

2018

**ANNUAL
REPORT**



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A handwritten signature in blue ink, reading 'Zsolt Selmeczi-Kovács'.

CHAIRMAN'S MESSAGE

ZSOLT SELMECZI-KOVÁCS DR.

Chairman

Both members of the KELER Group closed the jubilee year of 2018 with good performance. It was a special year as KELER Ltd. celebrated the 25th anniversary of establishment, while KELER CCP Ltd, its subsidiary, celebrated the 10th anniversary of establishment.

Similarly to the past two and a half decades, it was demonstrated last year also that the KELER Group, as the most important background institution of the Hungarian capital market, has especially solid foundations, outstanding expertise, recognized experts, and an information technology system in line with current requirements to assure smooth market operation.

The year 2018 was significant not only because of the special anniversaries, but also because KELER CCP updated and KELER Ltd. reassessed earlier strategic goals. Jointly with the operative management, the Board of Directors strives to ensure the prudent operation of the Hungarian capital market in the first place, while continuing to see important growth potential in taking an active role on international markets based on domestic clearing house and depository experience. In light of this, the medium and long-term objective of the KELER Group is to play a leading role on the regional market of depositories and clearing houses. In harmony with the aforesaid, in addition to the development of the basic infrastructure, the KELER Group strives to meet, in many cases foresee market demand, and continuously searches for expansion opportunities.

We have received the mandate of owners to continue the work based on which goals can be achieved, and I am certain that the KELER Group will take the opportunities of development. Our thanks are due to the owners and our partners for the good results achieved in 2018, and the steps taken in the interest of the international expansion already mentioned. I also say thank you to all the experts of the KELER Group that worked hard to contribute to the results of this year and to continued development.

I have a positive view of the future of the Group. Services based on excellent experts and developments will continue to ensure the high quality operation of domestic and international capital and energy markets, which is a guarantee of professional and financial achievements in the years to come.

CHIEF EXECUTIVE OFFICER'S MESSAGE

The year 2018 was an outstanding year in several respects in the life of KELER CCP, in addition to good performance; the company celebrated the 10th anniversary of its operation. We are proud to look back with parent company KELER on the achievements of the past decade: since its establishment KELER CCP has been playing a prominent role in the secure clearing and continuous development of the domestic securities and derivative capital markets, and has become an essential player of domestic gas trading also. In addition to central clearing services, as a general clearing member, the Company also provides direct access to key European energy markets.

Operating as an independent clearing house that was the first to receive the EMIR license in the region, KELER CCP is unique and exceptional not only in the region but in Europe also due to the wide range of instruments cleared. The varied products and services offered and value for money make the Company an important player of the regional and the European markets. At the end of 2018, the Company provided clearing services to 135 direct and indirect clients from 23 countries, including 28 clearing members on the capital market, 44 clearing members on the gas market and 76 non-clearing members on the energy market (62 clients from Western Europe, 43 Hungarian clients and 30 clients from Eastern Europe).

KELER CCP offers clearing house and guarantee undertaking services and closed the year 2018 with favourable figures. Total income amounted to HUF 1,567 billion, in line with the plan and 13 percent higher than in 2017. Fee income was HUF 110 million higher than in 2017. Capital market income was slightly less than in the previous period, but energy markets continued to soar similarly to past years. Profit before tax in 2018 was HUF 193.1 million, 41 percent higher than planned, and 1.4 percent more than in the previous period. Outstanding performance by the company was positively affected by the growth of the Hungarian economy, and tight cost control at the company. Positive market trends influenced favourably the operation of KELER CCP also, although in 2018 several external circumstances affected international money, capital and energy markets and investor sentiment.

After intense preparations in 2018, the agreement concluded with the Kazakh AIX (Astana International Exchange) in early 2019 is a great success: KELER will provide central depository services and KELER CCP will provide clearing services in line with European rules on the newly formed exchange, thus ensuring international acceptance of the Kazakh market. At the beginning, 5 to 10 clients are expected to operate on the new market, they were already contacted.

In the past year, the Budapest Stock Exchange continued successfully the implementation of its strategic goals for the 5-year period from 2016 until 2020. The launch of BSE Xtend, a new trading venue, is a significant event, and after finalizing IT developments and licensing by the MNB, KELER CCP provides complex risk management and clearing to this venue.

Major changes took place on gas markets also in 2018. Trading and balancing were separated on the Trading Platform, and HUDEX, the new derivative gas and power exchange of Hungary was launched with KELER CCP continuing to clear gas trading on HUDEX.

Last year CEEGEX outperformed plans both in terms of traded volume and the increase in the number of clients, thus KELER CCP had 33 clearing members on this market at the end of the year. This is a growth of more than 37% compared to the 24 clients at the start of the year. The considerably increased client number presented challenges to the new sales and client relationship team also.

The other major acquisition is related to the start of power markets in Ireland and Northern Ireland. As a general clearing member, KELER CCP played an active part in the preparation for the start of the power exchanges in 2018: it introduced its services to local power market traders at several workshops. Owing to this, 4 non-clearing members joined, and KELER CCP succeeded in achieving a nearly 10 percent market share on the Irish exchange that had 44 traders at the start.

In the autumn of 2018, the extraordinary shareholders' meeting of KELER CCP decided to increase the capital of the Company with HUF 2 billion, as a result, KELER CCP's shareholders equity exceeded HUF 8 billion. KELER as parent company made the capital available to KELER CCP.

As for the future, KELER CCP is expected to remain on a similar development path in 2019 also, as it started preparations for serving the new MTF platform related to the trading of corporate bonds as of 1 July 2019 on the Budapest Stock Exchange. The cooperation among KELER, KELER CCP and the Kazakh exchange presents an excellent opportunity to enter international markets for the infrastructures in Hungary operated by the KELER Group, in addition to the fine business opportunity offered to KELER CCP and KELER.

Looking back on the past ten years, we can state that KELER CCP has been characterized by sound development, service and market extension since its establishment. Relying on its excellent expert team and enjoying the trust of owners, in a short time it has become a decisive capital and energy market player of the region, ready to test itself on the international markets also.

I would like to say thank you to the owners of the KELER Group, Hungarian credit institutions, investment companies and capital, gas and energy market participants, and all KELER Group employees for contributing directly or indirectly to the 2018 results of KELER CCP and for the solid development of more than one decade.



KÁROLY MÁTRAI

KELER CCP
Chief Executive Officer



MARKET ENVIRONMENT

In terms of global events, 2018, like 2017, was an eventful year. Global markets of money, capital, and energy, as well as investor sentiment were impacted by numerous miscellaneous conflicts and changes. Regarding the United States of America alone, a number of significant events could be recalled, such as the USA's decision to start a trade war with China which lasts to this day; the USA announced in May to exit the nuclear pact with Iran; US President Donald Trump and North Korean dictator Kim Jong-un met in June to negotiate denuclearisation of North Korea. After an eight-year hiatus, the Democrats recovered majority in the United States House of Representatives at the midterm election held halfway President Trump's term in November. In December, the government had shut down for the third time under Donald Trump's presidency, and this time it was the longest in US history.

Against this background, historic US stock index Dow Jones Industrial Average Index (DJIA) dropped 6 per cent compared to closing on the last trading day in the previous year, and the S&P 500 eased 7 per cent in 2018. Major European stock indices performed even worse, for example the DAX index in Frankfurt plunged 18 per cent, London's FTSE 100 came down 12 per cent, and EURO STOXX 50 plummeted 14 per cent.

After an initial stagnation, the euro eased against the US dollar continuously in 2018 at the international forex market, starting the year at EUR/USD 1.206 and allowing the US currency to firm to EUR/USD 1.146 by the end of the year. In the EUR/CHF market the euro was firming in the first half of the year, only to settle into a continuous slide after a sudden plunge early summer, consequently easing 3.9 per cent against the Swiss currency in 2018 overall.

The GBP/EUR reflected substantial volatility throughout 2018, eventually closing the year up 1.3 per cent compared to the beginning of the year. The euro eased against the Japanese yen, too, with minor fluctuations, registering a 7.1-percent depreciation in 2018 in annual terms. The euro firmed 6.4 per cent against the Canadian dollar in the first quarter, closing the year up 3 per cent after a correction phase.

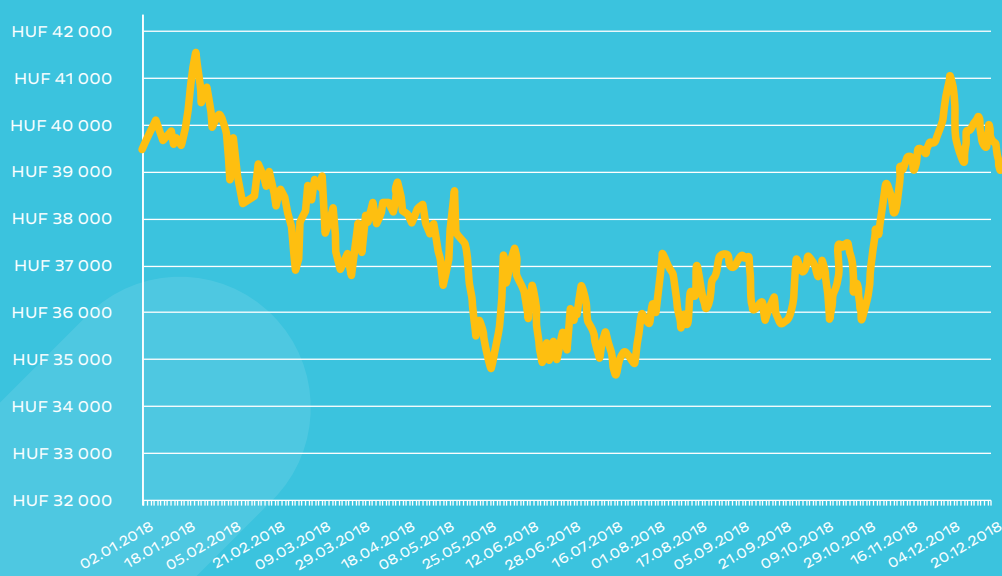
The Hungarian currency eased heavily against the euro in the first half of the year, even hitting the EUR/HUF 330 mark. In the second half of the year, the forint fluctuated in a range between EUR/HUF 320 and 328. Eventually, it showed a 4-percent depreciation against the European currency.

The prime rate in Hungary remained intact throughout 2018, standing at 0.90 per cent on 31 December. Inflation increased by the end of 2018 at a brisker pace than in 2017, but at the end of the year it reflected a decline due to lower fuel prices. The Consumer Price Index stood at 2.7 per cent in 2018.

Hungary's national debt amounted to HUF 28,688.2 billion at the end of 2018, up 7.3 per cent from the end of 2017. National debt at the end of year comprised 79.46 per cent forint debt, 19.96 per cent forex debt, and 0.58 per cent in other obligations.

The BUX index, the main stock benchmark of the Budapest Stock Exchange, decreased in the first half of the year steadily, hitting the lowest on 18 July 2018 at 34,720 points. But from this point on, however, it started to firm, nearly recovering by the end of the year to the level register at the beginning of 2018. Overall, the BUX index eased a mere 0.8 per cent in 2018, a particularly positive development in global comparison.

CHANGES OF THE BUX INDEX IN 2018



ACTIVITIES OF KELER CCP

Dynamic and permanent business growth

As a stable and reliable financial infrastructure service provider institution with a 25-year track record in Central and Eastern Europe, KELER CCP Zrt. [KELER Central Counterparty Co. Ltd.] serviced Hungarian and international customers in 2018 as well.

Unique services

Operating as an independent clearing house for a decade, KELER CCP is made unique and special not only in the CEE region but also across Europe by the wide range of assets in its clearing activity business. While the Company has been playing an outstanding role in the secure clearing and continuous development of the securities market and the derivative capital market in Hungary, in the meantime it has become an essential player in the trading activities at the Hungarian natural gas market. Overstepping the boundaries of central clearing services, the Company, in its capacity as general clearing service provider, offers direct access to key European energy markets, as well. KELER CCP is continuously searching for opportunities that facilitates presence at regional markets as a provider of central clearing services.

Diverse range of services

KELER CCP provided clearing services to six market operators in 2018 with regard to the trading venues operated by them, notably Budapesti Értéktőzsde Zrt. [Budapest Stock Exchange Co. Ltd.], EuroMTS Ltd., FGSZ Földgázszállító Zrt. [FGSZ Natural Gas Transmission Co.

Ltd.], FGSZ KP Kft., CEEGEX Zrt., and HUDEX Zrt. One of the outstanding events in 2018 was the launch of clearing services provided to the new futures energy exchange operated by HUDEX Derivatív Energiatőzsde Zrt. [HUDEX Derivative Energy Exchange Co. Ltd.] and launched on 3 January 2018.

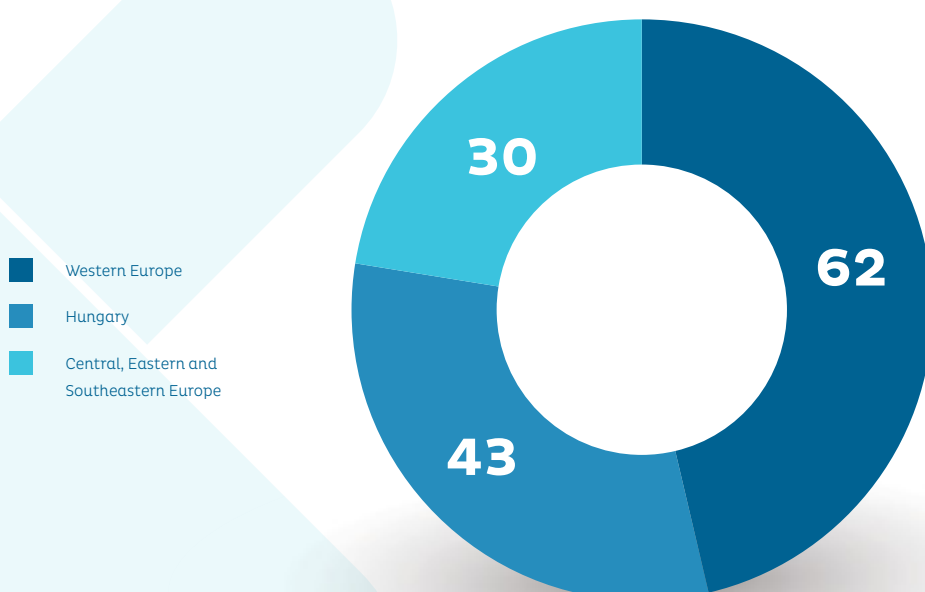
International scope of customers

KELER CCP has become a player at CEE and European markets that has a decisive role even in international comparison. At the end of 2018, the Company was providing settlement services to 135 direct and indirect customers from 135 countries. The composition of the customer base is extremely diverse with Hungarian and international financial institutions (banks and investment enterprises) as well as non-financial actors such as traders and producers at natural gas and electric power markets and system operators.

Continuous oversight and supervision

KELER CCP's operation was crowned by the successful re-licensing procedure as per Directive 648/2012/EU (EMIR), as a result of which the Company was granted the licence to conduct central counterparty activity on 4 July 2014. Currently, there are 16 licensed clearing houses operating in Europe, and only two of them are regional institutions. As a supervised institution, KELER CCP evidences its compliance to international recommendations and legal stipulations in annual supervisory audits and biennial oversight audits, both conducted by the National Bank of Hungary.

Clients by region



REGULATORY ENVIRONMENT

KELER CCP is a central counterparty governed by the provisions of Act CXX of 2001 ("Capital Markets Act") as well as Directive 648/2012/EU (hereon: EMIR) on OTC derivative transactions, central counterparties, and trading data warehouses as well as business venture conducting obligations related to the execution of transactions at stock exchanges and OTC capital markets.

KELER CCP conducts its activities in accordance with the provisions of the aforementioned laws as well as regulations defined by the National Bank of Hungary as the authority supervising the Company.

Based on the Supervisory Authority's decision No. H-EN-III-43/2014. dated 4 July 2014, KELER CCP carries out central counterparty and clearing services as defined in decree No. H-EN-294/2017. on the basis of the Capital Markets Act and EMIR.

Based on an agreement established with KELER, certain components in KELER CCP's activities are outsourced to KELER always in compliance with the provisions of the Capital Markets Act, EMIR, and other relevant legislation.

The operation of KELER CCP in 2018 was impacted by new legislations and amendments to existing laws listed below, and continue to be impacted by legislation published in 2018 or prior:

- Act CXX of 2001 on capital markets,
- Directive 648/2012/EU (EMIR) on OTC derivative transactions, central counterparties, and trading data warehouses.

Annual General Meeting

The Annual General Meeting of KELER CCP Zrt. was held on 30 May 2018. The agenda of the Annual General Meeting included, among others:

- Report of KELER CCP Zrt. Managing Board on the activities carried out in the business year 2017;
- Approval of KELER Zrt.'s report prepared in line with Act C of 2000 on accounting as well as the decision on distributing the Company's after-tax profit;
- Authorisation to establish Shareholder Loan Agreement between KELER Zrt. and KELER CCP Zrt.;
- Authorisation to amend the Outsourcing Agreement established between KELER Zrt. and KELER CCP Zrt. regarding risk management;
- Amendment to the Articles of Association;
- Election of executive officers and chairman of the Managing Board as well as members and chairman of the Supervisory Board;
- Amendment to the regulation on the remuneration of executive officers, members of the Supervisory Board, and senior employees as defined in Article 208 of the Labour Code as well as the benefits to be provided in the event of termination of their labour contracts.

An Extraordinary General Meeting was held by KELER CCP Zrt. on 11 October 2018 with the following items on the agenda:

- Authorisation to amend the Outsourcing Agreement established between KELER Zrt. and KELER CCP Zrt. regarding risk management activities;
- Raise KELER CCP's equity and, consequently, amend Sections 5.1., 5.2., and 5.3. of the Articles of Association;
- Authorisation to amend the Shareholder Loan Agreement established between KELER Zrt. and KELER CCP Zrt.
- Approval of current account overdraft credit lines;
- Current account overdraft with Citibank (disclosure).



FINANCIAL PERFORMANCE OF KELER CCP



Overall, economic performance of developed countries increased in 2018, but the 1.8-percent GDP growth reported for the entirety of the European Union meant the slowest pace in recent years. Hungary's economic upswing continued as the macrodata for the first three quarters indicated a GDP growth over 4 per cent. Economic expansion benefited from most sectors of the economy with market services based on domestic consumption providing the highest contribution among them. Additionally, the volume of investments was also substantial as it was nearly 17 per cent higher than the basis in the previous year (which had also been high). The accelerating growth of inflation slowed down somewhat by the end of the year as prices were 2.8 per cent higher than one year earlier.

KELER CCP's operation also benefited from positive market developments in 2018, resulting in a HUF 110 million higher fee income compared to the previous year. Revenues from capital markets declined slightly overall, but energy markets kept soaring, continuing the trend experienced in previous years.

Due to strict cost control, KELER CCP's operating costs and expenses (excluding impairment) developed nearly HUF 100 million over the 2017 figure, but close to HUF 100 million below the target for the year.

Due to the failure of the clearing service for the Romanian natural gas market for reasons external to KELER CCP, close

to HUF 90 million impairment had to be reported against the 2018 result in line with IFRS standards.

Financial results in the year amounted to nearly HUF 44 million, generated mostly by exchange rate gains when forex assets were revaluated.

Overall, KELER CCP concluded a successful year as its pre-tax profit outperformed the 2018 plan by nearly HUF 56 million. The Company reported HUF 193.1 million in pre-tax result.

Prior to the business year starting on 1 January 2018, the Company had prepared its individual financial reports in line with Hungarian accounting standards. Starting with the 2018 business year, The Company is obliged to prepare its financial reports in line with IFRS standards adopted by the European Union.

The Company's parent has for years disclosed consolidated financial reports compiled according to IFRS, but there was no need or legal authorisation for preparing individual IFRS reports. Therefore, the Company is considered to be an entity that applies IFRS for the first time in 2018 in its individual financial reports in line with IFRS 1.

The Company applies IFRS standards for the first time with regard to individual reports. The day of first application of IFRS in the case of individual financial reports is identical to the first day of the comparative period, notably 1 January 2017.

KELER CCP Results

HUF mn

Item	2017 actual	2018 plan	2018 actual	Performance actual/plan 2018 (%)
Revenues from central counterparty activity	1 263.0	1 414.0	1 371.7	97%
Revenues outside central counterparty activity	121.8	105.0	195.1	186%
Expenditures on banking services, fees and commissions paid	60.3	66.1	66,9	101%
Personnel costs	365.4	401.2	401.2	100%
Depreciation	97.0	107.8	125.4	116%
Other non-interest expenditures	670.3	806.8	722.3	90%
Impairment of financial instruments	0	0	3.3	0
Obligations due to financial guarantees; release of funds	1.0	0	0.5	0
Impairment	0	0	89.5	0
Operating expenses	1 193.9	1 381.8	1 409.0	102%
OPERATING RESULT	190.9	137.2	157.8	115%
Net interest result	2.0	0	-8.7	0
Other financial result	-2.6	0	43.9	0
FINANCIAL RESULT	-0.6	0	35.3	0
PROFIT BEFORE TAX	190.3	137.2	193.1	141%

Composition of fee and commission income from clearing, depository, and credit institution activities (2018)

Fee income from settlement of energy market transactions

38%

Fee income from spot settlement transactions

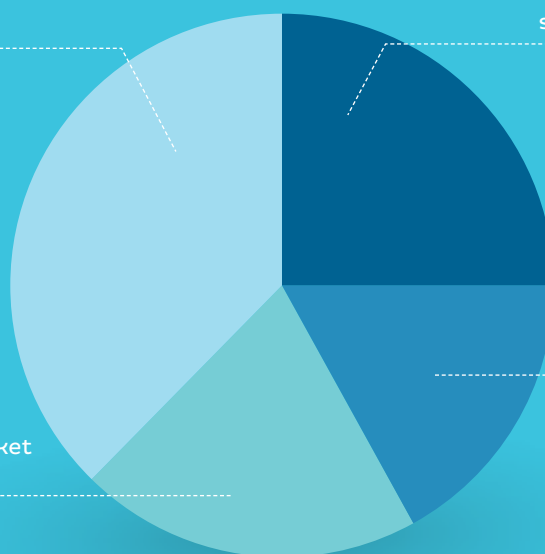
25%

Fee income from derivative settlement transactions

16%

Fee income from gas market transactions settlement

21%



RISK MANAGEMENT

Counterparty risks – Clearing membership system

The number of KELER CCP's clearing and sub-clearing members in 2018 was similar to that of at the end of 2017.

A total of 28 institutions in all sections and transaction scopes of the Budapest Stock Exchange were clearing or sub-clearing members, three fewer than in 2017. General clearing memberships were held by 11 institutions, individual clearing memberships were held by 8 institutions, and 10 institutions were sub-clearing members at the end of 2018.*

Substantial changes occurred at natural gas markets in 2018. Trading and order book balancing were separated within the Trading Platform. Also, HUDEX was launched as Hungary's new derivative gas and power exchange. Said changes also impacted the system of clearing membership and also clearing members at the gas market. KELER CCP had 26 members with classic Trading Platform memberships, while their number in the Order Book Balancing clearing was 44. At the CEEGEX and HUDEX markets, KELER CCP had 31 and 20 clearing members, respectively. The number of sub-clearing members cleared by ECC amounted to 76 by the end of 2018.

KELER CCP's counterparty risk management is based on appropriately selected basic requirements as well as on monitoring and scrutinising the observation of said requirements. Prior to approval of clearing and sub-clearing members, a comprehensive risk analysis is carried out by KELER CCP, to be followed by annual analyses subsequently, using internally developed Know Your Customer (KYC) questionnaire and risk sensitivity rating system. As a result, it is guaranteed that the system will only consist of suitable companies. In order to ensure higher level of counterparty risk management, KELER CCP implemented a trading limit at the end of 2017, extending it to all sub-clearing members at the energy markets, which facilitates an even more efficient management of risks at markets cleared by ECC.

Market risks – Individual collateral of clearing members

One of the key core activities in KELER CCP's risk management is to constantly monitor compliance of individual collateral and maintain the collateral pool. In 2018, core collateral for capital markets and the related spread discounts were repeatedly amended, and appropriate core collateral values regarding new products were determined in each case on the basis of information available. The collateral allocation methodology is compliant with legal requirements; nevertheless, Risk Management Department is working continuously on enhancing methodologies and ensures regular reviews.



* One of clients was also clearing and sub-clearing member.

As for energy markets, trading limits introduced in 2017 and mostly affecting spot markets were also applied in 2018, but, additionally, a margin requirement limit was implemented for all sub-clearing members at energy markets to maximise future market exposures, as a result of which not only spot markets but also exposures from derivative market trading are now limited and collateralised. KELER CCP Zrt. directed great focus on fine-tuning the limit calculation methodology and automation of the related processes. Also in 2018, the additional 10-percent collateral requirement defined by KELER CCP for ECC futures markets was abolished. This move was made possible primarily by the efficient limit calculation methodology and its application in practice, because this way any additional mandatory collateral became unnecessary. Over the applied limits, traders themselves can now define the value of additional collateral subject to the trading limit they need.

The directive MiFID II came into force on 3 January 2018, causing some changes at the natural gas markets cleared by KELER CCP, because all future products were now denoted as financial instruments and they could only be traded at regulated markets. The futures natural gas market previously dubbed as CEEGEX futures market had integrated into the HUPX futures power market, and thus the HUDEX futures energy exchange was established in January 2018 where natural gas trading transactions are still cleared by KELER CCP. This change did not affect KELER CCP's guarantee regime, nor did it warrant any amendment to the methodology. The CEEGEX spot natural gas market continued operation as before.

FGSZ-operated Trading Platform was separated into a trading and a balancing division, warranting a minor amendment in the collateral system. As of November 2018, the HUF 10 million basic financial collateral is no longer applicable collectively for both markets, but the same amount should be deposited separately.

Collective guarantee funds

KELER CCP's risk management area checks compliance of the guarantee funds defined for capital markets and HUDEX gas market daily in line with EMIR requirements and uses a calculation methodology for guarantee funds on the basis of the daily stress test calculations. The methodology to calculate guarantee funds is reviewed annually. The methodology was not amended in 2018.

At the KEP market, the guarantee fund proved appropriate coverage against potential risks. The methodology was subjected to a review, but no changes were necessary.

Collateral instruments

The scope of eligible collateral instruments in 2018 was defined in line with EMIR requirements, and the parameters were reviewed regularly. From the aspect of market players, a major change occurred when acceptance of bank guarantees provided by non-financial market players for the purpose of collateral coverage was abolished. Live bank guarantees were used as collateral until 31 December 2018, but they have not been considered eligible collateral since 1 January 2019.

As another major change, Hungarian government securities, Discount Treasury Bills and interest-bearing T-bills have been accepted as collateral with regard to CEEGEX/HUDEX gas since 17 December 2018, but with a higher haircut limit than in the case of the capital markets because of the currency of the settlement.

As another minor change in 2018, Magyar Telekom shares were no longer accepted as collateral by KELER CCP up to HUF 1 billion, but only up to HUF 600 million.



MARKET AND PRODUCT DEVELOPMENT

Budapest Stock Exchange

In 2018, the Budapest Stock Exchange continued to meet its strategic objectives defined for the five-year period between 2016 and 2020. Stock exchanges are one of the main pillars of competitive and innovative economies. It is BSE's mission to further companies' stock and bond financing plans efficiently and play a catalyst role in the expansion of funding opportunities of Hungarian companies, enhancing competitiveness of the Hungarian economy. As part of this endeavour, the BSE continued the work related to the establishment of Nemzeti Tőzsdefejlesztési Alap [National Fund for Stock Market Development; NTfA].

The objective of setting up NTfA is for it to provide support for companies that decide to be floated to BSE's Xtend market. The launch of BSE Xtend and its official go-live in September 2017 were a significant milestone for the BSE as it meant that a new trading venue was licensed, one that was designed specifically to further small and medium enterprises' plans to go public. Complex risk management and clearing of the BSE Xtend market was provided by KELER CCP, to which end the Company successfully carried out a licensing procedure with the National Bank of Hungary in addition to IT development. Eventually, the first successful IPO at the BSE Xtend market took place in December 2018 with the securities of Megakrón Nyrt., followed subsequently, in January 2019, by CyBERG Corp. Nyrt.'s floatation.

In 2018, three corporations (Konzum, ALTEO, and BIF) advanced in the BSE hierarchy, transferring from the category Standard to the BSE elite Premium, which increased to 19 tickers as a result.

The offering of BILK Logisztikai Nyrt. in November 2018 should also be noted. The deadline for actually start trading with the shares of the company is June 2019. Plans indicate the shares could be traded in euro as well.

In addition to new shares floated to the market, numerous new mortgage bonds, investment notes, bonds, and certificates were added to BSE's product portfolio. By introducing those new designs, the securities market expanded by nearly 200 new products in 2018 as well. In the scope of debt securities, the bond issue activity of Magyar Fejlesztési Bank [Hungarian Development Bank; MFB] was outstanding.

BSEa

The Budapest Stock Exchange expanded the scope of products registered at the trading venues of non-resident securities, adding seven listed investment funds and six European shares to the product offering.

MTS Hungary

A wide range of products was offered in 2018 as well to Hungarian and non-resident players in the primary government securities market with Hungarian government bonds, Discount Treasury Bills, and Student Loan Bonds traded in addition to bonds issued by Magyar Fejlesztési Bank.

Order Book Balancing Platform (IP) and Trading Platform

As part of the implementation of European Union statutes regulating the operation of natural gas markets (collectively: Network Code), clearing of the balancing and trading transactions was separated in legal terms on 1 October 2017. As the second step in the legal separation, the de-coupling was executed successfully also on the level of IT systems as of 1 October 2018, achieving full compliance to the regulatory requirements.

CEEGEX

As of January 2018, the CEEGEX platform to host long-term trading (CEEHGEX PHF) has been discontinued since HUDEX was established as a separate legal entity. As of that year CEEGEX has been operating as a spot market trading venue only, offering euro-denominated trading, settlement, and financial clearing to customers, both domestic and non-resident, since 1 October 2017.

HUDEX

A new exchange dubbed HUDEX Derivatív Energiatőzsde Zrt. [HUDEX Derivative Energy Exchange Co. Ltd.] started operation in Hungary on 3 January 2018. The establishment and launch of the new exchange had been made necessary by the provisions of MiFID that prescribe that financial instrument may only be traded at regulated markets of MTFs. Physical delivery futures products, previously traded at CEEGEX PHF, are now traded as financial instruments at HUDEX/Gas segment, and KELER CCP continues to provide transparent and secure clearing services in their respect.

KELER CCP established the conditions of transition at the futures gas market, which was almost undetectable by market players, in cooperation with HUDEX, ensuring continuous trading at the new market as well. As a precondition, KELER CCP had implemented the necessary IT developments required to create reports as per EMIR and successfully conducted the necessary licensing procedure with the relevant authority. With HUDEX established, an opportunity opened for futures gas products with purely financial settlement to be listed.

Energy markets

KELER CCP's general clearing services at the energy market were dominated by dynamism and growth in terms of cleared markets and customers alike in 2018, as well. Following lengthy preparatory work, SEMOpX, a spot electricity market for Ireland and Northern Ireland, started operation successfully in the autumn of 2018. As a result of consolidation in the energy market platforms, the picture had cleared a lot by the end of 2018. Consequently, PWX-PEGAS became the main trading venue among gas markets, EPEXSPOT emerged the main vessel among spot electricity markets, while EEX became the decisive platform for futures transactions and quota trading.

Trading venues reflected in numbers

Budapest Stock Exchange – Spot Market

The single trading volume of the BSE spot market amounted to HUF 2,952.3 billion in 2018, up 6.25 per cent in annual terms. The average daily trading volume increased to HUF 12.1 billion from HUF 11.07 billion reported one year earlier (with 244 trading days in 2018 and 251 in 2017).

Within the spot trading volume, stock transactions accounted for 94.55 per cent (after 96.81 per cent in 2017) with an annual trading volume of 2,791.3 billion in 2018. This represented a 3.76-percent annual increase in comparison to the previous year. Consequently, the annual daily average trading volume increased to HUF 11.4 billion from HUF 10.7 billion one year earlier.

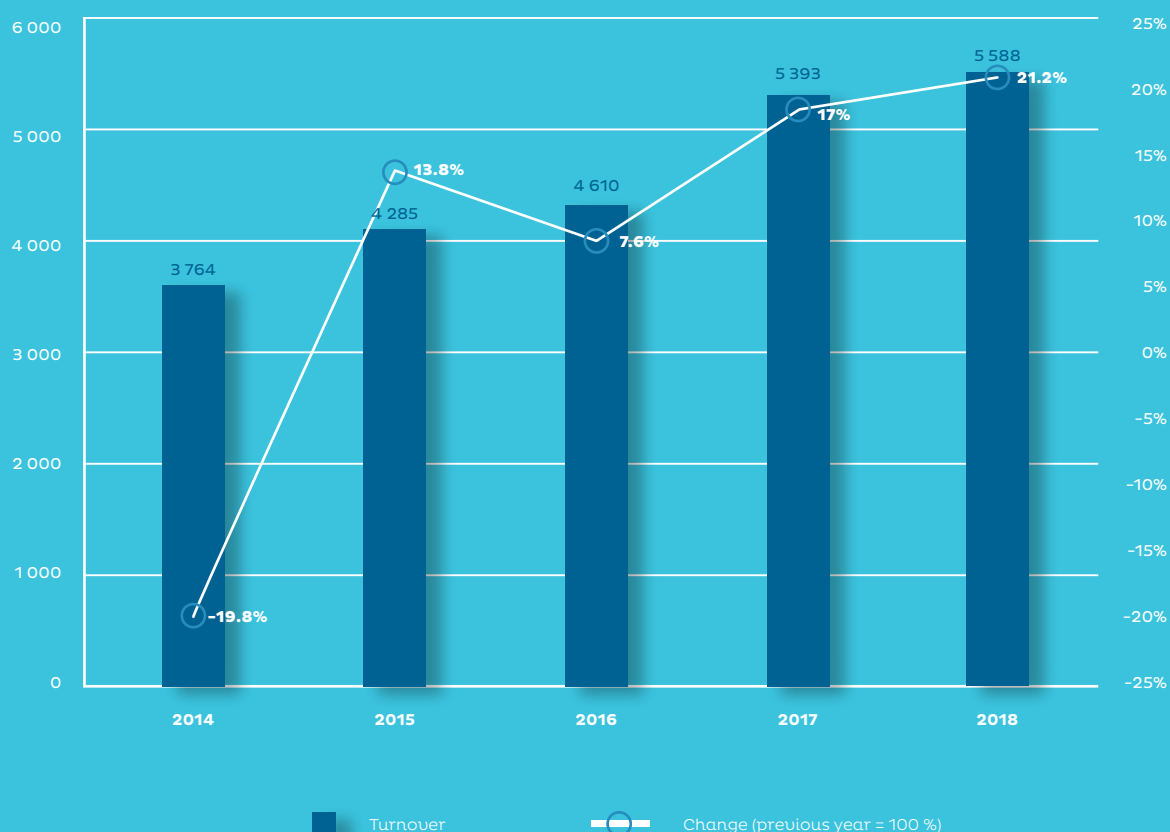
The number of registered spot transactions at the BSE in annual and singular record was 1,890,288 in 2018, down

2.59 per cent from 2017. The slight decline is attributable to a difference in the number of trading days (244 days in 2018 versus 251 in 2017). Within the transactions, the quantity of stock deals was 1,675,689. The average daily transaction number at the spot market of the BSE was 7,747 in 2018 after 7,731 one year earlier. In particular, the average daily number of stock transactions amounted to 6,868 in 2018.

Budapest Stock Exchange – BSEa Market, BSE Xtend

In 2018, the stocks of 20 international issuers and seven ETFs were traded at the BSEa Market. The combined annual single trading volume of non-resident stocks amounted to HUF 2.7 billion in a total of 9,804 transactions. In the previous year, 15,722 transactions had generated HUF 6.5 billion trading volume. The average transactional value in 2018 amounted to HUF 0.3 million.

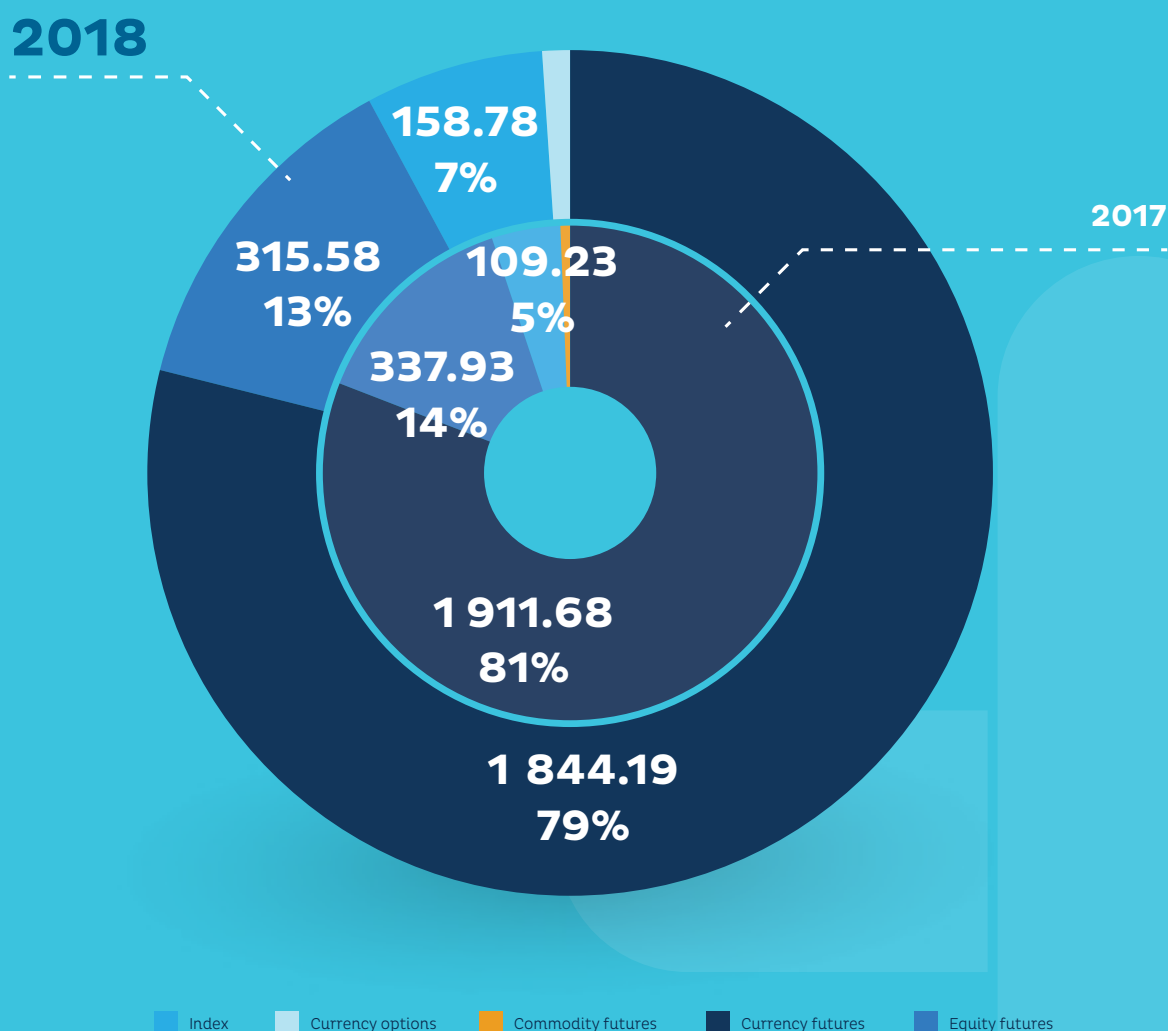
TRADING VOLUMES AT SPOT STOCK MARKETS (BSE, BSEa, XTEND) 2014-2018 (DUPLICATED), HUF BILLION



Budapest Stock Exchange - Derivative Market

Reported at market prices, the annual single trading volume at the derivative market amounted to HUF 2,341 billion in 2018, which represented a slight decline of 1.14 per cent from the comparative period in the previous year. Forex futures accounted for a decisive quantity of the trading volume in 2018 again at HUF 1,844.19 billion, but their share dropped nearly 2 percentage points from 80.73 per cent to 78.8 per cent. The trading volume of forex options, however, quadrupled, amounting to HUF 22.44 billion in 2018. The annual trading volume of individual futures shares amounted to HUF 315.58 billion, down 6.61 per cent from 2017. On the other hand, the total of index-based products grew at an outstanding rate, surging by another 45.36 % in 2018 after skyrocketing 78 per cent in 2017. The volume of futures BUX contracts increased to HUF 158.8 billion last year, a sharp uptick from HUF 109 billion reported in the previous year.

**BSE derivative turnover by product,
2018 and 2017, HUF billion**

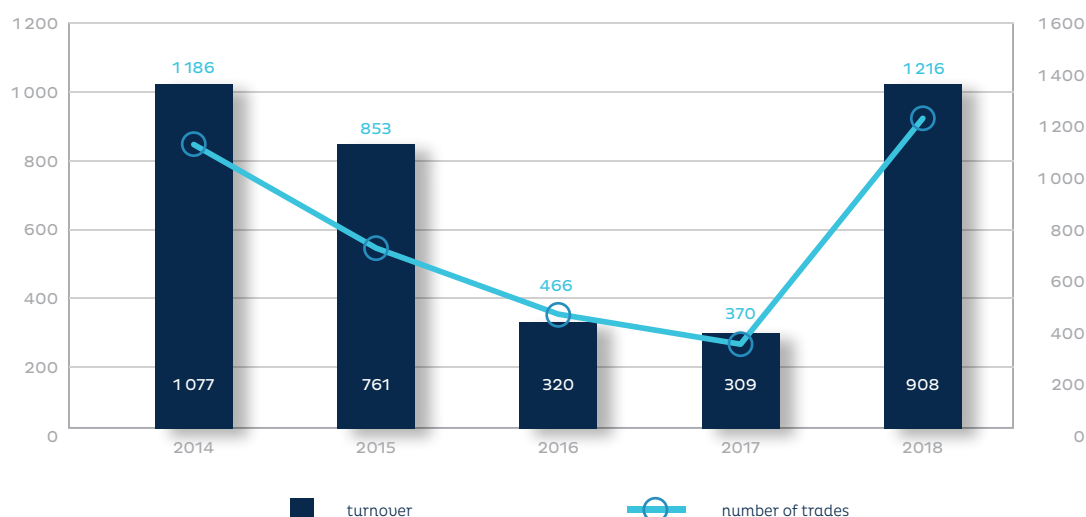


As classic commodities brokers had exited the market, the volume of futures transactions amounted to a mere HUF 20 billion in 2018.

EuroMTS – MTS Hungary

In the primary market of bonds issued in Hungary, 1,216 transactions were executed by financial institutions, totalling HUF 907.7 billion versus 370 transactions and a HUF 309.1 billion total in 2017. After falling for three years steadily, the market finally managed to realise a substantial increase.

MTS Hungary cash turnover and number of trades, HUF billion (double-counted)



FGSZ – Balancing Platform and Trading Platform

The natural gas balancing market in Hungary reported 8.71 TWh in 2018, totalling HUF 71.56 billion. The traded quantity dropped 19.37 per cent, and the traded volume at market value increased by 0.13 per cent in comparison to 2017. A steady decline that has been apparent year after year gives evidence of the balancing market's efficient operation as proper operation of market processes is underpinned by the downtrend, because market-based balancing instruments are used increasingly by network users at the natural gas market, improving their intraday balance positions.

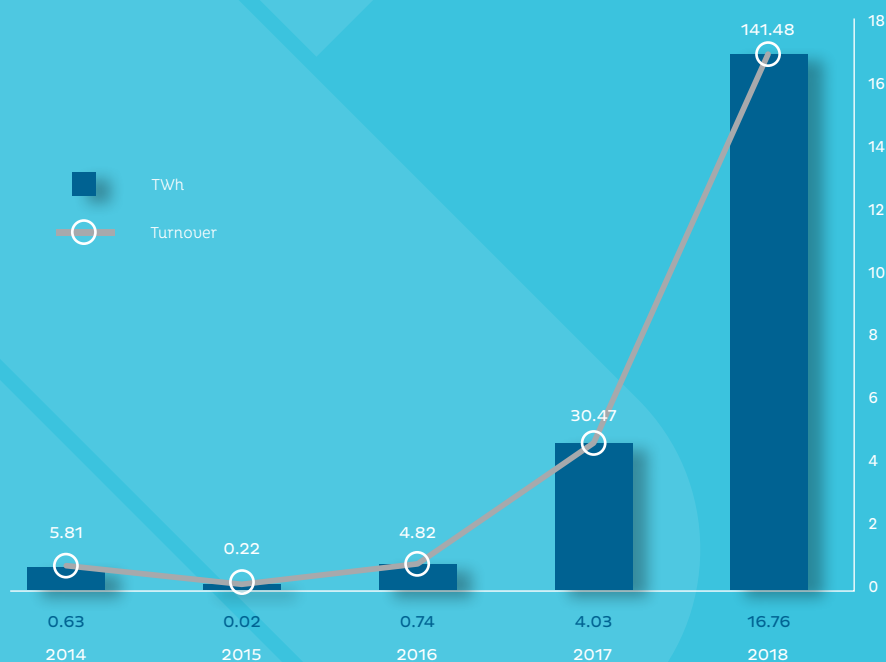
Trading volumes of Order Book Balancing Platform and Trading Platform 2014-2018 (duplicated), HUF billion, TWh



CEEGEX

The outstanding growth of the spot gas market (intraday and next-day transactions) continued in 2018. The fundamentals for this dynamic growth was laid down by the euro-denominated trading, settlement, and clearing introduced in the autumn of 2017, which made a palpable positive impact on the trading volume. In 2018, the duplicated annual quantity was 16.8 TWh with an annual total of HUF 141.48 billion, both up from 4 TWh and HUF 30.5 billion in the previous year.

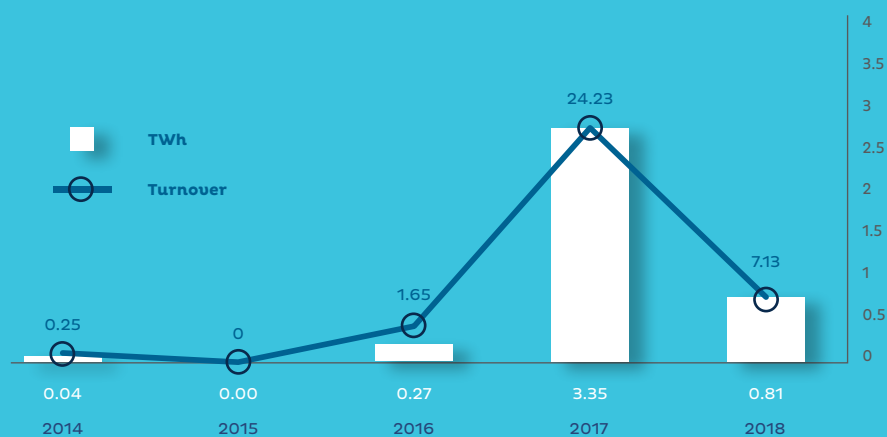
**CEEGEX spot trading volume 2014-2018
(duplicated) HUF billion, TWh**



HUDEX/Gas segment

The fledgling gas exchange realised 0.81 TWh traded quantity at a HUF 7.13 billion total in 2018.

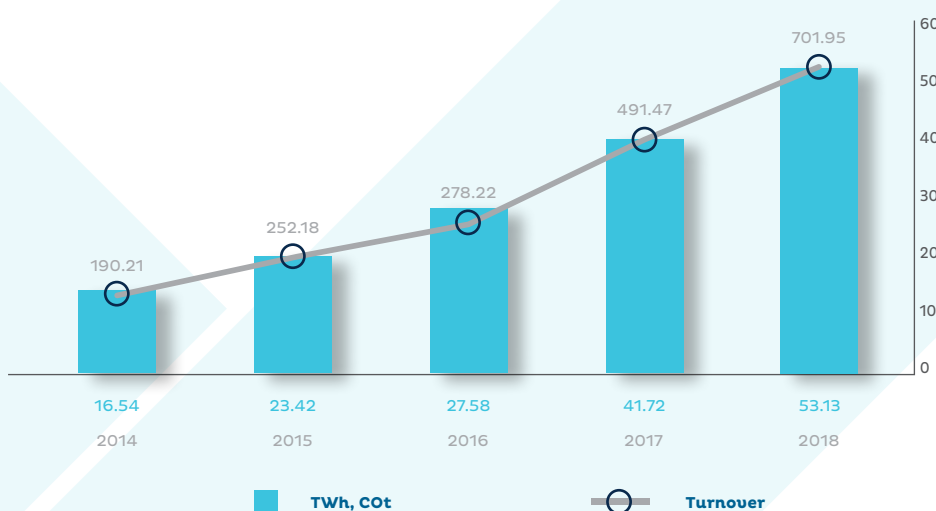
**HUDEX/Gas futures trading volume 2014-2018
(duplicated) HUF billion, TWh**



Energy markets – Spot markets

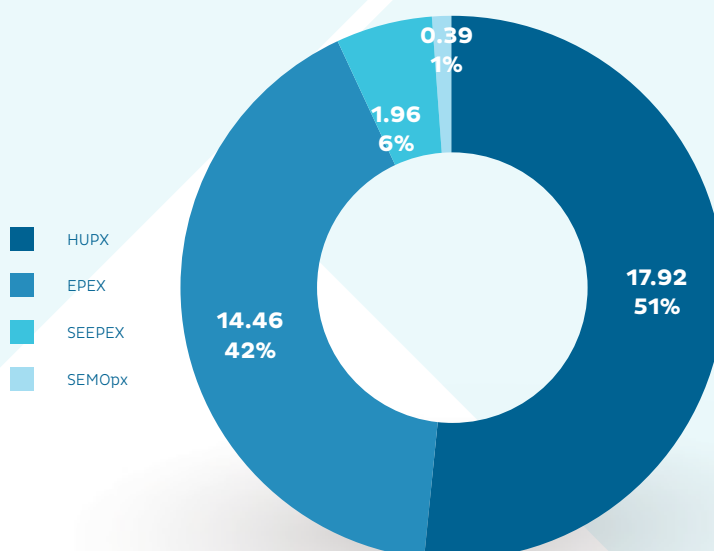
Cleared as part of the general clearing services provided by KELER CCP for energy markets, the spot energy markets were dominated by constant progress and dynamism in 2018, as well. KELER CCP customers are engaged at those markets in the trading of electric energy, natural gas, CO₂ emission quota, and capacity products, experiencing an accelerating growth. The trading volume as per traded price amounted to HUF 701.9 billion in 2018, up 42.8 per cent. Within the individual segments, the market share of intraday and next-day electricity products was decisive at 34.73 TWh traded quantity in 2018, which meant a 14.6-percent annual growth (from 30.3 TWh in 2017). At the same time, the spot market of natural gas product went through a surge, increasing by 63.8 per cent in annual comparison to 18.63 TWh in 2018 (versus 11.37 TWh in 2017).

Spot energy market trading volume 2014-2018
(singular) HUF billion, TWh



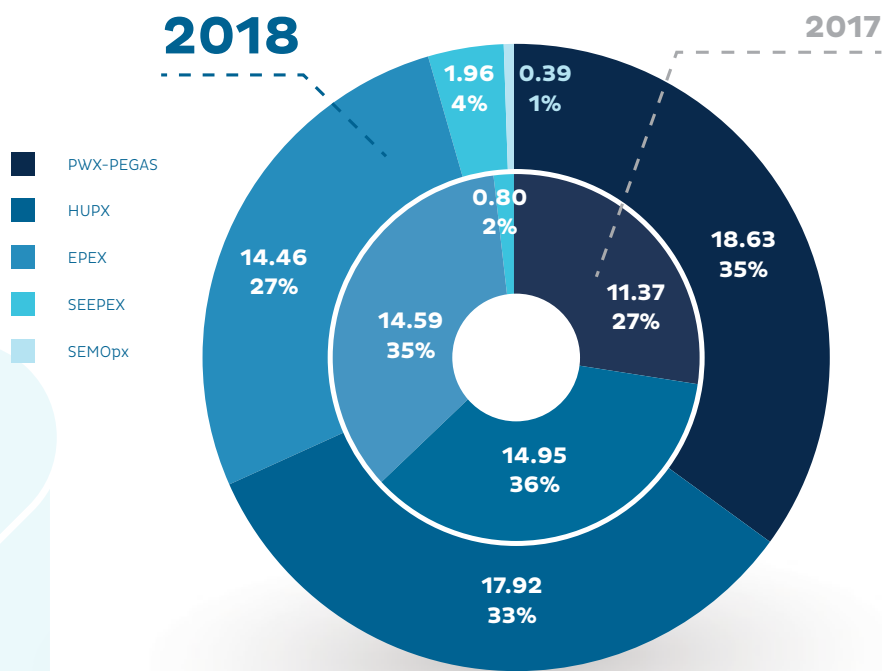
Totalling 34.73 TWh annual volume, electricity products' share among the various markets was 17.92 TWh (51 per cent) at the Hungarian electricity market HUPX and 14.46 TWh (42 per cent) at the pan-European EPEXSPOT in 2018, while Serbian electricity market SEEPEX claimed 1.96 TWh volume and a 6-percent share against the total. Newly launched SEMOpX reported a 0.39 TWh volume, representing a market share of one per cent.

Spot electric power markets trading volume by exchanges in 2018 (TWh)



Within the total traded volume at energy markets, including gas markets as well, Powernext claimed the biggest market share in 2018 with 35 per cent, relegating previous year's No. 1 HUPX with a 33-percent share. They were trailed by EPEXSPOT (27 per cent), SEEPEX (4 per cent), and SEMOpX (0.7 per cent).

Spot energy markets trading volume by exchanges in 2017, 2018 (TWh)



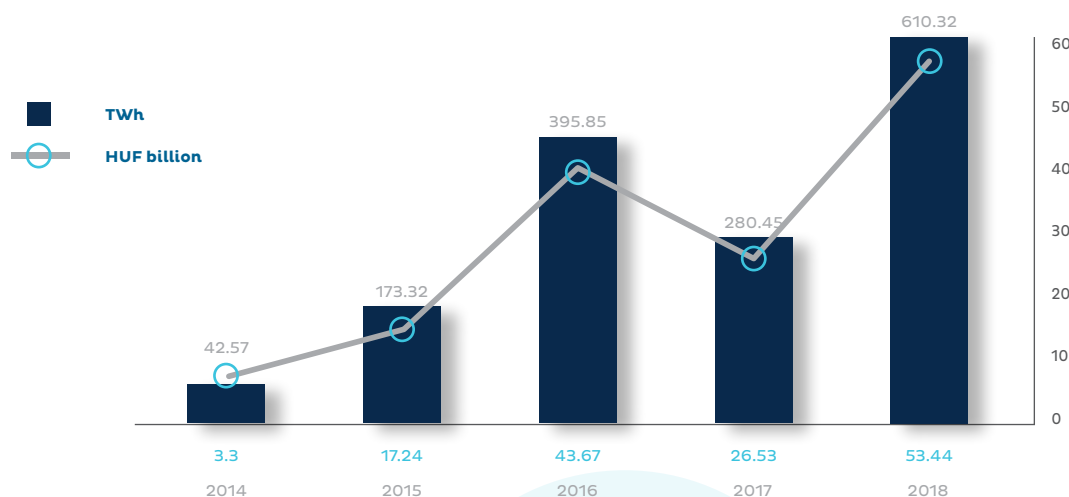
KELER CCP had a 45 percent share in 2018 at HUPX spot market, a key venue for the Company.



Energy markets – Derivative markets

2018 was a record year at the futures energy markets. KELER CCP clients executed futures deals in 2018 at a total of 53.44 TWh and HUF 610.3 billion, with futures electricity and gas products accounting for 53 per cent and 47 per cent, respectively.

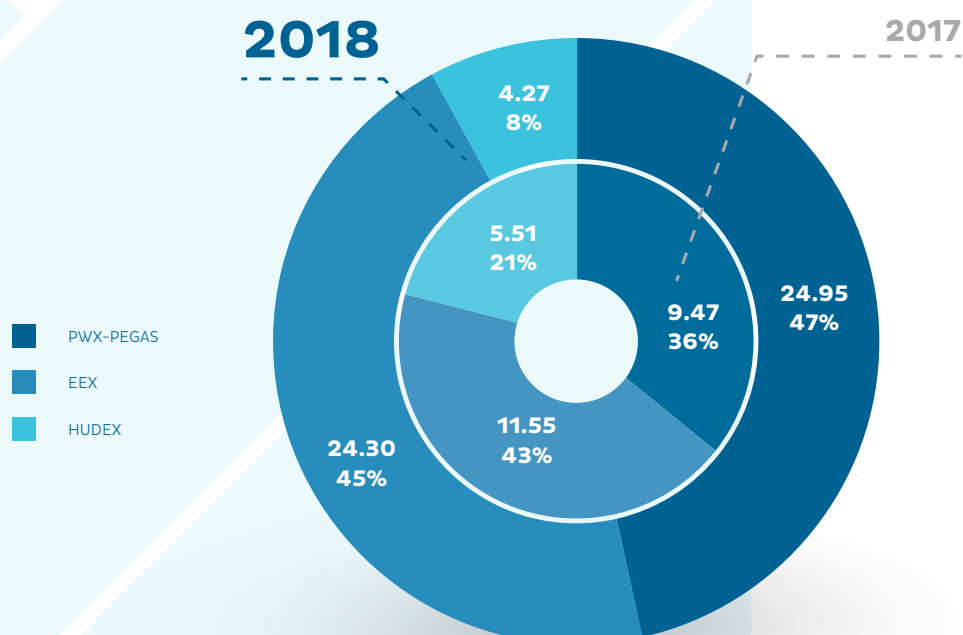
**Futures energy market trading volume
2014–2018 (singular), HUF billion, TWh**



Based on distribution of the total volume among the various markets cleared by KELER CCP, futures gas market Powernext claimed 47-percent share, followed by the EEX futures market with 45 per cent and futures market HUDEX with 8 per cent.

At the HUDEX futures market, KELER CCP's market share bolstered substantially compared to the previous year against a decline in the trading volume, achieving 55-percent market share by the end of 2018, advancing to the position of the biggest market player.

Futures energy market trading volumes by exchanges in 2017, 2018 (TWh)



CUSTOMER RELATIONS

Customer acquisition

From the aspect of customer acquisition, 2018 was an extremely busy year. Keeping up with the trend apparent in previous years, KELER CCP carried out active customer relations activities. The new customer relations model was set up at the middle of year, as a result of which additional employees joined this business area. The new team set out more active relations with existing customers as the primary objective, as a result of which nearly half our customers were given personal visits.

Last year, CEEGEX outperformed targets in terms of both traded volume and customer base growth, on the back of which development KELER CCP had as many as 33 clearing members by the end of the year. It represents an over 37% growth compared to the initial 24%. A briskly increasing customer number presented a challenge to the new sales and customer relations team as well. The other major acquisition was related to the launch of the electricity markets in Ireland and Northern Ireland. KELER CCP as general clearing member had actively participated in the preparation phase, presenting information about its services at numerous seminars organised for local electricity market traders. As a result, four sub-clearing members were added to our customer portfolio, which meant a nearly 10-percent market share for KELER CCP at the Irish market, which launched with 44 traders.

As a result of intensive preparatory work in 2018, the agreement signed with AIX (Astana International Exchange) early 2019 may be regarded as an outstanding success, on the basis of which KELER and KELER CCP will be providing depository and settlement services, respectively. Initially 5 to 10 customers are expected at the new exchange, and the process of reaching out to them has already begun.

Business exhibitions

In February 2018, KELER CCP also participated as an exhibitor at the exhibition and fair E-World Energy & Water, traditionally held in Essen, Germany, the energy sector's biggest event in Europe which attracts over 20,000 visitors and more than 700 exhibitors each year. Our sales team conducted business discussions with more than 20 customers at the exhibition, and the meetings are considered very successful.

The regional conference Energy Trading Central and South Eastern Europe (ETCSEE) in June was hosted by Budapest with more than 400 Central and Eastern European energy traders where KELER CCP was involved not only as an exhibitor but also as a sponsor. Since KELER CCP celebrated its 10th anniversary in 2018, the Company invited partners to a celebratory banquet as part of the ETCSEE conference, which provided an excellent opportunity for networking with existing and potential customers and contributed to further enhancing KELER CCP's brand awareness not only in the CEE region but also in Western Europe.

In addition to international appearances, KELER CCP attaches priority to participation at business events of the domestic energy market (energy and natural gas), regularly participating and sponsoring the Hungarian gas industry's Siófoki Gázkonferencia [Siófok Gas Conference] and the electricity conference of MEKSZ [Hungarian Energy Traders' Association].

International relations

KELER CCP is a member of the international organisations AFM (Association of Futures Markets) and EACH (European Association of CCP Clearing Houses) and, as a result of its membership, it regularly attends meetings organised by them and also participates in the work of business sub-committees. KELER CCP also attends regularly the events held by the clearing members' working group at ECC (European Commodity Clearing AG), which is engaged in the development of clearing market settlement. The Company also attends events organised by the exchange group EEX.



INFORMATION TECHNOLOGY

The most prominent focus in IT operation in 2018 as well as was directed at deliberate and planned operation as well as at ensuring high-level availability of the IT system that supports business services.

Automated monitoring capabilities have been developed further and applied in a deeper and wider scope than before, as a result of which the collective availability of KELER CCP's systems to customers stood at 99.996 per cent in terms of the entire year. The individual duration of service outages was shortened, because alarms were now received earlier and from deeper layers of the system, therefore errors could be attended on many occasions even before customers were impacted.

In order to enhance operational security and reliability, fine-tuning of the incident management procedure was started to ensure better alignment to the fundamentals defined in ITIL. In order to improve communication with internal and external customers, an information distribution system regarding priority events — such as daily opening, daily closure, malfunctions, etc. — was implemented.

Continuing the work started in 2017, KELER Group's IT Operation directed priority focus to only allow supported infrastructure services operated in the Company's IT environment in 2018 as well. It is to be noted that no unsupported infrastructure components have been operated in KELER Group since the beginning of 2019.

In the course of a project designed to replace the infrastructure of our data centre, development of a technological environment was launched in 2018 to give a substantial boost to both computing and storage capacities, and, due to a technology that is faster than the current one by several orders of magnitude, access speed of data will also increase substantially following its debut in the first quarter of 2019. The most important aspect in the design phase of the project was to create a technology environment by replacing five-year-old hardware, which would be able to ensure servicing of new business demands in the long term.

In 2018, the following major tasks were carried out successfully by the IT Division with regard to KELER CCP systems:

- Disaster Recovery test was conducted in 2018 as well with single data centre providing services in the period in question. The system again met expectations.
- Development of energy markets settlement in connection with the launch of the electricity markets clearing in Ireland and Northern Ireland within the ECC. As a result, KELER CCP's systems had to be prepared to service the new markets.
- In connection with the new service — gas settlement — launched in the HUDEX market in 2018, system development required for the implementation of the new products were carried out in the EnKLIR application.
- Our systems and interfaces were modified due to the FGSZ platform change.
- Selecting one of the best technology solutions currently available at the market, our Data Warehouse that services the corporate group has been set up on new foundations. Key achievement of the project is a shorter load time, reducing the previous daily load time of more than 10 hours to less than 2 hours.



HUMAN RESOURCES POLICY

As in previous years, the main objective of the human resources policy area in 2018 was to support business areas in order to ensure high-quality labour for KELER CCP.

On 31 December 2018, KELER CCP had 23 employees.

Through training and individual education, KELER CCP put a large emphasis on retaining employees and filling vacant positions with well-trained employees. Risk Management Department had nine employees and Settlement Department continued to employ eight people in overlapping shifts. Supporting the integration of new recruits is a priority responsibility of the area along with motivating and retaining existing workforce, ensuring appropriate human capital to further successful progress of the Company.

No organisational change was implemented in 2018.

Implementation of the human resources records system NEXON was launched in 2018 to go live in January 2019. The system supports HR administration, facilitates quick access of personnel data, and easy-to-use presentation of HR reports.



INTERNAL AUDIT

KELER CCP does not carry out independent internal audit activity, therefore, pursuant to the agreement established with KELER and on the basis of assignment from the Supervisory Board, this function is fulfilled by KELER Internal Audit in respect of KELER CCP as well.

Internal Audit carried out its responsibilities in 2018 as well in accordance with its annual work plan based on risk assessment and risk analysis—as approved by the Supervisory Board — and also in line with the operational regulations of the internal audit system in effect. In the definition of audit tasks, the audit of the operation of risk-bearing, high-priority activities, and controls constituted an essential aspect. Mandatory review activity of new or amended regulatory documents was also carried out by the internal audit organisation.

In 2018, two audits were carried out at KELER CCP with focus on IT banking security and seven others that focused outside the scope of IT. Within the audits, three topical, two follow-up and four targeted audits were implemented.

Topical audits involved the areas listed below:

- Remuneration policy;
- Clearing processes related to Trading Platforms;
- Guarantee and risk management system related to Trading Platforms.

As part of the targeted audits, haircut compliance, implementation of priority projects, management of an IT incident, and implementation of disaster recovery tests were reviewed.

As part of the follow-up audits, comprehensive supervisory audits were carried out by the National Bank of Hungary, and follow-up of the measures prescribed by the evaluation carried out by overseeing authority.

The audits were targeted particularly at compliance with stipulations laid down in laws and internal regulations and directives; operability of controls; enforcement of security aspects, with special view to carrying out reviews regarding the implementation of measures and recommendations deemed necessary on the back of deficiencies identified in previous audits.



SECURITY MANAGEMENT

In 2018, Security Management devised its new security strategy, which lays down its objectives and action plan on a three-year horizon. When designing the strategy, new challenges and trends in cyber security strategy were taken into consideration along with business needs. Consequently, Security Management seeks to appear also in a supporting role for business areas rather than just being a prevention unit. Along the strategy, continuation of a previously launched consolidation activity and implementation of new security measures were introduced in order to ensure more up-to-date and enhanced customer experience and solutions that offer a higher degree of security.

- Starting early 2018, build-up of a security team with a higher headcount was started, as a result of which new competencies will be established. Phase one of the from-scratch redesign and implementation of the methodology was also attained.
- In the course of 2018, a full-scale risk analysis was carried out, which resulted in a higher level of business impact analysis, as well. Using the results, availability parameters expected on the basis of business processes and constituting the basis of BCP processes were updated.
- As in every year, BCP and DRP plans for supporting IT systems, to be applied in the event when critical business processes are disrupted, were updated in 2018 as well. Testing of our fully-fledged reserve site was carried out successfully last year too, and updated BCP tests were also run by business areas along with a full-scale switchover between the two data centres, which constitutes the basis of DRP processes.
- Security Management tested employees' security consciousness and approach on numerous occasions on a case-by-case basis, and also established an annual education system, which provides appropriate training even in case of fluctuation in the employee pool. Mandatory security education for all new recruits was implemented over and beyond the annual mandatory security training.
- The entire implementation of the SIEM system, launched in 2017, was concluded in 2018.
- Due to making use of additional features in the secure web content filter and mail system, a DLP system was implemented successfully, reaching a new level of data protection.
- A new level was reached in the area of mobile security as well, at the same time achieving customer satisfaction by making new services accessible via mobile devices with a higher level of security.
- For the purpose of risk-proportionate protection and compliance with external expectations, information security controls are regularly reviewed. As part of that process, vulnerability tests were carried out continuously throughout the year.
- KELER CCP has been designated as National Critical System Component. As a consequence, an audit was carried out by Országos Katasztrófavédelem [National Department for Disaster Management] early 2018 in respect of which no negative feedback was issued regarding KELER Group.
- Our IDM system was replaced in 2018 with review of authorisation processes and implantation of the management of job-related authorisations. As a result, a much more transparent and faster authorisation management process became available for the entire corporate group.

In the course of the year, all protracted, unresolved and new internal audit non-conformances were concluded by the security team.



ENVIRONMENT PROTECTION

Due to its activity, KELER Group's environmental responsibility is not substantial; the Company is unlikely to cause harm to the environment. KELER Group does not use hazardous materials that require licence.

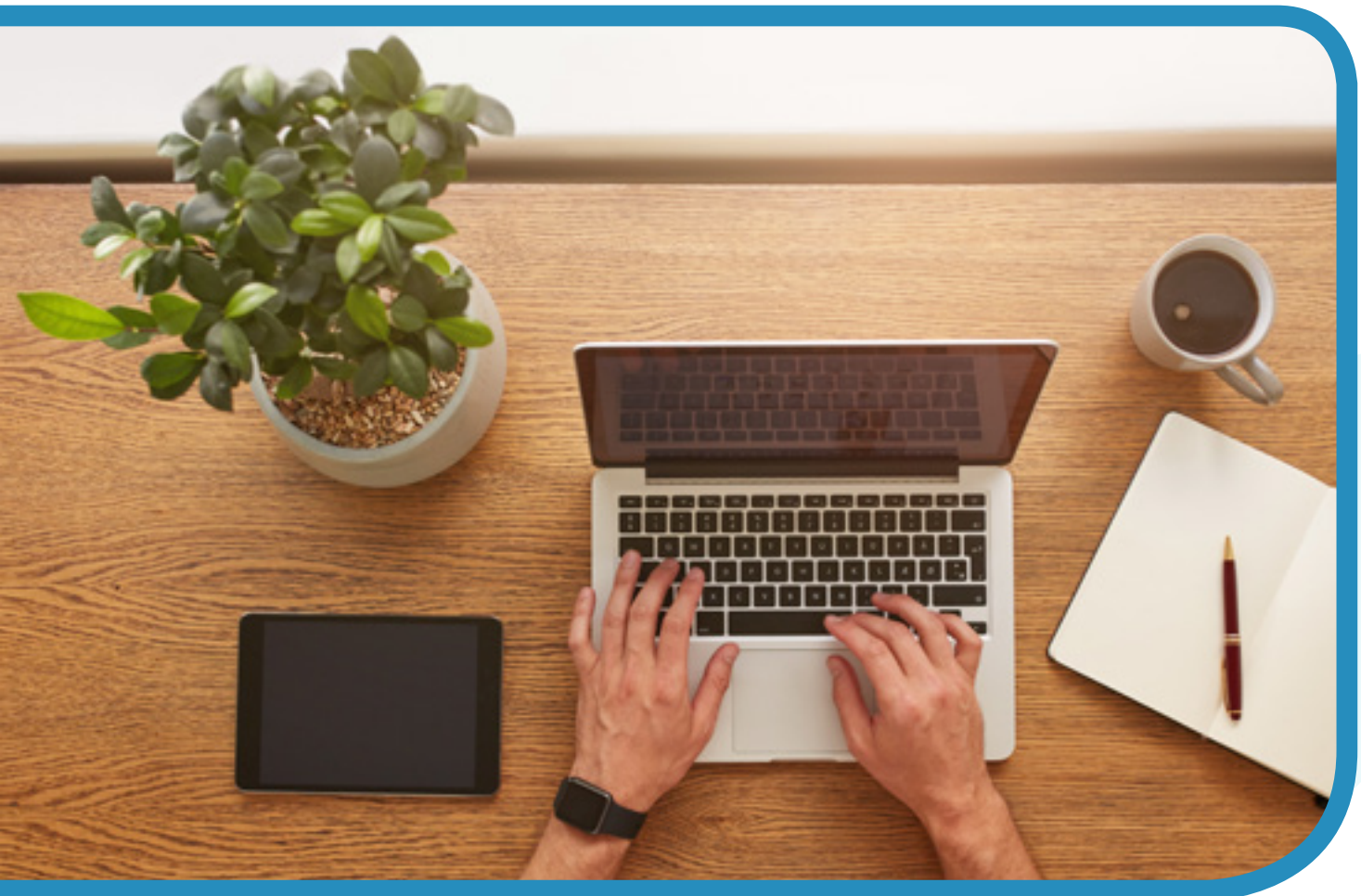
It is the objective of KELER Group's own Green Office Programme to ensure long-term embeddedness of environment-conscious approach into our corporate culture and to reduce group-wide energy and paper consumption and establish a system of selective waste collection. The corporate group pursues the principle of responsible thinking, prioritising to establish healthy workplace.

KELER Group has been headquartered in R70 Office Complex in Budapest (70-72 Rákóczi Road) since April 2014. Key aspects in the selection process was to ensure a liveable

and enjoyable work environment for our employees while using environment-conscious equipment and solutions. The principle that office areas should be able to continue and operate the Green Office Programme, which had been functioning well, was also observed.

Involving experts, the status of UPS devices and the Diesel generator operated in the R70 Office Headquarters was assessed. According to their report, our equipment is operating in an orderly fashion, but considerable capacities remain unused. Accordingly, replacement of the equipment has been decided in order to optimise energy consumption and costs.

Additionally, reduced paper consumption is ensured by continuous supervision of the printer park and the analysis of related data.





REPORT OF THE KELER CCP SUPERVISORY BOARD FOR 2018

REPORT OF THE SUPERVISORY BOARD OF KELER CCP LTD. ON THE FINANCIAL STATEMENTS PREPARED ACCORDING TO IFRS

The Supervisory Board of KELER CCP Ltd. had 5 meetings in 2018 and adopted a decision once without a meeting.

At its meeting held on 23 March the Supervisory Board discussed the summary on compliance activity for 2017 and the 2018 annual Work Plan of Compliance, the internal audit review of the annual business continuity and alternative venue test conducted in 2017 (BEJ.I. 9/2017.), the review of haircut adequacy (BEJ. E. 17/2017.), and discussed again the request for the amendment of the deadline for the task stated in the internal audit report. The agenda also included the report of the Board of Directors of KELER CCP Ltd. for Q4 2017 and the minutes of the meeting of the Operational Risk Committee (ORC) of 27 February 2018 as well as the performance status of the 2017 annual work plan of the Internal Audit Organisation.

At the meeting held on 14 May the Supervisory Board discussed the proposals prepared for the subsequent annual General Meeting: report of the Supervisory Board on the financial statements prepared pursuant to Act C of 2000 on Accounting and approval of the consolidated financial statements of KELER CCP Ltd. prepared according to IFRS.

The other agenda items included the annual financial management of KELER CCP in 2017, the financial management of KELER CCP Ltd. in Q1 2018 and the report of the Board of Directors of KELER CCP Ltd. for Q1 2018. The annual operational risk report was included in the agenda for information purposes.

At its meeting held on 11 July the Supervisory Board adopted a resolution on the review of the Remuneration Policy (BEJ.

E. 7/2018.) and the approval of the Assistance Contract to be concluded between KELER CCP Ltd. and Budapest Stock Exchange. The agenda also included, for information purposes, the minutes of the meeting of the Operational Risk Committee (ORC) of 28 May 2018, the performance status of the 2018 annual work plan of the Internal Audit Organisation, the amendment of the Outsourcing Agreement on Risk Management between KELER Ltd. and KELER CCP Ltd., the conclusion of a Shareholder Loan Agreement between KELER Ltd. and KELER CCP Ltd. and the MNB (Central Bank of Hungary) supervisory assessment - action plan.

At the meeting held on 28 September, the Supervisory Board discussed the review of the CEEGEX market clearing membership, guarantee and risk management system (BEJ. E. 18/2017.), the investigation of the operational incident of 2 July 2018 (BEJ. I. 5/2018.), the deadline modification request for the task included in the internal audit report and the report of the Board of Directors of KELER CCP Ltd. for Q2 2018. The agenda also included, for information purposes, the minutes of the meeting of the Operational Risk Committee (ORC) of 31 August 2018 and the performance status of the 2018 annual work plan of the Internal Audit Organisation.

On 26 October, the Supervisory Board adopted a resolution without a meeting and decided to launch an internal audit investigation of the BRM project with the deadline of 10 December.

The meeting of the Supervisory Board held on 18 December included the following agenda items: Financial management of KELER CCP in Q1-2 2018, review of haircut adequacy (BEJ. E. 14/2018.), review of the BRM project (BEJ. E. 15/2018.), draft annual work plan of the Internal Audit Organisation for 2019 and the report of the Board of Directors of KELER CCP Ltd. for Q3 2018. The Board received for information purposes the summaries of the closing of the comprehensive audit of KELER CCP Ltd. for 2017 and of the activities of Compliance in H1 2018, the minutes of the meeting of the Operational Risk Committee (ORC) of 29 November 2018 and the performance status of the annual work plan of the Internal Audit Organisation for 2018.

On the basis of the proposals on financial management, the Internal Audit Reports and other documents discussed by the Supervisory Board, the Supervisory Board believes that the financial management related to the operation of KELER CCP Ltd. is well-structured and the processes are well-regulated.

The Board of Directors and management of the Company manage the financial resources as expected and take regular efforts to ensure high-standard secure operation.

While preparing and updating regulations and setting development goals, the Company strives to implement and

use advanced methods in all areas of the money and capital market as well as the energy market.

Following the capital increase made in 2018, the capital structure of KELER CCP Ltd. complies with the statutory requirements and therefore in the respective business year the Company provided its services in a secure manner to the actors of the money and capital market and energy market who use its services. Furthermore, we are convinced that KELER CCP Ltd. is also in possession of a high-level infrastructure required for the supply of quality services.

On the basis of the above, the Supervisory Board is convinced that KELER CCP Ltd. is in possession of all human resources and tangible assets required for satisfactory operation in the forthcoming period.

The Supervisory Board also reviewed the Company's stand-alone financial statements prepared according to the Accounting Act and the IFRS rules as well as the auditor's report. On that basis, the Supervisory Board proposes to the General Meeting to approve the annual report of KELER CCP Ltd. for 2018 with HUF 58,529,509,000 total assets (matching the total liabilities) and HUF 173,756,000 net profit after tax.

Dated: Budapest, 13 May 2019

Dr. Rita Szalay

Chairperson of the Supervisory Board



INDEPENDENT AUDITOR'S REPORT



Deloitte Auditing and Consulting Ltd.
H-1058 Budapest,
Dózsa György út 84/C, Hungary
H-1438 Budapest,
P.O.Box 471, Hungary

Phone: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.hu

Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

Translation of the Hungarian original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KELER CCP Ltd.

Opinion

The summary financial statements, which comprise the summary statement of financial position as at December 31, 2018, the summary statement of comprehensive income, the summary statement of changes in equity and summary statement of cash flows for the year then ended that are presented on pages 31-35 in the annual report for 2018 of KELER CCP Ltd. ("Company"), are derived from the audited statutory financial statements of KELER CCP Ltd. for the year ended December 31, 2018.

In our opinion, the accompanying summary financial statements are consistent in all material respects with the statutory financial statements for 2018.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Act C of 2000 on Accounting ("Accounting Act") effective in Hungary. Reading the summary financial statements and auditor's report on those, therefore, is not a substitute for reading the audited statutory financial statements of Company and auditor's report on those. The summary financial statements and the audited statutory financial statements for 2018 do not reflect the effects of events that occurred subsequent to the date of our report on the audited statutory financial statements.

The Audited Statutory Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited statutory financial statements in our report dated May 13, 2019.

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

Management is responsible for the preparation of a summary financial statements in the annual report for 2018 in accordance with relevant information included by audited statutory financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited statutory financial statements for 2018 based on our procedures, which were conducted in accordance with National Standard on Auditing "810 Engagements to Report on Summary Financial Statements".

Budapest, July 31, 2019

The original Hungarian version has been signed

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

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

Registration number of statutory registered auditor: 005313

SEPARATED STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018 (ALL AMOUNTS IN THUF)

ITEM	31.12.2018	31.12.2017
Cash and cash equivalents	19 853 295	11 403 060
Available for sale financial assets	0	2 500 013
Fair value through other comprehensive income debt instruments	2 993 668	0
Trade receivables relating to gas market	4 940 661	4 135 290
Trade receivables relating to central counterparty and other service	203 678	201 609
Other receivables	893 885	495 127
Receivables from repurchase agreements	9 336 276	6 668 887
Receivables from foreign clearing houses	19 753 319	13 595 493
Income tax receivable	1 877	8 414
Intangible assets	526 439	647 311
Property, plant and equipment	13 606	2 310
Deferred tax assets	12 805	2 784
TOTAL ASSETS	58 529 509	39 660 298
Trade payables	207 926	249 396
Trade payable from gas market activity	4 908 000	4 106 040
Accruals and other liabilities	280 736	141 885
Default Fund liabilities	8 275 897	5 827 717
Financial guarantee contract liability	5 427	4 973
Collateral held from energy market participants	36 715 380	23 360 226
TOTAL LIABILITIES	50 393 366	33 690 237
Issued capital	2 623 200	1 823 200
Share premium	3 934 800	2 734 800
Retained earnings	1 577 266	1 411 603
Available for sale financial asset revaluation reserve	0	458
Fair value through other comprehensive income debt instruments revaluation reserve	877	0
TOTAL SHAREHOLDERS' EQUITY	8 136 143	5 970 061
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	58 529 509	39 660 298

SEPARATED STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (ALL AMOUNTS IN THUF)

	01.01. 2018- 31.12.2018	01.01. 2017- 31.12.2017
Revenues from counterparty services	1 371 739	1 263 011
Other non-counterparty services	195 055	121 801
Bank fees, commissions and similar items	-66 892	-60 279
Personnel expenses	-401 156	-365 356
Depreciation and amortization	-125 380	-97 004
Other operating expenses	-722 258	-670 273
Impairment (loss)/reverseal of financial instruments	-3 354	0
Impairment (loss)/reverseal of non-financial assets	-89 507	0
Expense/(income) from changes in financial guarantee contract liabilities	-454	-963
Operating expenses	-1 409 001	-1 193 875
Net operating income	157 793	190 937
Interest income	159 963	56 865
Interest expense	-168 621	-54 894
Net interest income	-8 658	1 971
Other financial gains/(losses)	43 924	-2 562
Financial income	35 266	-591
INCOME BEFORE INCOME TAX	193 059	190 346
Income taxes	-19 303	-17 490
NET INCOME FOR THE PERIOD	173 756	172 856
Other comprehensive income:		
Remeasurement gains/losses of Fair value through other comprehensive income debt instruments	460	-3 284
Income tax of other comprehensive income	-41	296
Other comprehensive income for the period	419	-2 988
Of which later to be reclassified to net income:	419	-2 988
Of which later not to be reclassified to net income:	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	174 175	169 868

SEPARATED STATEMENT OF CASH FLOWS

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 (ALL AMOUNTS IN THUF)

	01.01.2018- 31.12.2018	01.01.2017- 31.12.2017
CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAX	193 059	190 346
Interest expense	168 621	54 894
	361 680	245 240
Non cash items - adjustments		
Interest income	-159 963	-56 865
Depreciation and amortization charged	125 380	97 004
Impairment losses and reversal	92 859	306
Foreign exchange rate losses/(gains)	-42 350	4 419
Recognition and release of financial guarantee contract	454	963
Operating cash-flow before working capital adjustments	378 060	291 067
Changes in the net balance of gas market transactions, net	-3 410	-46 742
Changes in the net balance of securities funds and deposits	15 803 335	14 194 951
Changes in the receivables from balance with other clearing houses	-6 122 161	-5 669 679
Decrease/(increase) in trade and other receivables	-3 047 552	-7 010 624
Increase/(decrease) in trade and other payables	94 428	66 702
	7 102 700	1 825 676
Interest paid	-174 026	-62 542
Income tax paid	-22 829	-7 633
Net cash used in operating activities	6 905 845	1 755 500
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial assets	-3 987 271	-4 761
Proceeds from the disposal of financial assets	3 496 719	0
Expenditure on acquisition of propoerty, plant and equipment	-14 535	-1 654
Expenditure on acquisition of intangible asset	-82 417	-131 236
Proceeds from disposal of property, plant and equipment	2	6
Proceeds from interest	142 261	62 489
Net cash generated in investing activities	-445 241	-75 156

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from capital contribution	2 000 000	0
Net cash flow from financing activities	2 000 000	0
Net increase / (decrease) in cash and cash equivalents	8 460 604	1 680 345
Cash and cash equivalents at the beginning of the year	11 403 060	9 728 163
Foreign exchange rate difference on closing cash and equivalents	-5 371	-5 448
Expected credit loss balance on cash and equivalents	-4 998	0
Cash and cash equivalents at the end of the year	19 853 295	11 403 060
Net (decrease)/increase in cash and cash equivalents	8 460 604	1 680 345



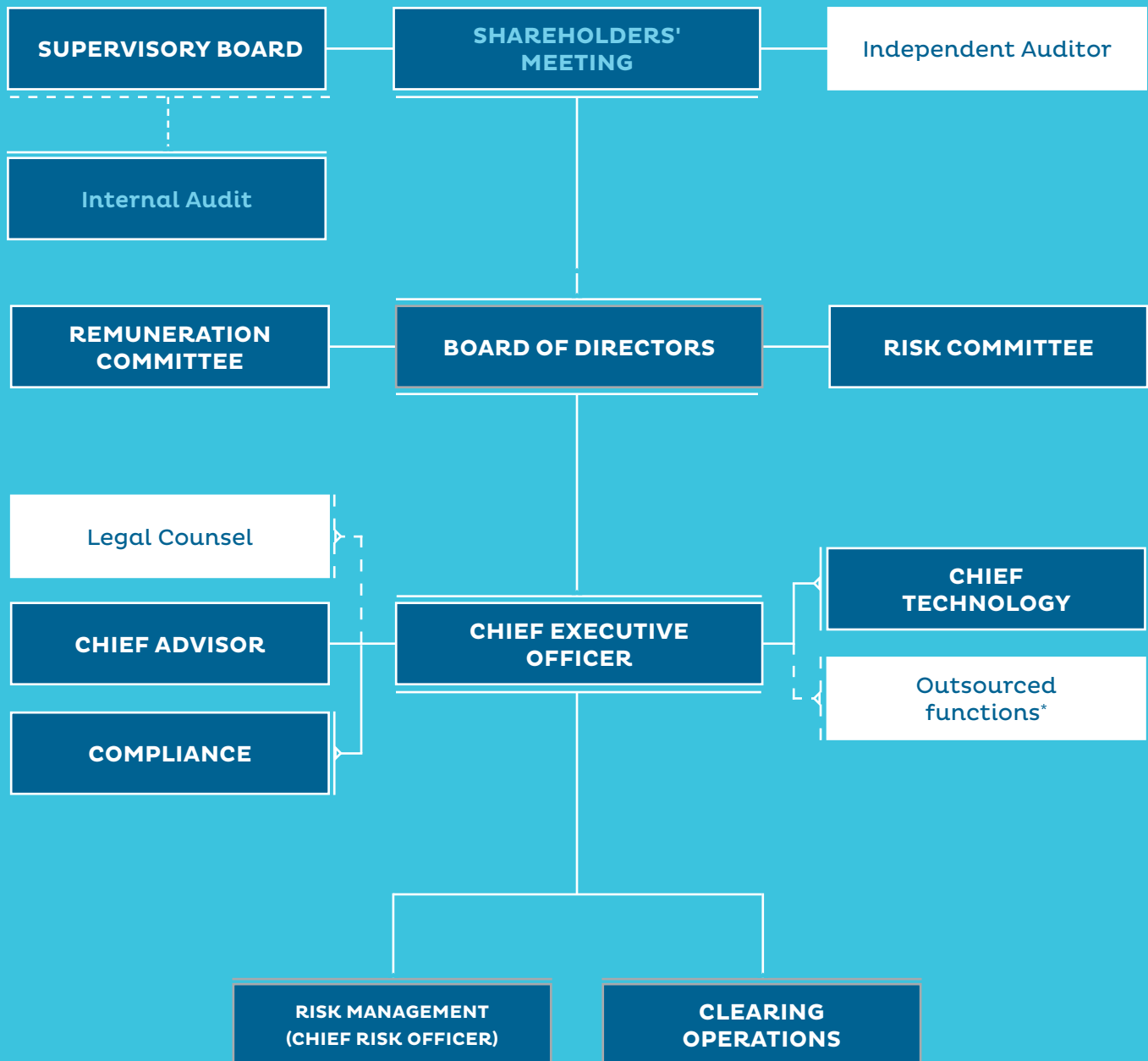
SEPARATED STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (ALL AMOUNTS IN THUF)

	Share Capital	Share premium	Fair value through other comprehensive income debt instruments revaluation reserve	Available for sale financial asset revaluation reserve	Retained Earnings	Total
Balance as of 1 January 2018	1 823 200	2 734 800	0	458	1 411 603	5 970 061
Transition to IFRS 9			458	-458	-8 093	-8 093
Balance as of 1 January 2018 (after transition to IFRS9)	1 823 200	2 734 800	458	0	1 403 510	5 961 968
Capital contribution	800 000	1 200 000	0	0	0	2 000 000
Total comprehensive income for the year			419	0	173 756	174 175
Balance as of 31 December 2018	2 623 200	3 934 800	877	0	1 577 266	8 136 143

ORGANIZATIONAL STRUCTURE

(AS OF 31 DECEMBER 2018)



* Outsourced functions:

planning, controlling, legal activity, process management, development of operation, coordination of IT developments, reporting, keeping contact (for third parties), collateral management (valuation, coverage checking, parameter settings) treasury, client service, obtaining the authority license of Clearing Members, PR & marketing, financial and accounting activities, HR, facility, office management, procurement, document management, IT, operation and maintenance of the security system, internal audit activity, reporting, sales activity.

MANAGEMENT



KÁROLY MÁTRAI
Chief Executive Officer



TAMÁS HORVÁTH
Chief Operating Officer



ÁGNES JUHÁSZ
Chief Advisor



ZOLTÁN NAGY
Head of Department

GENERAL INFORMATION

EFFECTIVE BETWEEN 1 JANUARY 2018 AND 31 DECEMBER 2018

Ownership structure

Shareholders	Financial contribution	Ownership ratio
KELER Central Securities Ltd	HUF 2 618 100 000	99.81 %
Central Bank of Hungary	HUF 2 720 000	0.10%*
Budapest Stock Exchange Ltd	HUF 2 380 000	0.09%**
Total	HUF 2 623 200 000	100.00%

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

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

BOARD OF DIRECTORS

Chairman:

Zsolt Selmeczi-Kovács dr.

Members of the Board of Directors:

Csaba Kornél Balogh

Márton Nagy

László Berényi

Dániel Körmöczi

Attila Mónus

Károly Mátrai

SUPERVISORY BOARD

Chairman:

Rita Zsarnovszkyné dr. Szalay

Members of the Supervisory Board:

Gergely Baksay

János Gerendás

Balázs Bozsik

Dániel Palotai

CONTACT

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

Mailing address: H-1426 Budapest, POB 57

Phone: +36 1 483 6100

Fax: +36 1 342 3539

E-mail: kelerccp@kelerkszf.hu

Home page: www.kelerkszf.hu

Central Client Service:

Monday to Friday from 9.00 until 15.00

Phone: +36 1 483 6240

+36 30 481 4331

E-mail: ugyfelszolgalat@keler.hu

Service Desk:

Available from 7.00 until 20.00

Phone: +36 1 483 6228

+36 1 483 6120

KELER CCP LTD.

Rákóczi út 70-72.,
H-1074 Budapest,
Hungary

Phone

+36 1 483 6100

Fax

+36 1 342 3539

E-mail

kelerccp@kelerkszf.hu

Home page

www.kelerkszf.hu