUR in 2011



CENTRAL DEPOSITORY ACTIVITY

Management of dematerialized securities

As of 31 December 2011, 3,415 live securities series were registered in securities accounts kept by KELER, which is a rather intensive growth of 28.4% over the number of series of 2,659 as of 31 December 2010. The total nominal value kept in securities accounts as of 31 December 2011 was HUF 23,057,021,733 thousand, 10% higher than at the end of 2010.

The growth in the number of equities series is basically due to the fact that a number of joint-stock companies made up for issuances that were postponed earlier.

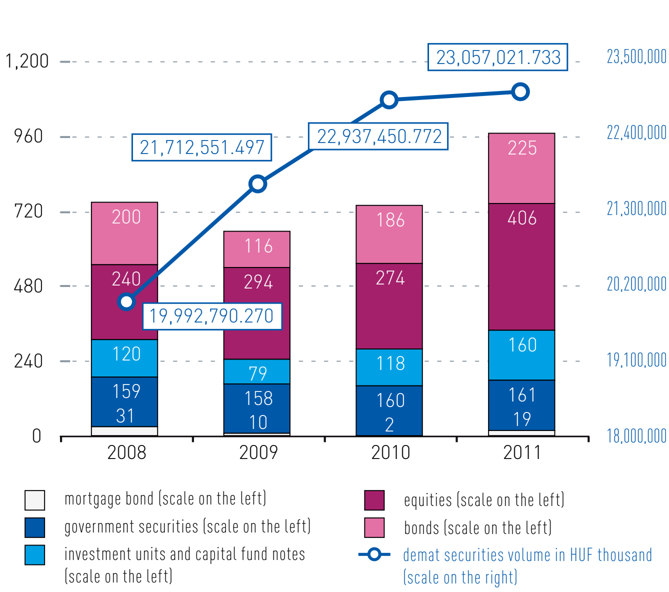
The modest growth in the portfolio of dematerialized securities compared to the previous year was considerably effected by the cancellation of 30 bond series due to the early redemption of county municipalities bonds on 30 December 2011. This resulted in a contraction of HUF 132,499,188 thousand in the dematerialized securities portfolio.

Issuance of securities identification codes

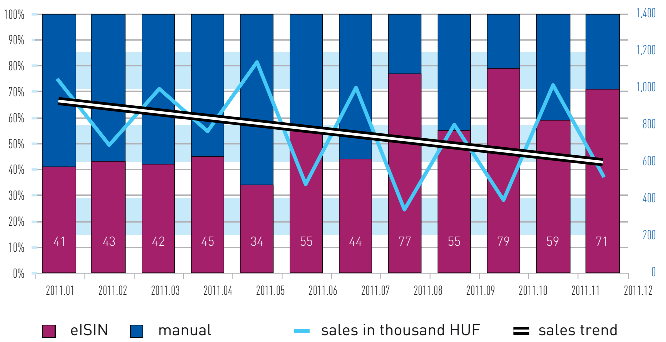
In line with the trends in past years in 2011 there was an increase of 22% in the number of ISIN requests (1,260) by customers compared to 2010.

Due to the highly popular eISIN service launched in the spring of 2009, nearly one third of ISIN requests submitted to KELER in 2010 were made electronically. With the introduction of differentiated fees as of 1 August 2011 (paper based request: HUF 19,500 / series; eISIN request: HUF 9,500 /series) our plan to increase the number of eISIN requests was fulfilled, in 2011 nearly 70% of requests by customers were submitted through the eISIN application.

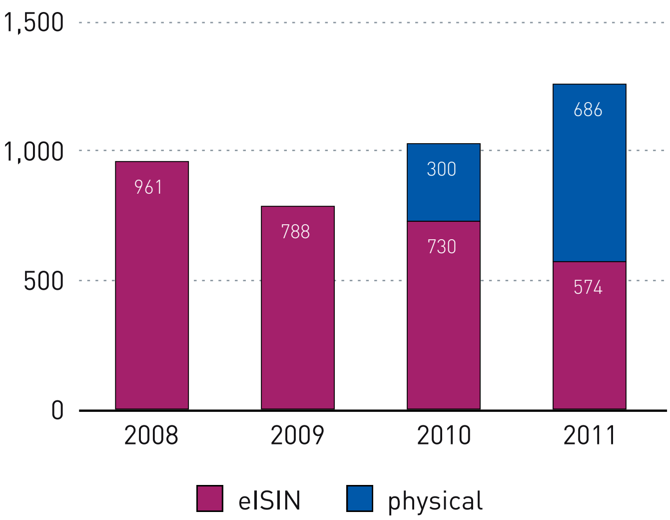
Number of series issued by securities type Volume of dematerialized securities 2008-2011 (in HUF thousand)



ISIN requests in 2011



ISIN requests 2008-2011



GENERAL DEPOSITORY ACTIVITIES

Custody of physical securities

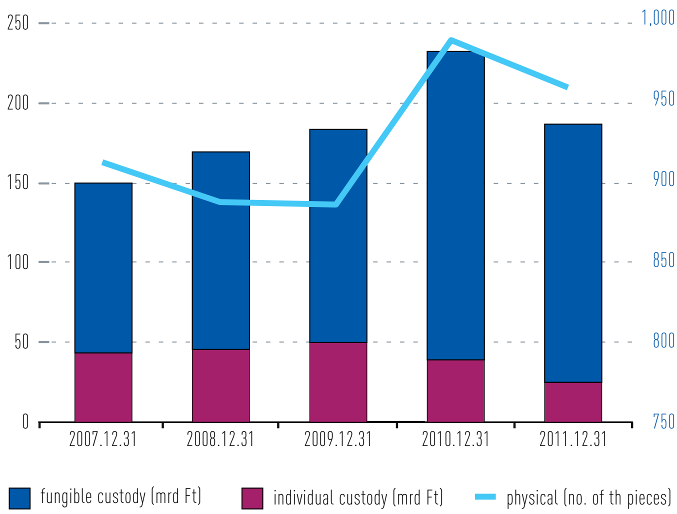
Based on physical securities custody statistics the volume of physical securities decreased by 34.6% in 2011 compared to the previous year. The reason for this decrease is the conversion of both physical securities in fungible safekeeping (HUF -13,709 thousand) and in individual custody (HUF -102,732,412 thousand) into dematerialized securities.

In December 2011, 57,198 pieces of securities in the value of HUF 21,942,352 thousand became invalid and were destroyed as a result of conversions. Despite withdrawals, and due to the delivery of additional securities series into individual securities accounts (primarily for future dematerialization), the total stock of physical securities decreased by only HUF 46,638,601 thousand.

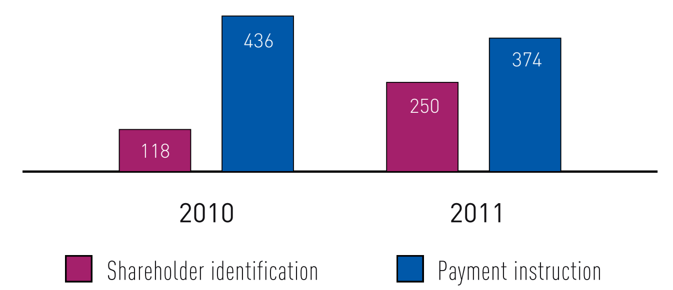
Corporate action management

There was a 12% increase in 2011 compared to the previous year in the number of corporate actions related, account balances based payment instructions for due dates and shareholder identification required for share registry update ordered by issuers from KELER.

Physical securities custody 2007-2011



Corporate actions 2010-2011



7. SHARE REGISTRY

The Share Registry Department of KELER completed its tasks in line with the practice established in earlier years: in addition to share registry our clients could use services such as involvement in the payment of dividend, interest or counter value and the organization of general meetings in 2011.

The number of our customers increased to 57 in 2011. Clients using this service included entities requiring our services on a case-by-case basis and only in respect of dematerialization and this client number does not include some companies that have used other services we provide in addition to the services they already used.

8. PROJECTS OF HIGH PRIORITY AND SERVICE DEVELOPMENTS

Introduction of futures contracts in the power market

On top of the day-ahead transaction on the power market, participants of HUPX can also conclude futures transactions through the KELER Group. Financial settlement in respect of futures power market transactions – similarly to earlier practice – is completed in the domestic settlement system. In the scope of the project, settlement, risk management, currency settlement regulations, systems and processes related to the new contracts were established.

BÉTa market settlement

The Budapest Stock Exchange launched its new multilateral trading platform known as the BÉTa market in the autumn of 2011 and 20 European blue chips were listed at the start of this market. Similarly to transactions concluded on the BSE, KELER Ltd. completes the settlement of transactions concluded on BÉTa, while transactions are guaranteed by KELER CCP Ltd. The launch of the BÉTa market and the listing of selected European blue chip equities in this market offers a unique opportunity to retail investors and investment companies to trade in European equities in this market in HUF and at moderate fees. Market liquidity is provided by market makers operating in this market. In the interest of making as much use as possible of the new contracts and benefits, the KELER Group developed a new procedure on the management of eventual default in the BÉTa market; other settlement processes of this market are identical to the processes of BSE deal settlement.

MTS market settlement

In the wake of the decision of the State Debt Management Agency (ÁKK), as of 2 January 2012 secondary trading and market making in government securities are undertaken at the trading platform of EuroMTS (MTS Hungary) instead of the BSE, while the primary market (classic and repo auctions) and repurchases continue to be managed in the MMTS system of the BSE.

With respect to the settlement of transactions made in the new market the KELER Group strived to make sure that it is not different from what customers accustomed to, therefore deals completed in the MTS Hungary are settled in the same way as deals made at the BSE, with multilateral netting and guarantee undertaken by KELER CCP. In order to meet the requirements of market players KELER Group and ÁKK jointly set up a special lending system to increase settlement security and to facilitate for the successful operation of the new platform.

Multiple clearing intraday (Inter-Giro2)

Key players in the payment services market and the National Bank of Hungary decided in October 2009 to implement intraday clearing with several phases in the interbank clearing system and to introduce SEPA standards in domestic payments. The Council of Payment System stated that multiple clearing intraday is to be launched on 2 July 2012.

The National Bank of Hungary modified its order on the implementation of payment services with effective date of 1 July 2012 so that it requires the providers of payment services to actively use intraday clearing.

Payment orders are to be executed within four hours of receipt in the second half of 2012. The Council of Payment Services set up a project in July 2010 to coordinate developments and projects by institutions and to monitor preparation at a national level.

KELER has been an active player in the nation-wide project and meets project requirements on time so that the project can be closed as planned so that Inter-Giro2 becomes available to both KELER and other market participants.

eDEMAT

In the interest of increasing the level of service provided to customers and to increase the efficiency of operational processes in the second quarter of 2011 KELER decided to expand the range of online services provided to facilitate the easier, simpler and quicker management of dematerialized securities for Issuers. Under the project the tender for suppliers was completed and the appropriate partner was selected in 2011, additionally the necessary processes were finalized to make sure that with the eDEMAT service expected to be launched in 2012 Issuers can use an electronic channel that supports online administration, the management and linking of electronic documents related to dematerialized securities and generally makes administration simpler.

KID modernization

In line with the results of our customer satisfaction survey and the customer requirements voiced at customer forums and submitted to us in writing, KELER launched the modernization of the KID communication system in line with internal development priorities and directions in 2011. In the frame of modernization, in addition to the technological upgrade, the goal was to support English language use and to update the platform, which are expected to result in an ergonomic, user friendly, multilingual customer communication platform that meets international standards and is in line with SWIFT standards. The developments are planned to be implemented in two phases. The first phase is expected to go live in July 2012, while the second phase is planned to be rolled out at the end of 2012 or early 2013.

eInvoice service

Considering actual trends the electronic invoices are expected to replace paper-based invoices. The basic reason for this change is that the e-invoice offers numerous advantages over the traditional invoice.

Being aware of these advantages KELER implemented the electronic sending, management and archiving of outgoing invoices as the first step, thus from the beginning of 2012 KELER Group is expected to be able to send electronic invoices in .pdf and .xml formats with increased security, digital signature and time stamp. Both formats meet the requirements of the National Tax and Customs Office.

This solution will allow meeting the legal requirements on the authenticity of invoices, the authenticity of the content of invoices and the improvement on invoice management. As a consequence, costs related to the issuance of paper based invoices will decrease significantly.

TARGET2-Securities

T2S is one of the major initiatives of the European Central Bank that is expected to exercise considerable influence on the securities markets of Europe. The main purpose of the project is to standardize European capital markets, bring down the borders for securities transactions, create uniform securities account management and settlement rules across Europe. With the integration of securities transaction settlement European depositories will be able to undertake cross-border securities transactions at a uniform IT platform, in line with uniform rules and in a centralized manner, settling large volumes, which result in the secure exchange of securities and their counter-value.

Hungary joined the project in June 2010 and the KELER Group was an active participant of the international project also in 2011. After thoroughly examining the opportunity to introduce it to the Hungarian market and the related consequences, there was an active discussion related to this topic with domestic market players as this affects the entire domestic market. KELER is to make a decision on joining T2S by mid-2012, while the T2S settlement system is expected to be launched in 2015.

SWIFT 2011 Standards Release (SR)

It required significant developments in our systems undertaking business communication and corporate action management to remain compliant with the new standards issued by SWIFT in 2011.

Developments related to cross-border settlements and corporate actions

After the expansion of the sub-custodian network of Clearstream in 2011, settlement in 10 new local markets became available to our customers. Simultaneously, transaction status management was expanded and the procedure on foreign exchange and securities blocking was modified. There were corporate action management related developments also: application for corporate action in foreign securities (generation of MT565) and processing of incoming MT564/MT568 advices became automatic and new options and subaccount-level queries were added to the advice messages on Hungarian corporate actions to be sent to international customers.

9. INFORMATION TECHNOLOGY

Similarly to past years 2011 was a period when a great number of tasks had to be taken care of by the IT department.

The IT department completed these tasks in 2011 in line with the IT strategy approved for the year, which strategy aimed to strengthen the basics of operation and continues to focus on client orientation.

During the course of the year, the system availability at KELER was a stunningly high 99.908%.

The IT department successfully completed the following major tasks in 2011:

- Compliance with SWIFT standards of 2011 required a modification of outstanding magnitude and of mandatory nature in respect of systems compared to the past two years. The change had a major impact on business communications and processes.
- In order to support the quality improvement in the development procesees, the TestComplete tool was rolled out. This tool supports automatic, repeated tests and the evaluation of test results. In the past year this tool was used in three major projects, as a result after going live the systems involved operated without problems and errors.
- Ernst & Young, winner of the respective tender, completed the independent audit – as required by Government Decrees 283/2001. (XII. 26.) and 284/2001. (XII.26.) – of 9 KELER business support applications of major importance. An internal investigation was also completed to collect information related to experience acquired on the operation of the change management process, to help laying the foundations for modifications due at the time of the forthcoming review and in order to continuously improve the process.

The operation of KELER IT was switched into 'prevention' mode and by making use of the monitoring capabilities of systems IT continuously provided the required quality of operation also in 2011.

10. RISK MANAGEMENT

In 2011 the Risk Management Department of KELER worked to prepare for compliance with the recently accepted directives of the Basel Committee. The European Union included the new rules of Basel III in four directives: CRD I – II – III (modifications of the Capital Requirements Directive) of these four directives had to be applied from 2011, while CRD IV is being finalized. The change in the regulation genuinely impacts compliance by KELER with capital requirements rules as a higher level of coverage is expected to be met by institutions. Regulations on capital quality also became stricter; however, this has less impact on compliance by KELER as its guarantee capital currently consists of primary capital elements only. During the year several impact analyses and action plans were completed related to this topic.

COUNTERPARTY RISKS

Treasury, bank rating

KELER played a more active role in the foreign exchange market in 2011. Accordingly, the regulation of limit policy of Treasury was modified and the applicable rules were added to the regulations on foreign exchange and counterparty risk management. In the framework of bank rating, counterparties of Treasury were rated based on their quarterly and annual audited figures and a proposal was made to the Asset-Liability Committee on the risks to be taken in respect of counterparties.

MARKET RISKS

In compliance with prevailing recommendations the calculation of market yield values subject to stress test were modified. The amount of loss calculated with the new stress parameters continues to remain below the level stated in law.

OPERATIONAL RISK MANAGEMENT

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

The Operational Risk Management Committee held quarterly meetings and discussed events of losses and actual operational risks in 2011. To the extent that it was necessary and possible it took actions to decrease and prevent risks and subsequently monitored the implementation of the measures taken.

By combining the top-down and the bottom-up methodologies in the autumn of 2011 KRIs (Key Risk Indicators) at each organizational unit of KELER were reviewed and self-assessment interviews were completed, which is an important element in the calculation of capital required. Additionally, stress test scenarios and loss parameters impacting the entire KELER Group were defined, the result of which also forms part of the capital requirement of the second pillar.

11. HUMAN RESOURCES

In the field of Human Resources 2011 was a period of supporting processes and developments as a result of organizational changes.

In the life of KELER this year was the period when new services were introduced to financial counterparties, the number of existing power market counterparties increased and human resources to support customer-oriented services had to be provided.

Due to the challenging economic environment, performance management ratios were fine-tuned so that performance measurement becomes more precise.

This year the development of the expertise of staff in internal and external professional trainings was also a high priority. Additionally, all staff members participated in a general IT training that contributed to increased efficiency. We continued to have IT security awareness internal trainings in 2011.

During the period covered no major organizational change was completed in KELER.

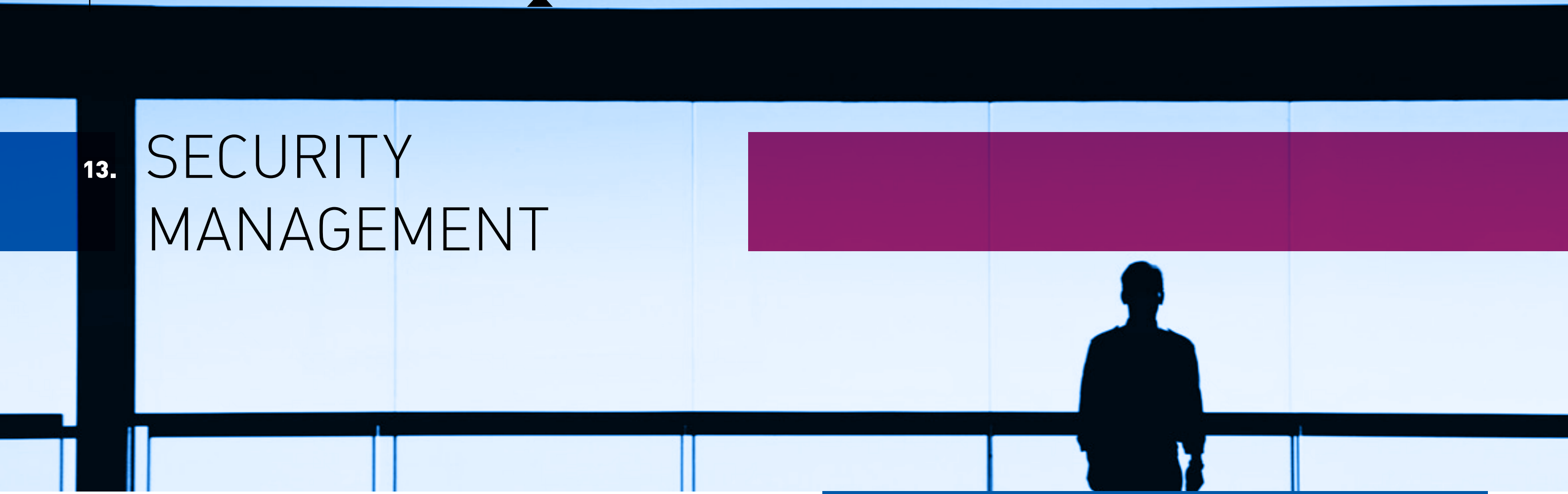
During 2011 also, KELER was able to provide the human resources necessary to reach its objectives.

12. INTERNAL AUDIT

The Internal Audit organization completed its activities in 2011 also in line with the annual work schedule approved by the Supervisory Board and based on the risk assessment, the risk analysis and the prevailing operating procedure of Internal Audit. When defining areas to be covered in the review of activities, the review of 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.

There were 10 non-IT reviews undertaken in 2011. Additionally, based on the contract made with KPMG Ltd., seven IT and bank security reviews were completed. Within the reviews completed 10 reviews covered specific topics, one was related to a specific purpose and six were follow-up audits.

Reviews were particularly focused on compliance with the provisions of regulations, the internal rules and instructions, the operation of controls and the compliance with security requirements. In the case of the follow-up audits special attention was paid to check the implementation of measures taken and recommendations made to remediate discrepancies identified in earlier audits. In the framework of the six follow-up audits three IT and three non-IT internal audit reviews were completed.



13. SECURITY MANAGEMENT

As part of BCP-DRP (Business Continuity Plan-Disaster Recovery Plan) planning and testing KELER successfully completed the recovery site test and the disaster recovery test of a number of other elements of the IT infrastructure in 2011 also.

The Executive Board approved the risk management plan for the period 2012-2013 and the related security strategy.

These documents are based on security risk analysis and the conclusions drawn from the ethical hacking (penetration test) completed between February and April in 2011.

This test provided an objective picture on the IT and physical security status of KELER and, in addition to several other measures taken, security awareness trainings were held during the summer.

14. STRATEGY AND CUSTOMER RELATIONSHIPS

Medium term strategy of KELER

In the interest of a long term, high level and stable operation of the KELER Group, the medium term strategy for the period between 2011 and 2015 was accepted. The objective is to make sure that within the said period KELER services facilitate for the stable operation, promote the development of the markets served and KELER operates profitably, as a competitive and client-oriented infrastructure that deliberately takes advantage of business opportunities and flexibly adapts to changes in the environment.

Customer forums

2011 was a busy period in terms of events related to keeping contact with our customers. KELER organized customer forums for custodian clients on two occasions, on 4 April and 15 December to discuss current issues.

In June 2010 Hungary joined the T2S project, established for standardizing European capital markets and creating a uniform European platform for securities account management and settlement. KELER was an active player in the international project in 2011 and as part of this exercise it organized and started to operate several professional forums.

In May 2011 the Hungarian Banking Association, the Association of Investment Service Providers, the NBH and the KELER Group (KELER Ltd., KELER CCP Ltd.) formed the T2S National User Group (NUG) in the interest of providing information to the market players concerned of the Hungarian capital market with the involvement of KELER and the NBH.

In addition to being a forum to share information, the NUG represents the interests of Hungarian capital market participants in the international project, provides information to the highest level decision making organ of the project led by the ECB on the characteristics of the local market. Also it investigates impacts on the domestic market. Within the NUG there are two working groups covering specific topics, their objective is to provide a framework to expert discussion and dialogue related to the model of joining and to the preparation for the joining.

The Settlement Working Group is the formal body helping participants to get to know the operation of T2S, the joining model of KELER/NBH and to draw conclusions related to future operation. Generally this body facilitates market level discussions related to joining to T2S by sharing information and assessing tasks where customers will be involved in the process of preparation and implementation. The Corporate Action Working Group facilitates the discussion of corporate action related market views; its primary task is to understand standards, assess the influence standards will have on markets and to form a market consensus in this respect.

In the scope of NUG our customers attended a full-day T2S conference on 13 October 2011 where experts of the ECB were present and informed the Hungarian market on the T2S project.

Customer satisfaction survey

Following the customer satisfaction surveys completed in 2007 and 2009 KELER completed personal and online interviews in 2011 with its customers, now including gas and power market participants, to learn about their views, remarks and development requirements related to the services of the KELER Group.

After the analysis of survey results a detailed implementation schedule and an action plan were finalized to integrate as many useful and constructive opinions and recommendations by customers as possible into the operation of the KELER Group.

15. PROTECTION OF THE ENVIRONMENT

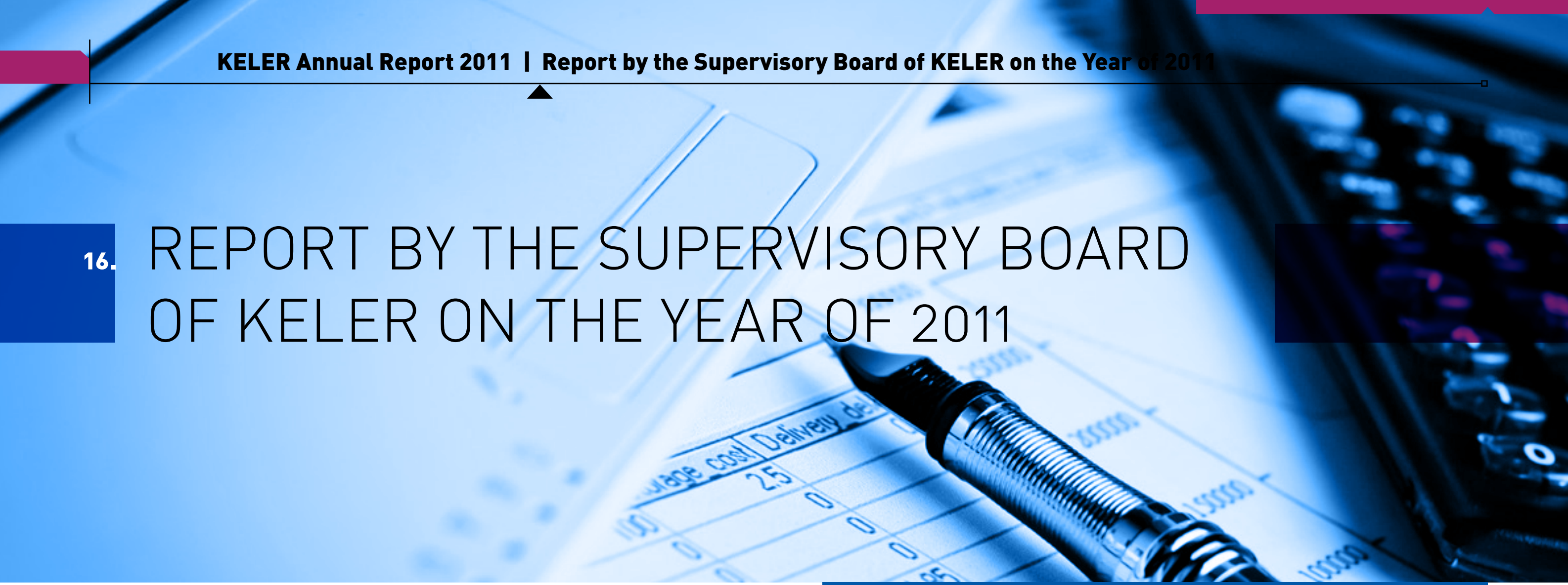
In 2010, KELER started to introduce green measures in the interest of the protection of the environment and to integrate green thinking in the corporate culture to reduce costs and the use of paper.

As a result KELER was the winner in the medium sized enterprise category of the Green Office Competition in 2010.

The following major measures and actions contributed to long term green operation and facilitated the green operation of the KELER Group in 2011:

- In order to modernize office equipment and to cut down on the use of paper in our offices, printers and copier machines were replaced and the high number of smaller capacity printers were changed to a smaller number of machines of increased performance, and the use of recycled paper was facilitated. Numerous paper-based statements were stopped, thus several thousand sheets of papers can be saved each month by decreasing the frequency of sending printed account statements.
- We installed several bottle pressers and selective waste bins as part of our commitment to selective waste collection, thus our staff members can collect and store office waste selectively. Several battery collection points can be found at our premises.
- With respect to stationery and procurement the Procurement regulation of KELER was modified to prefer companies applying green technologies.
- The KELER Group treats the development of electronic services with high priority to help reducing the quantity of paper used. eISIN in 2010, eDEMAT and eInvoice services were launched in 2011 to create the background required for electronic administration.

In the following years the KELER Group will maintain the measures taken in the interest of the protection of our environment in 2010-2011 and will introduce new green measures.



16. REPORT BY THE SUPERVISORY BOARD OF KELER ON THE YEAR OF 2011

The Supervisory Board held 5 meetings in the year of 2011 and on 4 occasions it passed decisions in writing out of session.

In line with earlier practice risk assessment and risk analysis were completed prior to finalizing the work schedule of Internal Audit for 2011. This is to ensure that Internal Audit reviews focus on activities and processes with the highest inherent risks.

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

In 2011, among others, the follow-up review on the implementation of recommendations made by the NBH in its self-assessment report in December 2009 with respect to KELER and KELER CCP were completed, disaster recovery tests were checked with respect to both KELER and KELER CCP.

Reviews were completed on the outsourcing of the depository, checking compliance with the provisions of the agreement executed with ERSTE Bank Hungary Zrt. with respect to safekeeping of physical securities and on the activities that were taken over by the Account Management and Issuer Department from the Depository Group that was terminated as the result of the outsourcing; activities undertaken by the Cross-border Settlements Department; settlement processes in the gas and power markets; the deposit of source codes and implementation of the recommendation stated in the comprehensive Internal Audit review report on cash management services.

Internal Audit checked the implementation of tasks related to the internal capital adequacy of KELER (ICAAP, second pillar of Basel II), compliance with the requirements of internal regulations and compliance with the requirements of the internal regulation on trading book.

The operation of treasury back office activities undertaken by the Account Management Department was reviewed and the operation of processes that changed in the cash market due to the segregation at system level of clearing and settlement processes of products with multinet settlement were also checked.

In the year of 2011 the Supervisory Board discussed reports on checking the implementation of action plans related to the process of backup, archiving and recovery, security parameter controls of servers, work stations and data bases completed by Security Management and also the implementation of the action plan related to the review ordered by Security Management, reports on error and incident management with respect to internal and external customers and reports on log analysis review.

Internal Audit reviewed the implementation of the action plan accepted by the Board of Directors and the Supervisory Board with respect to Points (2)-(3) of statement No. 4. in Point II., referred to in Point III. of the decree of the FSA No. JÉ/III/I-104/2009 and the implementation of the recommendations of the internal audit report prepared by KPMG Hungária Tanácsadó Kft. titled 'follow-up review on the implementation of measures taken to remedy the discrepancies stated in FSA Decree JÉ-III/I-104/2009 and the related explanation, implementation of action plan prepared by KELER' and the follow-up review on IT Internal Audit tasks with due dated between 01 July, 2010 and 31 December, 2010.

Internal Audit reports discussed by the Supervisory Board and related action plans included discrepancies discovered during reviews, tasks recommended to remedy such discrepancies, persons responsible for implementation and defined the deadline to complete the action plan. Follow-up review reports informed members of the Supervisory Board on the implementation of such tasks.

The Supervisory Board of KELER Ltd. continuously monitored the implementation of tasks arising from Internal Audit review reports based on information provided by the management.

The Supervisory Board received verbal information on the preparation for the capital increase of KELER CCP to be completed.

In order to continuously monitor risks influencing the operation of KELER Ltd. the Supervisory Board discussed reports provided quarterly by Internal Audit on the measurement of operational risks and minutes documenting the meetings of the Operational Risk Management Committee.

The Compliance Officer reported to the Supervisory Board on the activity completed in the year of 2010 and the work schedule of the Compliance Officer for 2011.

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

Based on Internal Audit and follow-up report reviews and other documents discussed by the Supervisory Board, the Supervisory Board states that processes throughout the operation of KELER Ltd. 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 directions of development the Company made efforts to spread 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 a high level of security to the participants of the money and capital markets that use services provided by the Company. Additionally, we are convinced that the infrastructure necessary to provide quality services at high level is available to KELER Ltd.

The Supervisory Board found that the Chief Executive Officer of the Company used financial resources entrusted to him with due care. The Supervisory Board reviewed the financial statements of the Company in line with Hungarian accounting standards and the report by the auditor. Based on these documents the Supervisory Board makes a proposal to the General Meeting to accept the financial statement of KELER Ltd. for the year of 2011 with balancing assets/liabilities (balance sheet total) of HUF 135 290 845 thousand, with a net result of HUF 1 568 708 thousand.

Budapest, 29 May, 2012

Attila Tóth
Chairman of the Supervisory Board

17. REPORT BY THE INDEPENDENT AUDITOR

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This is an English translation of the Independent Auditors' Report on the 2011 statutory Consolidated Financial Statements of Központi Elszámolóház és Értéktár (Budapest) Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete statutory Annual Report it refers to.

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying 2011 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 2011, which shows total assets of MHUF 146,106, the consolidated statement of comprehensive income, which shows profit for the year of MHUF 1,587, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

We have audited the consolidated financial statements of, 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 2011, 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.

Report on the Consolidated Business Report

We have audited the accompanying 2011 consolidated business report of Központi Elszámolóház és Értéktár (Budapest) Zrt.

Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Act on Accounting and accounting principles generally accepted in Hungary. Our responsibility is to assess whether this consolidated business report is consistent with the 2011 consolidated annual report. 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 annual report, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

In our opinion, the 2011 consolidated business report of Központi Elszámolóház és Értéktár (Budapest) Zrt. is consistent with the data included in the 2011 consolidated annual report of Központi Elszámolóház és Értéktár (Budapest) Zrt.

Budapest, 26 April 2012

KPMG Hungária Kft.
Registration number: 000202

Gábor Agócs
Gábor Agócs
Partner, Professional Accountant
Registration number: 005600

18. STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position as at 31 December 2011
(All amounts in MHUF, unless stated otherwise)

		31.12.2011	31.12.2010
Cash and cash equivalents	5	2,548	607
Placements with other banks	5	6,722	3,688
Financial assets at fair value through profit or loss	6	123,263	62,477
Receivables relating to clearing and depository activities	7	425	493
Accrued interest receivables		603	671
Other investments	8	20	20
Intangible assets	10	1,063	1,308
Property, plant and equipment	11	406	488
Current tax assets		72	111
Trade receivables	9	9,845	18,124
Other assets		1,139	276
TOTAL ASSETS		**146,106**	**88,263**
Placement and loans from other banks	12	96,535	31,302
Deposits from customers	13	17,984	19,036
Accrued interest payable		755	229
Current tax liabilities		38	39
Deferred tax liabilities	21	131	237
Accounts payable	14	9,958	18,232
Other liabilities		442	512
TOTAL LIABILITIES		**125,843**	**69,587**
Share capital	15	4,500	4,500
Retained earnings		13,631	12,194
Statutory reserves	16	2,054	1,932
Non-controlling interest		78	50
TOTAL SHAREHOLDERS' EQUITY		**20,263**	**18,676**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**146,106**	**88,263**

19. STATEMENT OF COMPREHENSIVE INCOME

Consolidated Statement of Comprehensive Income for the year ended 31 December 2011
(All amounts in MHUF, unless stated otherwise)

		01.01.2011–31.12.2011	01.01.2010–31.12.2010
Income from clearing and depository activity	**17**	**4,551**	**4,695**
Interest incomes	**18**	**5,913**	**3,443**
Interest expenses	18	(4,050)	(1,776)
Net interest income		**1,863**	**1,667**
Other operating income		**128**	**39**
Fee and commission expenses		(198)	(204)
Gains and losses on securities, net		**(234)**	**(31)**
Personnel expenses	19	(1,567)	(1,524)
Depreciation and amortization		(713)	(789)
Other expenses	20	(1,967)	(1,560)
Operating expenses		**(4,679)**	**(4,108)**
PROFIT BEFORE INCOME TAX		**1,863**	**2,293**
Income tax expense	21	(276)	(402)
NET PROFIT FOR THE YEAR		**1,587**	**1,891**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,587**	**1,891**
NET PROFIT ATTRIBTABLE TO:			
Shareholders of the Company		1,559	1,871
Non-controlling interest		28	20
NET PROFIT FOR THE YEAR		**1 587**	**1 891**
TOTAL COMPREHENSIVE INCOME ATTRIBTABLE TO:			
Shareholders of the Company		1,559	1,871
Non-controlling interest		28	20
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,587**	**1,891**

20. STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the year ended 31 December 2011
(All amounts in MHUF, unless stated otherwise)

	Share Capital	Retained Earnings	General reserve	General risk reserve	Restricted reserve	Non-controlling interest	Total
Balance as of 1 January 2010	**4,500**	**11,010**	**1,171**	**74**	**-**	**30**	**16,785**
Total comprehensive income for the year	-	1,871	-	-	-	20	1,891
Statutory reserves	-	(687)	198	(11)	500	-	-
Balance as of 1 January 2011	**4,500**	**12,194**	**1,369**	**63**	**500**	**50**	**18,676**
Total comprehensive income for the year	-	1,559	-	-	-	28	1,587
Statutory reserves	-	(122)	175	12	(65)	-	-
Balance as of 31 December 2011	**4,500**	**13,631**	**1,544**	**75**	**435**	**78**	**20,263**

21. STATEMENT OF CASH FLOWS

Statement of Cash Flows For the year ended 31 December 2011 (All amounts in MHUF, unless stated otherwise)		
	01.01.2011–31.12.2011	01.01.2010–31.12.2010
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income taxes	**1,587**	**1,891**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Income Taxes	429	555
Depreciation and amortization	713	789
Unrealised (gains) / losses on fair value adjustment on financial assets at fair value through profit or loss	(181)	(686)
Changes in operating assets and liabilities:		
Net (increase) / decrease in financial assets at fair value through profit or loss	(60,605)	(17,762)
Net (increase) / decrease in Receivables relating to clearing and depository activities	68	(50)
Net (increase) / decrease in other assets	7,416	(18,187)
Net (increase) / decrease in accrued interest receivables	67	110
Net increase / (decrease) in accrued interest payable	525	86
Net increase / (decrease) in other liabilities	(8,451)	18,133
Income Taxes paid	(389)	(601)
Net cash provided by operating activities	**(58,821)**	**(15,721)**
CASH FLOW FROM INVESTING ACTIVITIES		
Net (increase) / decrease in placements with other banks, net of allowance for placement losses	(1,804)	1,420
Net (increase) / decrease in securities available-for-sale	-	-
Net (increase) / decrease in associates and other investments	-	-
Net (increase) / decrease in securities held-to-maturity	-	100
Net additions to premises, equipments and intangible assets	(386)	(557)
Net cash used in investing activities	**(2,190)**	**963**
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase / (decrease) in due to banks and deposits from the National Bank of Hungary and other banks	65,233	5,735
Net increase / (decrease) in deposits from customers	(1,052)	9,649
Net increase / (decrease) in the compulsory reserve established by the National Bank of Hungary	(1,229)	(382)
Dividends paid	-	-
Net cash flow from financing activities	**62,952**	**15,002**
Net increase / (decrease) in cash and cash equivalents	**1,941**	**244**
Cash and cash equivalents at the beginning of the year	607	363
Cash and cash equivalents at the end of the year	2,548	607
Net (decrease)/increase in cash and cash equivalents	**1,941**	**244**

22. NOTES ON FINANCIAL STATEMENTS

NOTE 1: GENERAL

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

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

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

KELER CCP was founded by KELER and BSE in 2008.

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

KELER CCP's owners when established

KELER	74.5%
BSE	25.5%

KELER CCP's owners since 26 February 2009.

KELER	74.5%
NBH	13.6%
BSE	11.9%

KELER CCP is a central counterparty business association pursuant to the requirements of the Tpt. (Act on the Capital Market of Hungary) operating and guaranteeing the settlement of stock exchange and over-the-counter transactions. KELER CCP as central counterparty undertakes guarantee for transactions concluded on the Budapest Stock Exchange and for the financial performance of the gas market (Daily natural gas and capacity trading market) transactions. KELER CCP as general clearing member undertakes guarantee for the financial performance of power market transactions towards European Commodity Clearing AG. KELER CCP's direct partners are commodities service, securities service providers, financial institutions, participants of an organized market, or organizations performing clearing house activity. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

The upper limit of the settlements guarantee set is based on the equity of the Group.

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

NOTE 2: BASIS OF PREPARATION

a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on 26 April 2012. The financial statements are subject to shareholders' approval on the General Meeting to be held 29 May 2012.

b) Basis of measurement

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

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

c) Functional currency

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

d) Use of estimates and judgements

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

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

Associates
Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associated companies are accounted for under the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the investee. The income statement reflects the Group's share of the result of operations of the investee and any goodwill impairment losses. KELER has no investment in associates.

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

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

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

b) Foreign currency transactions

Transactions in foreign currencies are translated to Hungarian forint at the foreign exchange rate ruling at the date of the transaction.

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

c) Cash and cash equivalents

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

d) Financial assets and financial liabilities

Classification

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

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

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

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

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

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

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

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

Recognition

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

Derecognition

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

Measurement

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

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

A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognised in the statement of comprehensive income, as gains and loss on securities.

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

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

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 for financial assets.

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

Impairment of financial assets

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

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

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

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

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

Impairment losses recognised in the statement of comprehensive income for an investment in an equity instrument classified as available for sale shall not be reversed through the statement of comprehensive income.

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

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

e) Impairment of non-financial assets

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

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

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

f) Property, plant and equipment

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

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

g) Intangible assets

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

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

h) Trading on gas market

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

i) Trading on power market

KELER CCP as a general clearing member of European Commodity Clearing Ag (ECC) maintains positions and clears the cash side of the trades to it's nonclearing members towards ECC. KELER CCP receives all relevant information from ECC who is acting as central counterparty of all trades of the power market, and KELER CCP does guaranty all account transfer according the received information between ECC and the nonclearing members.

j) Sale and repurchase agreements and lending of securities

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

k) Revenue recognition

- **Fee revenue**

The Group receives revenue for its 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.

l) Income taxes

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

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

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

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

m) Provisions

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

n) Statutory reserves

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

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

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

Such amount is transferred from Retained earnings into Restricted reserve, up to an annual maximum of 500 MHUF. In financial year 2011 the utilization amounted to MHUF 65.

o) Hedging

The Group is not engaged in any hedging activity.

p) Statement of cash flows

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

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

q) Events after the balance sheet date

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

All adjusting events after balance sheet date have been taken into account in the preparation of the consolidated financial statements of the Group. The material non-adjusting events after the balance sheet date are presented in Note 27.

NOTE 4: FINANCIAL RISK MANAGEMENT

As at 31 December 2011, 42% (31 December 2010: 36%) of the Group's financial assets held for trading portfolio consisted of securities issued by the Hungarian State and 58% issued by the National Bank of Hungary. The Group's investment activity is regulated 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 at 31 December 2011, there were no open repurchase agreements.

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

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

(ii) A two-level clearing membership system is operated by KELER CCP on every prompt and derivative market which is cleared and guaranteed by KELER CCP. On the power market, KELER CCP offers its services for its non-clearing members as a general clearing member of ECC. Clearing members and power market non clearing members have to comply with specified requirements including equity capital criteria.

(iii) A real-time price monitoring system is operated on the prompt- and derivative markets of BSE. KELER CCP is entitled to dispose intraday clearing in case the price change exceeds certain limits. On the gas and power markets these mechanisms were not introduced.

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

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

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

(v) A capital position limit is set for clearing members on BSE and gas market position limit for clearing members on gas market. Limits are regularly monitored.

Credit risk management

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

Foreign currency risk management

There have been no significant differences in daily portfolios of assets and liabilities denominated in foreign currency during the financial year 2011 and 2010. The majority of assets and liabilities denominated in foreign currency are cash accounts owned by customers. However, the balance of foreign currency cash accounts by the Group are relatively low compared to total balances. Accordingly the Group does not have significant exposure to foreign currency risk.

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

Foreign currency denominated assets amounted to HUF 2 948 million and HUF 2 248 million, while the foreign currency denominated liabilities amounted to HUF 6 606 million and HUF 3 867 million as at 31 December 2011 and 31 December 2010, respectively. The net foreign currency position during the period was around the average amount of 99 HUF million.

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

31 December 2011						
FX	Assets		Liabilities		Net	
	in FX	In HUF mn	in FX	In HUF mn	in FX	In HUF mn
AUD	47,779	12	6,449	2	41,330	10
CAD	114,341	27	55,374	13	58,967	14
CHF	73,884	19	68,889	18	4,995	1
CZK	1,118,671	13	211,126	3	907,545	10
EUR	5,595,901	1,741	17,567,681	5,466	-11,971,780	-3,725
GBP	110,016	41	104,542	39	5,474	2
HKD	116,662	4	116,662	4	0	0
HUF	3,557,246	4	3,462,522	3	94,724	0
JPY	3,597,160	11	1,049,269	3	2,547,891	8
NOK	108,243	4	98,701	4	9,542	0
PLN	122,303	9	75,579	5	46,724	3
RON	11,312	1	11,312	1	0	0
SEK	202,592	7	55,896	2	146,696	5
TRY	6,039	1	3,139	0	2,900	0
USD	4,377,902	1,054	4,335,681	1,044	42,221	10
ZAR	65,880	2	0	0	65,880	2
TOTAL		**2,948**		**6,606**		**-3,658**

31 December 2010						
FX	Assets		Liabilities		Net	
	in FX	In HUF mn	in FX	In HUF mn	in FX	In HUF mn
AUD	54,136	12	571	0	53,565	11
CAD	118,469	25	59,502	12	58,967	12
CHF	72,765	16	53,460	12	19,305	4
CZK	8,885,590	99	8,348,282	93	537,308	6
EUR	3,224,160	899	9,351,797	2,607	-6,127,637	-1,708
GBP	216,887	70	124,028	40	92,859	30
HKD	115,575	3	115,575	3	0	0
HUF	34,511,629	35	34,416,904	34	94,725	0
JPY	4,170,369	11	1,622,478	4	2,547,891	7
NOK	214,230	8	111,000	4	103,230	4
PLN	6,829,955	481	6,762,264	476	67,691	5
RON	6,000	0	6,000	0	0	0
SEK	254,567	8	83,891	3	170,676	5
TRY	6,039	1	3,139	0	2,900	0
USD	2,788,956	582	2,768,087	578	20,869	4
TOTAL		**2,248**		**3,867**		**-1,619**

Maturity analysis of assets and liabilities and liquidity risk

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

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

As on 31 December 2011 (All amounts in MHUF)

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	2,548	–	–	–	–	**2,548**
Placements with other banks	6,722	–	–	–	–	**6,722**
Financial assets at fair value through profit or loss	105,576	4,491	8,169	5,027	-	**123,263**
Receivables relating to clearing and depository activities	425	–	–	–	–	**425**
Accrued interest receivables	603	–	–	–	-	**603**
Other investments	–	–	–	–	20	**20**
Intangible assets	–	–	–	–	1,063	**1,053**
Property, plant and equipment	–	–	–	–	406	**406**
Current tax assets	72	–	–	–		**72**
Trade receivables	9,845	–	–	–	–	**9,845**
Other assets	1,111	5	16	7	**–**	**1,139**
TOTAL ASSETS	**126,902**	**4,496**	**8,185**	**5,034**	**1,489**	**146,106**
Placement and loans from other banks	96,535	**–**	**–**	**–**	**–**	**96,535**
Deposits from customers	17,984	–	–	–	–	**17,984**
Accrued interest payable	755	–	–	–	–	**755**
Current tax liabilities	38	–	–	–	–	**38**
Deferred tax liabilities	131	–	–	–	–	**131**
Accounts payable	9,958	–	–	–	–	**9,958**
Other liabilities	442	–	–	–	–	**442**
TOTAL LIABILITIES	**125,843**	**–**	**–**	**–**	**–**	**125,843**
Share capital	–	–	–	–	4,500	**4,500**
Retained earnings	–	–	–	–	13,631	**13,631**
Reserves	–				2,054	**2,054**
Non-controlling interest	–	–	–	–	78	**78**
TOTAL SHAREHOLDERS' EQUITY	–	**–**	**–**	**–**	**20,263**	**20,263**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**125,843**	**-**	**-**	**-**	**20,263**	**146,106**
LIQUIDITY (DEFICIENCY)/EXCESS	**1,059**	**4,496**	**8,185**	**5,034**	**(18,774)**	**-**

As on 31 December 2010 (All amounts in MHUF)	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	607	-	-	-	-	**607**
Placements with other banks	3,688	-	-	-	-	**3,688**
Financial assets at fair value through profit or loss	41,158	7,944	7,386	5,989	-	**62,477**
Receivables relating to clearing and depository activities	493	-	-	-	-	**493**
Accrued interest receivables	671	-	-	-	-	**671**
Other investments	-	-	-	-	20	**20**
Intangible assets	-	-	-	-	1,308	**1,308**
Property, plant and equipment	-	-	-	-	488	**488**
Current tax assets	111	-	-	-	-	**111**
Trade receivables	18,124	-	-	-	-	**18,124**
Other assets	269	1	6	-	**-**	**276**
TOTAL ASSETS	**65,121**	**7,945**	**7,392**	**5,989**	**1,816**	**88,263**
Placement and loans from other banks	31,302	**-**	**-**	**-**	**-**	**31,302**
Deposits from customers	19,036	-	-	-	-	**19,036**
Accrued interest payable	229	-	-	-	-	**229**
Current tax liabilities	39	-	-	-	-	**39**
Deferred tax liabilities	237	-	-	-	-	**237**
Accounts payable	18,232	-	-	-	-	**18,232**
Other liabilities	512	-	-	-	-	**512**
TOTAL LIABILITIES	**69,587**	**-**	**-**	**-**	**-**	**69,587**
Share capital	-	-	-	-	4,500	**4,500**
Retained earnings	-	-	-	-	12,194	**12,194**
Reserves	-	-	-	-	1,932	**1,932**
Non-controlling interest	-	-	-	-	50	**50**
TOTAL SHAREHOLDERS' EQUITY	-	**-**	**-**	**-**	**18,676**	**18,676**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**69,587**	**-**	**-**	**-**	**18,676**	**88,263**
LIQUIDITY (DEFICIENCY)/EXCESS	**(4,466)**	**7,945**	**7,392**	**5,989**	**(16,860)**	**-**

Interest rate risk management

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

The majority of the Group's assets and liabilities have interest risk. However, the 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 as on December 31 2011 (in HUF mn)

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Without maturity		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**6,326**	**2,944**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,326**	**2,944**	**9,270**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	6,326	2,944	–	–	–	–	–	–	–	–	–	–	6,326	2,944	9,270
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held for trading	**–**	**–**	**105,576**	**–**	**4,491**	**–**	**3,079**	**–**	**10,117**	**–**	**–**	**–**	**123,263**	**–**	**123,263**
fixed interest / discounted	–	–	105,576	–	4,491	–	3,079	–	10,117	–	–	–	123,263	–	123,263
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interes-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held to maturity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans (other assets)	**–**	**–**	**2**	**–**	**5**	**–**	**1**	**–**	**21**	**–**	**–**	**–**	**29**	**–**	**29**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	2	–	5	–	1	–	21	–	–	–	29	–	29

INTEREST RATE RISK MANAGEMENT as on December 31 2011 (in HUF mn)																
LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-Interest		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**4,163**	**92,372**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,163**	**92,372**	**96,535**
fixed interest	–	88,837	–	–	–	–	–	–	–	–	–	–	–	88,837	88,837
variable interest	4,163	3,535	–	–	–	–	–	–	–	–	–	–	4,163	3,535	7,698
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits from customers	**14,462**	**3,522**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,462**	**3,522**	**17,984**
fixed interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	14,343	451	–	–	–	–	–	–	–	–	–	–	14,343	451	14,794
non-interes-bearing	119	3,071	–	–	–	–	–	–	–	–	–	–	119	3,071	3,190
NET POSITION	(12,302)	(92,950)	105,578	–	4,490	–	3,080	–	10,138	–	–	–	110,990	(92,950)	18,040

INTEREST RATE RISK MANAGEMENT as on December 31 2010 (in HUF mn)

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Without maturity		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**2,082**	**2,213**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,082**	**2,213**	**4,295**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	2,082	2,213	–	–	–	–	–	–	–	–	–	–	2,082	2,213	4,295
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held for trading	**–**	**–**	**41,157**	**–**	**7,944**	**–**	**2,499**	**–**	**10,877**	**–**	**–**	**–**	**62,477**	**–**	**62,477**
fixed interest / discounted	–	–	41,157	–	7,944	–	2,499	–	10,877	–	–	–	62,477	–	62,477
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
non-interes-bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securities held to maturity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans (other assets)	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**5**	**–**	**–**	**–**	**7**	**–**	**7**
fixed interest / discounted	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	–	–	–	–	2	–	–	–	5	–	–	–	7	–	7

INTEREST RATE RISK MANAGEMENT as on December 31 2010 (in HUF mn)

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-Interest		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**28,878**	**2,424**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**28,878**	**2,424**	**31,302**
fixed interest	1,900	–	–	–	–	–	–	–	–	–	–	–	1,900	–	1,900
variable interest	26,978	2,424	–	–	–	–	–	–	–	–	–	–	26,978	2,424	29,402
non-interes -bearing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits from customers	**17,593**	**1,443**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,593**	**1,443**	**19,036**
fixed interest	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
variable interest	17,546	–	–	–	–	–	–	–	–	–	–	–	17,546	–	17,546
non-interes-bearing	474	1,443	–	–	–	–	–	–	–	–	–	–	47	1,443	1,490
NET POSITION	(44,389)	(1,654)	41,157	–	7,946	–	2,499	–	10,882	–	–	–	18,095	(1,654)	16,441

Application of VaR methodologies

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

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

Risks exposures of the Group computed by the VaR methodology are summarized in the following table. Calculation of the VaR amounts assumes 99% probability and one-day relative shift. The foreign currency VaR relates to foreign currency denominated balances, the interest VaR is related to the portfolio of securities issued by Hungarian State, the investment securities, and the secured and non-secured loans and deposits.

(HUF million)	31 December 2011	31 December 2010
Interest Var		
By 250-daily standard deviation	198,4	124,95
By 60-daily standard deviation	279,4	104,7
Foreign currency VaR		
By 250-daily standard deviation	1,4	2,1
By 60-daily standard deviation	1,7	1,92

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 a rate changes to a certain extent, what level of change is generated in the value of the portfolio.

- Foreign currency sensitivity analysis

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

(HUF million)	31 December 2011	31 December 2010
1% Weakening of EUR		
Sensitivity of portfolio (%)	0.115%	0.593%
Sensitivity of portfolio (HUF mil.)	0.08	1.24
1% Weakening of USD		
Sensitivity of portfolio (%)	0.133%	0.011%
Sensitivity of portfolio (HUF mil.)	0.1	0.023

- 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 554,6 million and HUF 534,2 million as at 31 December 2011 and 31 December 2010, respectively.

- Equity price sensitivity analysis

The Group has no significant equity instruments held in 2011 and 2010 therefore is not exposed to a significant equity price risk.

Capital management

The Group applies the regulations of Act CXII of 1996 on Credit Institutions and Financial Enterprises, and Government Decree 196/2007 ("Decree") on management and capital requirements of credit risk.

In accordance with 90§ of the Act CXII of 1996 Group doesn't cover under consolidated supervision. The management interested in only KELER's regulatory capital and capital adequacy ratio.

In accordance with the Act CXII of 1996 a credit institution - for the purpose of maintaining solvency and the ability to fulfill liabilities - must have a solvency margin complying at all times (in all survey periods) with the amount of the risk of the financial and investment activities performed thereby, and must continuously maintain at least 8% capital adequacy ratio. The regulatory capital is determined in accordance with schedule no. 5 of Act CXII of 1996, and the denominator of capital adequacy ratio is determined in accordance with the Decree.

The supervision of complying with capital management regulations is performed by the Hungarian Financial Supervisory Authority.

The KELER complied with the regulatory and prudential regulations and the limits set by the Act CXII of 1996 during 2011 and 2010, the capital adequacy ratio exceeded significantly the 8 per cent requirement.

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

	2011	2010
I. Calculation of Regulatory Capital		
Share capital	4,500	4,500
Restricted reserve	435	500
Retained earnings	11,473	9,624
Net profit for the year	1,569	1,785
General reserve	1,545	1,370
General risk reserve	61	51
Capital base	**19,583**	**17,830**
Items to be deducted (-)		
Intangible assets	(1,060)	(1,304)
Investment restrictions	-	(27)
Large exposures of restrictions	(8,006)	(2,844)
Total amount of deducted items	**(9,066)**	**(4,175)**
Regulatory Capital available for hedging risks	**10,517**	**13,655**
II. Calculation of Capital Requirement		
Total capital requirement for credit risk	479	433
Total capital requirement for exchange rate risk	435	404
Total capital requirement for operating risk	835	844
Total Capital Requirement	**1,749**	**1,681**
Risk weighted exposure	**5,992**	**5,409**
III. Capital adequacy ratio		
Bazel I.	48%	65%
Bazel II.	25%	29%

NOTE 5: CASH AND CASH EQUIVALENTS

	2011	2010
Due from banks and balances with NBH		
Within one year In HUF	2,548	607
	2,548	**607**

	2011	2010
Placements with other banks		
Within one year In HUF	6,722	3,688
	6,722	**3,688**

Based on the requirements for compulsory reserves set by the NBH, the balance of compulsory reserves amounted to approximately HUF 2 133 million and HUF 904 million on average in 2011 and 2010, respectively.

Daily balance was HUF 2 548 million and HUF 607 million as at 31 December 2011 and 2010, respectively.

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

Financial assets at fair value through profit or loss Securities held for trading		
	2011	2010
Hungarian Government Discount Treasury Bills	38,123	5,033
Hungarian Government Bonds	13,196	17,487
NBH Bonds	71,944	39,957
	123,263	**62,477**

In the Group's security portfolio, the proportion of the Hungarian Government Discount Treasury Bills is 31% and 8% as at 31 December 2011 and 31 December, 2010, respectively. The main purpose is to assure the continuous liquidity within one year. The remaining portfolio includes government bonds and NBH Bonds with fixed interest rate. The annual average yield was 8.85% and 8.15% in year 2011 and 2010, respectively.

NOTE 7: RECEIVABLES RELATING TO CLEARING AND DEPOSITORY ACTIVITIES

Receivables relating to clearing and depository activities		
	2011	2010
Receivables from custodian services	72	66
Receivables from customers on stock exchange transactions	353	427
	425	**493**

NOTE 8: INVESTMENT

Investments		
	2011	2010
GIRO	20	20
	20	**20**

No impairment was charged against these investments.

NOTE 9: TRADE RECEIVABLES

Trade receivables		
	2011	2010
Receivable from the gas market	9,680	18,084
Other receivables	165	40
	9,845	**18,124**

No impairment was charged against those receivables.

NOTE 10: INTANGIBLE ASSETS

Intangible assets				
Cost	**Rights and interests**	**Goodwill**	**Intellectual property**	**Total**
Balance as on 1 January 2011	115	47	6,023	6,185
Net additions	–	–	394	394
Net disposals	–	–	74	74
Balance as on 31 December 2011	115	47	6,343	6,505
Comulated Depreciation and Amortization				
Balance as on 1 January 2011	56	47	4,733	4,877
Net additions	18	–	547	565
Net disposals	–	–	–	–
Balance as on 31 December 2011	74	47	5,320	5,442
Net book value				
Balance as on 1 January 2011	59	–	1,250	1,308
Balance as on 31 December 2011	41	–	1,023	1,063

Intangible assets				
Cost	**Rights and interests**	**Goodwill**	**Intellectual property**	**Total**
Balance as on 1 January 2010	115	47	5,553	5,715
Net additions	–	–	703	703
Net disposals	–	–	233	233
Balance as on 31 December 2010	115	47	6,023	6,185
Comulated Depreciation and Amortization				
Balance as on 1 January 2010	38	47	4,192	4,277
Net additions	18	–	581	599
Net disposals	–	–	–	–
Balance as on 31 December 2010	56	47	4,773	4,877
Net book value				
Balance as on 1 January 2010	77	–	1,361	1,438
Balance as on 31 December 2010	59	–	1,250	1,308

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Cost	Buildings and improvements	Machinery and equipments	Total
Balance as on 1 January 2011	357	1,556	1,913
Net additions	8	**356**	364
Net disposals	–	307	307
Balance as on 31 December 2011	346	1,605	1,969
Comulated Depreciation and Amortization			
Balance as on 1 January 2011	120	1,305	1,425
Net additions	21	127	148
Net disposals	–	10	10
Balance as on 31 December 2011	141	1,422	1,563
Net book value			
Balance as on 1 January 2011	237	251	488
Balance as on 31 December 2011	223	183	406

Property, plant and equipment

Cost	Buildings and improvements	Machinery and equipments	Total
Balance as on 1 January 2010	350	1,596	1,946
Net additions	7	651	658
Net disposals	–	691	691
Balance as on 31 December 2010	357	1,556	1,913
Comulated Depreciation and Amortization			
Balance as on 1 January 2010	99	1,257	1,356
Net additions	21	170	191
Net disposals	–	122	122
Balance as on 31 December 2010	120	1,305	1,425
Net book value			
Balance as on 1 January 2010	251	339	590
Balance as on 31 December 2010	237	251	488

NOTE 12: PLACEMENT AND LOANS FROM OTHER BANKS

Placement and loans from other banks

	2011	2010
Within one year In HUF	4,163	28,878
Within one year in foreign currency	92,372	2,424
	96,535	31,302

The above balance includes deposit placed by banks to the collective guarantee fund in the amount of 1 268 MHUF (1 240 MHUF).

NOTE 13: DEPOSITS FROM CUSTOMERS

	2011	2010
Interest-bearing		
Within one year In HUF	14,343	17,546
Within one year in foreign currency	451	0
Non interest-bearing		
Within one year In HUF	119	47
Within one year in foreign currency	3,071	1,443
	17,984	**19,036**

In 2011 and 2010 the Group paid an annual average rate of 4.5% for the HUF interest-bearing deposits. In 2011 and 2010, the Group did not pay interests for the foreign exchange deposits.

The above balance includes deposit placed by clients to the collective guarantee fund in the amount of 1 899 MHUF (1 991 MHUF).

NOTE 14: ACCOUNTS PAYABLE

Accounts payable	2011	2010
Accounts payable from the gas market	9,680	18,084
Other accounts	278	148
	9,958	**18,232**

NOTE 15: SHARE CAPITAL

There was no change in the share capital of the Company compared to the prior year. The share capital consists of 900 shares with nominal (par) value of HUF 5 million per share as on 31 December 2011. All 900 shares have been authorized, issued and fully paid.

Share capital	2011	2010
Magyar Nemzeti Bank (National Bank of Hungary)	2,400	2,400
Budapesti Értéktőzsde (Budapest Stock Exchange)	2,100	2,100
	4,500	**4,500**

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

Magyar Nemzeti Bank (National Bank of Hungary) held 53.33% of the shares directly and 3.24% indirectly as on 31 December 2011 and 31 December 2010.

Budapesti Értéktőzsde (Budapest Stock Exchange) held 46.67% of the shares directly as on 31 December 2011 and 31 December 2010.

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

NOTE 16: STATUTORY RESERVES

Statutory Reserves	2011	2010
General reserve	1,544	1,369
General risk reserve	75	63
Restricted reserve	435	500
	2,054	**1,932**

NOTE 17: INCOME FROM CLEARING AND DEPOSITORY ACTIVITY

Income from Clearing and Depository Activity	2011	2010
Clearing fees	1,925	2,227
Other commission income	866	813
Transaction fees	714	704
Security transaction fees	694	675
Clearing fees from the gas market	192	127
Account maintenance fees	160	149
	4,551	**4,695**

NOTE 18: NET INTEREST INCOME

Interest income	2011	2010
Loans	219	165
Due from banks and balances with the National Bank of Hungary and other banks	130	86
Held for trading securities	5,564	3,188
Held-to-maturity securities	–	4
	5,913	**3,443**
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	(608)	(469)
Deposits from customers	(3,442)	(1,307)
Other	–	–
	(4,050)	**(1,776**
NET INTEREST INCOME	**1,863**	**1,667**

NOTE 19: PERSONNEL EXPENSES

Personnel expenses	2011	2010
Wages	989	1,012
Base wages	869	784
Premium	120	228
Social security and other contributions	317	312
Other cost of personnel	261	200
	1,567	**1,524**

The average number of employees was 124 and 113 as on 31 December 2011 and 2010 respectively.

NOTE 20: OTHER EXPENSES

Other expenses	2011	2010
Contracted services	795	762
Loss of value of financial assets	371	-
Taxes	288	302
Rental fees	141	140
Other	89	80
Postage and phone fees	74	70
Material type expenses	63	59
Lowyer's fee	61	66
Fees paid for education	31	26
Fees paid to experts	27	23
Fees paid to authorities	19	17
Insurance fees	8	8
Marketing cost	–	3
Loss on plant and intangibles goods sold	–	4
	1,967	**1,560**

NOTE 21: INCOME TAX EXPENSE

The income tax rate was 19% and 10% (up to HUF 500 million profit) in Hungary in 2011 and 2010.

A breakdown of the income tax expense is:

Income Taxes	2011	2010
Current tax	382	347
Deferred tax	(106)	55
	276	**401**

A reconciliation of the deferred tax liabilities is as follows:

Deferred tax assets (+) / liabilities (-)	2011	2010
Balance as on 1 January	(237)	(182)
Deferred tax charge	106	(55)
Balance as on 31 December	**(131)**	**(237)**

A breakdown of the deferred tax liabilities is as follows:

Deferred tax assets (+) / liabilities (-)	2011	2010
Fair value adjustment of held for trading and held-to-maturity securities	(34)	(130)
General risk provisions	(14)	(12)
Restricted reserve	(83)	(95)
	(131)	**(237)**

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:

	2011	2010
Net income before income taxes	1,836	2,294
Income tax with statutory tax rate (19%)	259	411
Income tax with statutory tax rate (10%)	50	25
Total tax	**309**	**436**

Income tax adjustments are as follows:

	2011		2010	
Other	5.17%	96	4.81%	110
Income tax	0.20%	4	4.14%	95
Subsidies	0.06%	1	0.04%	1
Dividend income	-0.14%	(3)	-0.13%	(3)
Effect of general risk reserve	-0.75%	(14)	-0.52%	(12)
Investments at fair value	-1.85%	(34)	-5.68%	(130)
Restricted reserve	-4.46%	(83)	-4.14%	(95)
Income tax		**276**		**402**
Effective tax rate		**15%**		**18%**

NOTE 22: SECURITIES SAFEGUARDED AND DEPOSITED

Foreign securities means amounts in security accounts of the counterparties.

SECURITIES	NOMINAL VALUE	
	31.12.2011	31.12.2010
Physical securities		
Securities introduced to the stock exchange-Physical	–	–
Securities not introduced to the stock exchange-Physical		
Corporate bonds	3	1,083
Shares	25,875	38,504
Investment Fund coupons	–	–
	25,878	**39,587**
Dematerialized securities		
Introduced to the stock exchange	12,365,012	12,711,906
Not introduced to the stock exchange	10,692,010	10,225,545
	23,057,022	**22,937,451**
TOTAL	**23,082,900**	**22,977,038**
Materialized securities denominated in foreign currency		
Share denominated in foreign currency (CHF)	1,415	1,231
Share denominated in foreign currency (USD)	8	7
Dematerialized securities denominated in foreign currency		
Investment Fund coupons (EUR)	223,884	247,223
Investment Fund coupons (USD)	63,787	80,189
Investment Fund coupons (PLN)	6,148	1,400
Investment Fund coupons (CZK)	2,690	1,420
Investment Fund coupons (BGN)	4,877	6,209
Investment Fund coupons (RON)	2	–
Share denominated in foreign currency (EUR)	125,567	76,166
Share denominated in foreign currency (USD)	21,789	18,889
Mortgage bonds denominated in foreign currency (EUR)	154,632	366,417
Mortgage bonds denominated in foreign currency (CHF)	23,032	–
Capital bonds denominated in foreign currency (EUR)	6,223	5,575
Bonds (CHF)	528,752	520,577
Bonds (EUR)	230,163	174,170
Bonds (USD)	3,651	1,289
TOTAL	**1,396,620**	**1,500,764**

NOTE 23: OFF BALANCE SHEET ITEMS

Guarantees received

	2011	2010
Cash In HUF	15,164	14,690
Cash in foreign currency	1,040	191
Security	26,445	33,677
Bank guarantee	3,501	2,922
	46,150	**51,480**

Specific safeguards

	2011	2010
Cash in foreign currency	1,000	257
Bank guarantee	156	–
	1,156	**257**

KELER Ltd. provides settlement service for certain contractual domestic partners regarding securities transaction made in the XETRA System of Deutsche Börse. KELER Ltd. has a partnership with CITIBANK Frankfurt, which is a clearing member in XETRA Clearing AG. KELER CCP has to provide collateral for CITIBANK Frankfurt regarding XETRA settlement. KELER requires collateral from his Clients at least the same size, but with a minimum amount of EUR 50 thousand. KELER CCP is entitled to require a collateral from its Clearing Members using its central counterparty services. The form of collateral can be cash, foreign exchange, securities and bankguarantees. As clearing member of European Commodity Clearing AG (ECC) KELER CCP has to provide collateral for ECC regarding the settlement of power market position of power market non-clearing members of KELER CCP.

NOTE 24: RELATED PARTY TRANSACTIONS

As on 31 December 2010 the Group had provided housing loans to management. The outstanding amount was HUF 5 million as on 31 December 2011 and HUF 2 million as on 31 December 2010 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

	2011	2010
Term deposit placements	2,117	20
	2,117	**20**
Interest income	12	3
Other income	13	15
	25	**18**
Bank account costs	16	10
Other costs	1	1
	17	**11**

Transactions with directors and officers

	2011	2010
Remuneration of the members of the Board of Directors	24	24
Remuneration of the members of the Supervisory Board	9	8
Remuneration of the members of the Board of Management	190	186
Loans given to management	86	82
Loan repayment by management	81	80

NOTE 25: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

31 December 2011

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	–	2,548	–	–	2,548	2,548
Placements with other banks	–	6,722	–	–	6,722	6,722
Financial assets at fair value through profit and loss	123,263	–	–	–	123,263	123,263
Receivables relating to clearing and depository activities	–	425	–	–	425	425
Other investments	–	–	20	–	20	20
Placement and loans from other banks	–	–	–	96,535	96,535	96,535
Deposits from customers	–	–	–	17,984	17,984	17,984
Accounts payable	–	–	–	9,958	9,958	9,958

31 December 2010

	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	–	607	–	–	607	607
Placements with other banks	–	3,688	–	–	3,688	3,688
Financial assets at fair value through profit and loss	62,477	–	–	–	62,477	62,477
Receivables relating to clearing and depository activities	–	493	–	–	493	493
Other investments	–	–	20	–	20	20
Placement and loans from other banks	–	–	–	31,302	31,302	31,302
Deposits from customers	–	–	–	19,036	19,036	19,036
Accounts payable	–	–	–	18,232	18,232	18,232

NOTE 26: SUBSEQUENT EVENTS

The dividend for the financial year 2011 may be approved at the General Meeting to be held the 29th May 2011.

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

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

Presentation of the difference between HAS and EU IFRS

	Net profit under HAS	Financial assets	General risk reserve	General reserve	Deferred tax	Adjusting items under EU IFRS	Net profit under EU IFRS
Net profit of KELER	**1,569**	**–**	**–**	**–**	**–**	**(213)**	**1,536**
Exchange gains and losses of securities	–	(505)	–	–	–	(505)	–
Other expenses (General risk reserve)	–	–	12	–	–	12	–
Other expenses (General reserve)	–	–	–	174	–	174	–
Corporate tax	–	–		–	106	106	–
Adjusting items:	–	(505)	12	174	106	(213)	(213)
Net profit of KSZF	231	–	–	–	–	–	231
Consolidated profit of KELER	1800	–	–	–	–	(213)	1,587

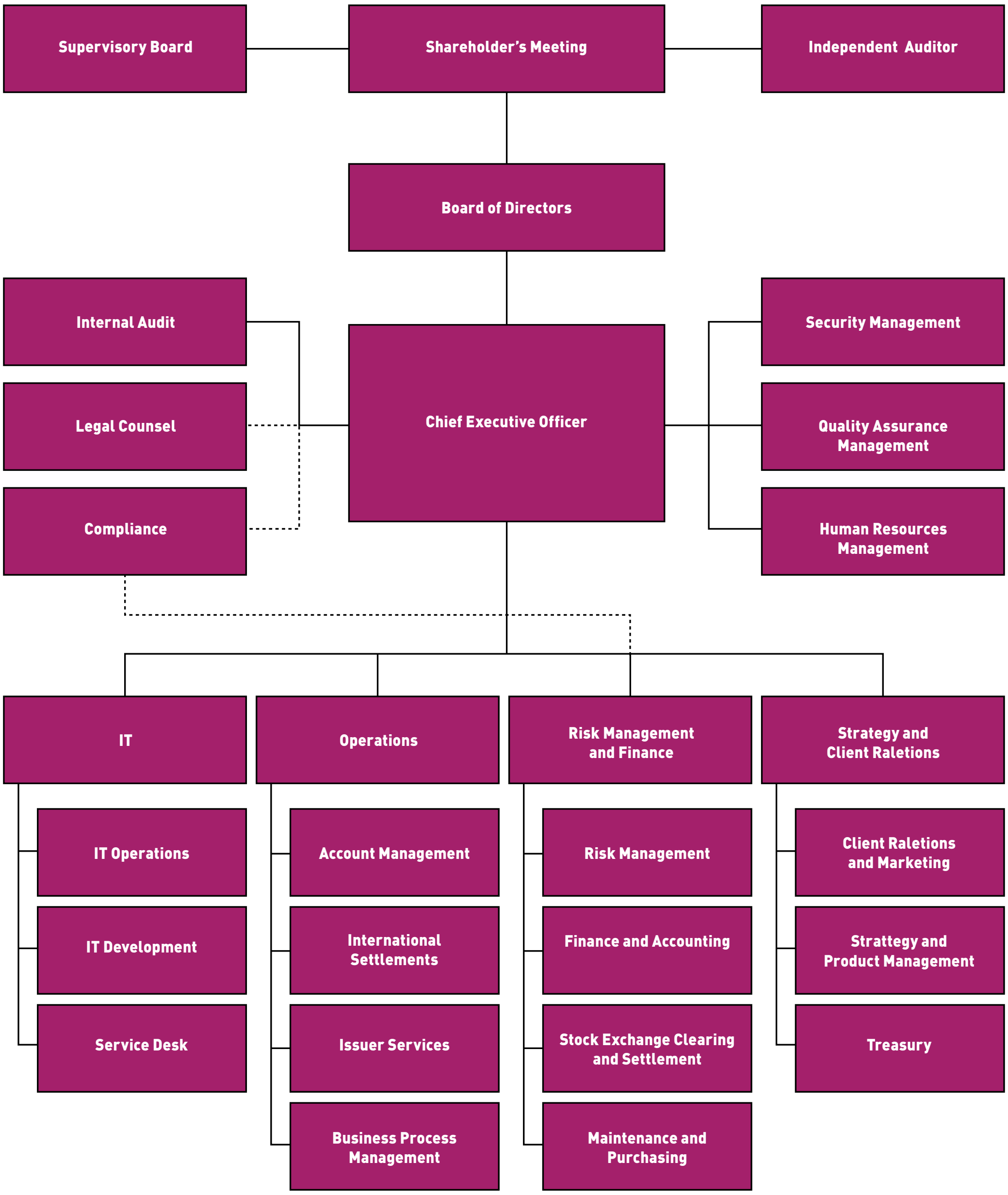
NOTE 28: NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Standards and interpretations issued but effective only for annual reporting periods beginning after 1 July 2011:

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The Company does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of the Company's operations and the types of financial assets that it holds.

23. ORGANIZATIONAL STRUCTURE OF KELER



24. MANAGEMENT

György Dudás
Chief Executive Officer

Margit Brauner
Director

Operations

Károly Mátrai
Director

Risk Management and Finance

András Katkó
Director

IT

Péter Csiszér
Director

Strategy and Client Relations

25. GENERAL INFORMATION

Ownership structure

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

Members of the Board of Directors

Csaba Lantos– Chairman
György Sándor– Vice Chairman
Csaba Balogh
Dr. György Mohai
Ferenc Pittner*
Hannes A. Takacs*
György Dudás
Margit Brauner

Members of the Supervisory Board

Lajos Bartha - Chairman
Attila Tóth – Vice Chairman
Judit Brosch
Attila Lovas
Georg Zinner*

*until 18 May 2011

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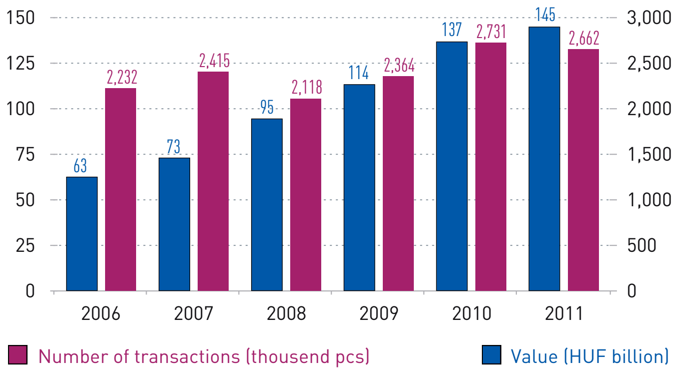
or +36-1-483-6120

26. OTHER STATISTICS

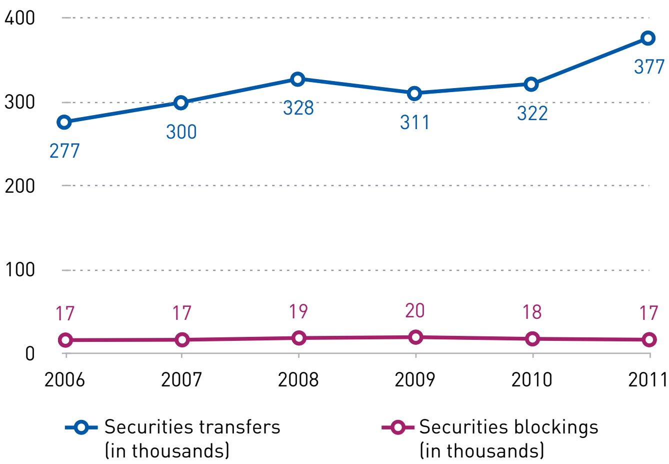
Securities in KELER, total number and total market value, December 2011

	Number of pieces	Market value (HUF)
Government bonds	1,561,609,781.00	12,162,037,052,897.90
Treasury bills	212,940,715.00	2,077,774,468,265.90
Bonds	66,305,922,303.00	3,122,186,413,603.52
Equities	7,108,839,264,585	7,404,254,617,605.79
Investment units	1,587,304,791,328.00	3,348,308,435,757.05
International securities	240,902,371.00	354,690,540,712.76
Total	**8,764,465,431,083**	**28,469,251,528,843**

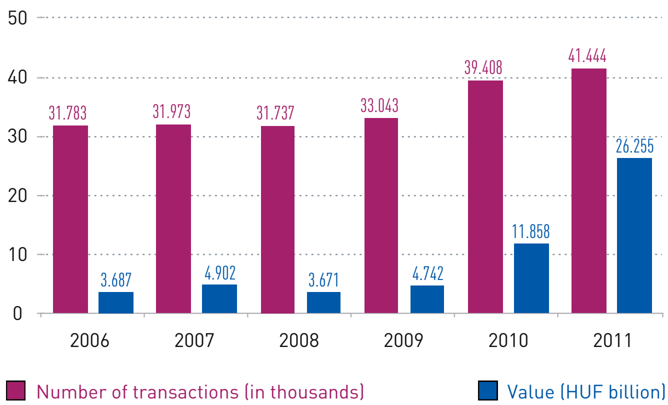
External funds transfers by customers from and to currency accounts kept by KELER 2006 - 2011



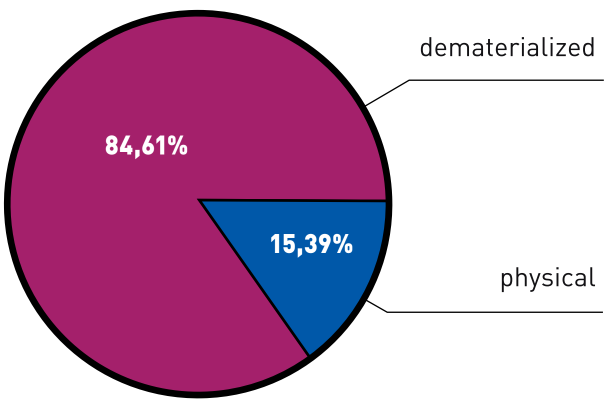
Number of other securities transactions 2006 - 2011



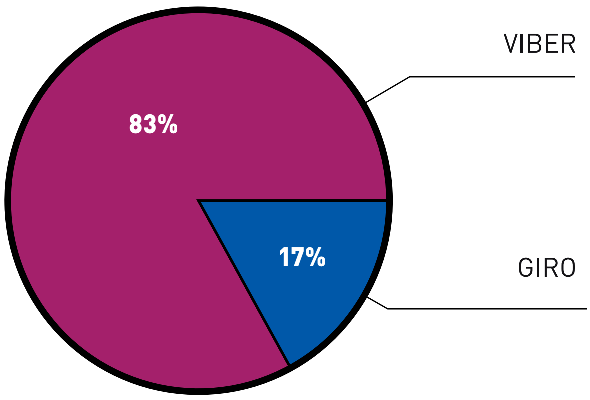
Internal funds transfers by customers from and to currency accounts kept by KELER 2006 - 2011



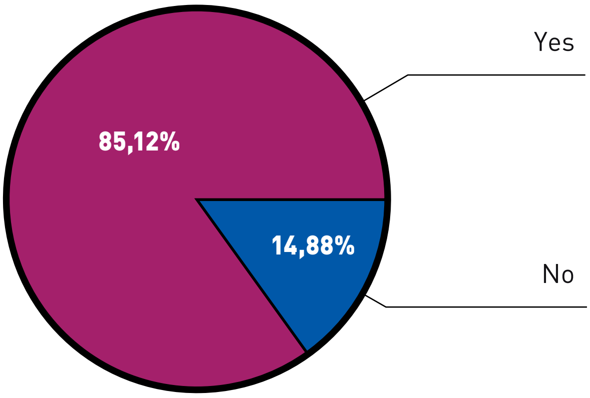
ISINs issued in 2011 by securities form



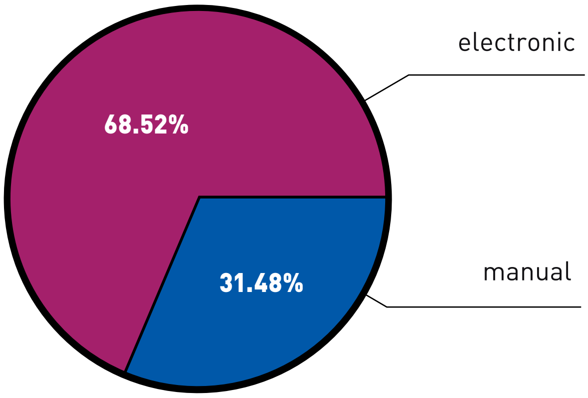
Structure of GIRO - VIBER turnover in 2009



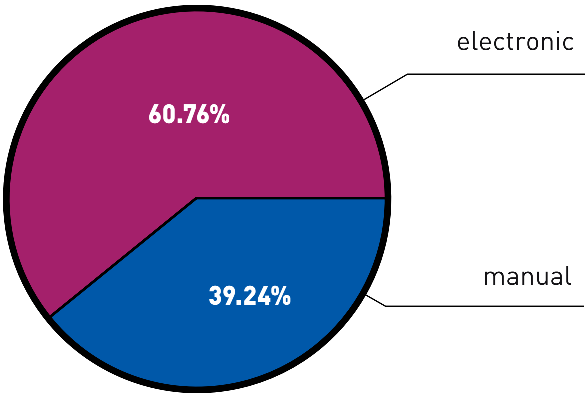
Rate of origination of ISINs issued in 2011 on 31/12/2011



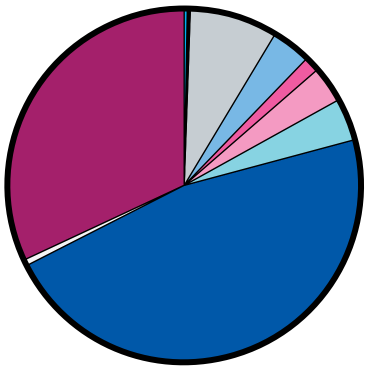
ISINs issued in 2011 – without government securities



ISINs issued in 2011 by origin



ISIN issued in 2011 by type of securities



Government bonds	5
Convertible bonds	4
Investment units	122
Discount treasuries	55
Mortgage bonds	19
Interest bearing treasuries	53
MNB Bonds	57
Equities	699
Capital notes	10
Bonds	477
Total	**1,501**