



keler ccp

Energizing Clearing

ANNUAL REPORT

2021

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CHAIRMAN'S MESSAGE



ZSOLT SELMECZI-KOVÁCS DR.
Chairman

Following 2020, an extremely difficult year for both KELER Group and all market players, 2021 was also a year full of happenings and challenges. This year I am again proud to say that KELER and its subsidiary, KELER CCP closed the year 2021 with excellent results regarding their economic and professional performance.

It is a pleasure that the commitment and excellent professional performance of the management and employees of the KELER Group remained strong even in the conditions caused by the pandemic.

As a result of this effort and persistent work KELER managed to transfer its operations to the completely new IT settlement system, which went live in December 2021. This robust IT project could not have been implemented without the support and trust of the domestic capital market participants, the members and clients of KELER. The introduction of the new settlement system marks a significant turning point in the history of KELER as this new IT core system provides opportunity to serve domestic and international market players on a higher level in a modern way and gives appropriate answers for technological challenges.

KELER CCP, as a guarantor institution providing clearing services and supporting the stability of the served markets has also made several important steps answering the challenges of our present and the expected future trends: including important achievements towards further

strengthening its risk management framework. I am proud, that more than a year has passed, when KELER CCP has been successfully operating its new "settlement bank model" and the set up has proved to be successful both from operational and client service point of view.

In 2021, KELER and its subsidiary, KELER CCP achieved outstanding financial results again, thus the pre-tax earnings of KELER was more than HUF 1.8 billion, and HUF 446 million in the case of KELER CCP.

I hereby say thank you to the owners, management and employees of KELER Group for the outstanding performance of the last year, by which, as the base infrastructure of the Hungarian capital and energy markets, the development of one of the recent years' most important domestic capital market background infrastructure could be realised besides the provision of a secure and stable operation.

In addition, thank you to the Clients and Partners of KELER Group, to the credit institutions, investment enterprises, securities issuers of Hungary, and actors of the capital, gas and electric power markets for choosing the company group in 2021 as well, and in 2022 we work jointly to provide reliable and prudent operation that can be expected from the central infrastructure.

**BABETT PAVLICS**

Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S MESSAGE

It is no exaggeration to say that the last two years have been unprecedented in our lives, regardless whether we are thinking about economic players & companies in different sectors or ourselves as private individuals. From 2020 onwards, the lives of all of us have been significantly affected by the coronavirus epidemic and its economic and social impact. Subsequently, from autumn 2021, the first signs of the crisis appeared in the energy markets, which are of key importance to KELER CCP and in February 2022 we all had to face the unpleasant consequences of war, inflation and the deepening energy crisis.

So contrary to our traditions, I will not start my CEO greetings for 2021 by commemorating our business achievements. I would rather like to thank first of all to my colleagues, our owners, our partners, our regulators and last but not least our clearing members for their dedication and professionalism in working with us through unprecedented turbulence to ensure that the capital and energy markets served by KELER CCP have remained stable and performing throughout. This required the resilience of the whole market beside standing up to the increased daily operational challenges.

On our side, we have used our risk management framework as a whole and have further strengthened each element to further adopt to the changing circumstances. Our clearing members have understood and met the increased monitoring, reporting and, not least, collateral requirements. And our regulators and partner exchanges have worked with us and still continue to partner with us today to ensure that we always strike the right balance between safety and market support.

KELER CCP has also had a successful year in terms of its financial results. Our operating profit of more than HUF 1.2 billion is 3.5 times the amount for 2020, while the pre-tax profit of HUF 446 million is also an outstanding figure compared to previous years. For KELER CCP, the fact that market turbulence has a positive impact on profitability is not surprising. In most cases, crises and volatility are associated with increased market turnover and clearing volumes. However, even taking this into account, the total fee income of over HUF 3 billion is still outstanding: a new record. A significant contribution to this positive performance in 2021 can be attributed to the new clearing banking model developed by KELER CCP in the energy markets at the end of 2020, whereby KELER CCP took over the management of the deposits provided by its clients. Although most of this revenue is intended to compensate the direct costs KELER CCP incurs in relation to this mostly EUR based deposit management, it still represents an important change in operational set up and income source, especially in the current market environment.

During 2021, KELER CCP continued to provide clearing services to 6 market operators: the Budapest Stock Exchange, MTS S.p.A., FGSZ Földgázszállító Zrt., FGSZ KP Kft., CEEGEX Zrt. and HUDEX Zrt. We treat all our partners as a priority and in 2021 we continued to focus on implementing joint initiatives to develop markets and increase exchange volumes, taking into account the needs of our customers active in the respective markets.

Over the past year, the Budapest Stock Exchange (BSE) has successfully started to implement the objectives of its renewed strategy 2021-2025. KELER CCP, as the operator of

the background infrastructure, plays a strategically important role in the life of the BSE. It was of utmost importance for us to support all initiatives of the Hungarian stock exchange in the direction of the development of the local capital markets. Needless to say, that we are also continuously developing our complex risk management and clearing activities to support efficiency, both in the spot markets (BSE, BSEa Market, Xtend Market, XBond Market and MTS Hungary operated by MTS S.p.A.) and in the derivatives market segments (BSE Commodity Section, BSE Financials, BSE Equities and Indexes).

Last year, KELER CCP's work on the gas and electricity markets also heavily focused on further strengthening our risk management framework, competitiveness and increasing market turnover. The extension of the tradability period for CEEGEX/HUDEX spot products had a positive impact on exchange turnover, as did the initiatives on the Hungarian derivatives gas market, the discounted clearing membership scheme on HUDEX and the further promotion of the possibility to register OTC futures on the exchange.

Our development efforts are closely linked to the new settlement banking model, which has now been operating successfully for almost a year and a half. In 2021, KELER CCP has been working to expand the range of clearing banks in order to offer more competitive services to gas and electricity customers.

A significant milestone in the energy markets was the rule of the Act on Natural gas supply (Get.), amended on the initiative of FGSZ Földgázszállító Zrt. as of 1 January 2020, which requires system users wishing to connect to the high-pressure natural gas transmission system in Hungary to become a member with the central contracting party (CCP). The compulsory clearing membership laid down in the legislation has strengthened the "gatekeeper" role of the KELER CCP, while at the same time giving a significant role to the KELER CCP, which - in a unique way in the European market - guarantees the financial settlements related to Hungarian balancing. In 2021, KELER CCP, in cooperation with the FGSZ and the Hungarian Energy and Public Utilities Regulatory Authority, has taken significant steps to strengthen its risk management methodologies in this market as well, so that market participants are always in the best financial security. Through its activities, KELER CCP contributes to the continuous and uninterrupted supply of natural gas and to the stability of the market, which is a key economic interest, especially in times of energy crisis.

The electricity and energy markets served by KELER CCP as a general clearing member have been growing year by year,

both in terms of the number of participants and the volumes traded on the market, and this trend continued in 2021.

In recent years, KELER CCP has become an internationally recognised market player not only in terms of home markets, but in the regions of Western and South-Eastern Europe as well. At the end of 2021, KELER CCP provided settlement services to a total of 151 direct and indirect clients from 25 countries. The client base is also very diverse in terms of its composition, including both domestic and international financial institutions, as well as non-financial players such as gas and electricity traders, generators and system operators.

The coronavirus epidemic has accelerated the change in our customers' behaviour. We have responded by accelerating our own digital transformation and by activating our electronic channels of communication. In 2021, KELER CCP continued its intensive professional knowledge sharing and promotion of exchanges and CCP-guaranteed transactions on its YouTube channel and further strengthened its presence on LinkedIn.

In addition to its economic and professional achievements, KELER CCP pays special attention to social initiatives and community support. Accordingly, it actively participates as a presenter in domestic capital market training, talent development and other mentoring programmes.

Last year's outstanding financial and professional results could not have been achieved without the unwavering commitment and support of the people I have already highlighted in my introduction, the staff, owners, regulators, partners and clearing members of KELER CCP. As CEO, and on behalf of the KELER CCP management team, I pledge that we will continue to do our utmost to ensure that the values of KELER CCP remain safety, professionalism, cooperation and customer focus in the years to come.

When the risks associated with bilateral trading increase, we and our partner exchanges will be there to stand behind traders by offering the necessary efficiency and guarantee undertaking. I would also like to take this opportunity to thank the owners of KELER Group, the Hungarian credit institutions, investment firms and regulators and operators in the capital, gas and energy markets, as well as all the employees of KELER Group, for enabling us to keep this promise every day and to contribute to the continuous development of the markets we serve.

MARKET ENVIRONMENT

As in 2020, the main events in 2021 were related to the coronavirus epidemic. The various waves of the coronavirus epidemic and its consequences affected international and domestic financial, capital and energy markets, as well as social life. The coronavirus and its emerging mutations remain a major challenge, despite a significant increase in country vaccination rates in 2021. The different waves and mutations have occurred differently in space and time. There may also have been wide variation in the restrictive measures, closures, and economic situations between nearby regions and countries.

In addition to the coronavirus, the emergence of rising inflation at global level was a key factor. The pandemic crisis and the subsequent bounce-back in demand, disruption to global supply chains and sharp increases in commodity and energy prices have led to inflation in many countries at levels not seen for decades.

To help the economy recover, central banks have supported credit expansion by creating favourable interest rate conditions, asset purchase programmes, loan and guarantee schemes, which have eased liquidity constraints for companies. On the fiscal side, budgetary measures helped market participants. In response to the consolidating economic situation and inflation pressures, central banks moved in the direction of tighter monetary policy. The Federal Reserve (FED) and the European Central Bank (ECB) have left key rates unchanged for the time being, but have resumed their asset purchase programmes at a slower pace. In 2022, with key rates expected to rise and asset purchase

programmes to be further reduced, market participants expect monetary conditions to tighten further.

While the FED and the ECB have so far only hinted at raising key rates, the central banks of the region have already started tightening in the second half of 2021. The central banks of Poland, the Czech Republic, Romania and Hungary have also decided to start interest rate hiking cycles. Generally speaking, the central banks of emerging market countries have responded to the expected persistent inflation pressures by tightening interest rates.

Fiscal measures to support the economy have helped market participants, but the measures have led to a surge in public deficits, which, despite the rebound in economic growth, will leave sovereign debt burdens in 2021 at levels higher than before the crisis. Higher indebtedness of market participants and sovereign governments, especially in a rising interest rate environment, could pose a risk in the medium term.

Strong economic growth and improving investor sentiment, supported by a number of stimulus measures by governments and central banks, have led to solid gains in leading stock indices in 2021, with many reaching new highs. The US Dow Jones Industrial Average index was up 20% on its year-end closing level, while the Standard & Poor's 500 index closed 29% higher. Alongside US equity indices, Japan's Nikkei 225 rose 6%, Europe's Stoxx Europe 50 index closed 21% higher and Germany's DAX index 16% higher compared to the end of the previous year.

As with international stock indices, the Budapest Stock Exchange (BSE) equity index also showed a significant gain, with the BUX 50 closing the last trading day of 2021 at 721

points, up by 20%. The BSE's annual aggregate turnover on the stock market fell slightly by approximately 2.5% year-on-year, from HUF 3,351 bln to HUF 3,266 bln.

Changes of the BUX Index in 2021



The domestic currency traded against the euro between EUR/HUF 345.6 and EUR/HUF 371.4. Looking back to 2021, the forint has weakened by more than 2% against the euro, taking into account the mid-market exchange rates of 1 January and 31 December. The forint also weakened against the US dollar and the Swiss franc by the end of 2021, falling 11.2% against the former and 7.0% against the latter compared with the previous year's closing rates. On the international currency market, the dollar weakened against most major currencies, for example against the euro and the Swiss franc, falling by 7.2% and 3.4% respectively over the period.

The Magyar Nemzeti Bank (Central Bank of Hungary; Hungarian abbreviation: 'MNB') started an interest rate hike cycle in June 2021. It raised the base rate from 0.6% to 2.4% in several steps by December. From a money market

perspective, however, the changes in the one-week deposit rate was more important than the base rate. In November, the Central Bank announced the decoupling of the base rate and the one-week deposit rate. The one-week deposit rate, which became the benchmark rate, rose to 4% by the end of the year. The rate of increase in consumer prices was 7.4% at the end of the year. Inflation will remain high in the first half of 2022, but is expected to moderate thereafter.

The rise in energy and commodity prices has been an important factor in the emergence of widespread inflation globally. While the WTI oil price briefly turned negative in 2020, record high energy and gas prices have been a problem in 2021. The rise in energy prices is due to economic and geopolitical reasons. The extreme prices have caused significant turbulence and have put many market participants in a difficult situation.

ACTIVITIES OF KELER CCP

Dynamism and reliability

KELER CCP continued to serve its domestic and international client base in 2021 as a stable and reliable financial infrastructure provider with a long track record in the region.

Unique services

Established nearly a decade and a half ago as an independent clearing house, KELER CCP is unique in regional and European comparison in terms of the number of cleared markets and the diversity of its product range. In addition to the continuous and secure operation and development of the Hungarian securities market and derivative capital and energy markets, the role of the company is of decisive importance in ensuring the financial stability of the Hungarian natural gas market and thus the security of natural gas supply. In addition to its clearing activities as a central counterparty, KELER CCP, as a general clearing member, provides its clients with direct access to the major domestic and other European energy exchanges.

KELER CCP is open to strategic partnerships in the region, which will enable it to offer its services in new trading venues.

Diversified range of services

During 2021, KELER CCP provided clearing services to 6 market operators: the Budapest Stock Exchange, MTS S.p.A., FGSZ Földgázszállító Zrt., FGSZ KP Kft., CEEGEX Zrt. and HUDEX Zrt. for the trading venues they operate.

International client base

Over the past years, KELER CCP has become a major player on the international market. At the end of 2021, it provided clearing services to a total of 151 direct and indirect clients from 25 countries. The Client base is also very diverse, including both domestic and international financial institutions, as well as non-financial players such as traders, producers and system operators in the natural gas and electricity markets.

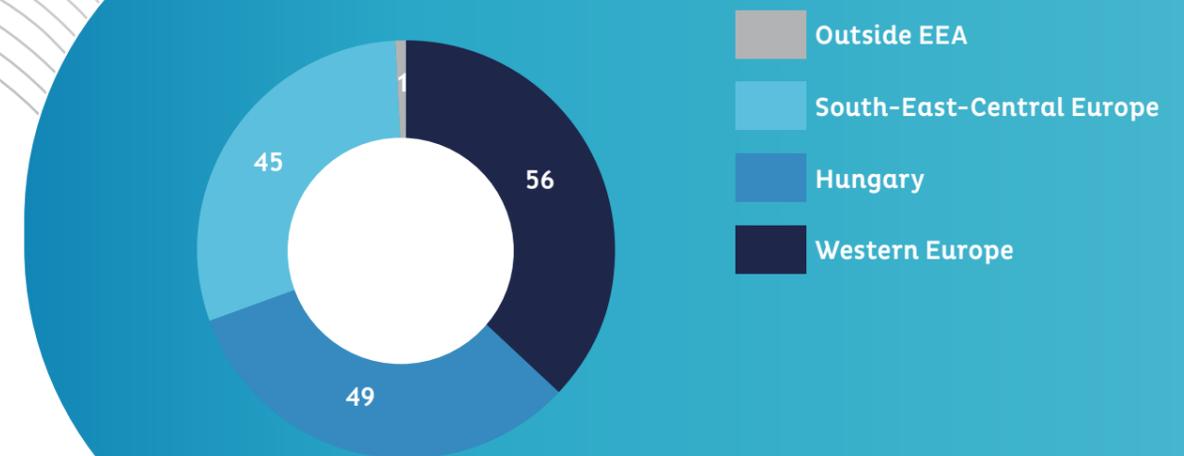
Continuous supervision and oversight

KELER CCP successfully completed the re-authorization procedure under Regulation (EU) No 648/2012 (hereinafter: 'EMIR'), resulting in the authorisation to operate as a central counterparty on 4 July 2014. At the end of 2021, there were 14 authorised clearing houses in the European Union, of which

only 4 were regional clearing houses. As a supervised institution, KELER CCP demonstrates and confirms compliance with legal requirements and international

recommendations in its annual supervisory and biennial oversight assessment by the Central Bank of Hungary.

Clients by region



REGULATORY ENVIRONMENT

KELER CCP Ltd. as a central counterparty and business association operating under Act CXX of 2001 on the capital market (hereinafter: 'Capital Market Act') and Regulation 648/2012/EU on OTC Derivatives, Central Counterparties and Trade Repositories (hereinafter: 'EMIR'), undertakes commitments related to the settlement of stock exchange and an over-the-counter capital market transactions.

KELER CCP performs its activities primarily in accordance with the provisions of the above legislation and the resolutions of the Central 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 Market Act and EMIR.

On the basis of the agreement with KELER, KELER CCP outsources certain elements of its activities to KELER, subject to compliance at all times with the outsourcing requirements of the Capital Market Act, EMIR and other relevant legislation.

In 2021, the activities of KELER CCP were affected by the following legislation and/or changes to certain legislation, and continue to be affected by the following legislation when they enter into force in 2021 or earlier:

- Directive 2014/65/EU on Markets in Financial Instruments and Amending Directive 2002/92/EC and Directive 2011/61/EU (MIFID),

- Regulation (EU) No 600/2014 on Markets in Financial Instruments and Amending Regulation (EU) No 648/2012 (MIFIR),
- Regulation (EU) No 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR),
- Regulation (EU) No 909/2014 of the European Parliament and of the Council on Improving Securities Settlement in the European Union and on Central Securities Depositories and Amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR),
- Commission Delegated Regulation (EU) No 152/2013 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on capital requirements for central counterparties,
- Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on capital requirements for central counterparties,
- Commission Implementing Regulation (EU) No 1248/2012 of 19 December 2012 Laying Down Implementing Technical Standards with Regard to the Format of Applications for Registration of Trade Repositories According to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC Derivatives, Central Counterparties and Trade Repositories,
- Act CXX of 2001 on the Capital Market,
- Act V of 2013 on the Civil Code,
- Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems,

REGULATORY ENVIRONMENT

- Act CXXXIX of 2013 on the Magyar Nemzeti Bank (Central Bank of Hungary)
- Act CXXII of 2009 on the More Economical Operation of Publicly Owned Companies,
- Government Decree 459/2015 (XII.29.) on the Specificities of the Obligation to Prepare and Keep Annual Accounts of Stock Exchanges, Central Securities Depositories and Central Counterparty Organisations,
- COMMISSION DELEGATED REGULATION (EU) 2018/1229 of 25 May 2018 Supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with Regard to Regulatory Technical Standards on Settlement Discipline (SDR RTS),
- COMMISSION DELEGATED REGULATION (EU) No 2017/389 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council as Regards the Parameters for the Calculation of Cash Penalties for Settlement Fails and the Operations of CSDs in Host Member States,
- REGULATION (EU) No 2019/876/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 Amending Regulation (EU) No 575/2013 as Regards the Leverage Ratio, the Net Stable Funding Ratio, Requirements for Own Funds and Eligible Liabilities, Counterparty Credit Risk, Market Risk, Exposures to Central Counterparties, Exposures to Collective Investment Undertakings, Large Exposures, Reporting and Disclosure Requirements, and Regulation (EU) No 648/2012,
- REGULATION (EU) 2016/679 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 April 2016 on the Protection of Natural Persons with Regard to the Processing of Personal Data and on the Free Movement of Such Data, and Repealing Regulation (EC) No 95/46/EC (GDPR),
- Act CXII of 2011 on the Right of Informational Self-determination and on Freedom of Information (Information Act),
- Act XL of 2008 on Natural Gas Supply,
- Act CLXVI of 2012 on the Identification, Designation and Protection of Essential Systems and Facilities,
- REGULATION (EU) No 2021/23 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 December 2020 on a Framework for the Recovery and Resolution of Central Counterparties and Amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014, (EU) No 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132,
- MNB Decree No. 11/2009 (II.27.) on the Requirements for the General Terms and Conditions and operating rules of organisations providing central counterparty activities under the Act on Capital Market

General Meeting

The Annual General Meeting of KELER CCP Ltd. was held on 27 May 2021.

The agenda of the General Meeting was as follows:

1. Report of the Board of Directors of KELER CCP Ltd. on the Company's assets, business policy and management (the submission is identical to the 'Business Report 2020')
2. Approval of the separate financial statements of KELER CCP Ltd. prepared in accordance with IFRS rules under Act C of 2000 on Accounting:
 - proposal of the Board of Directors for the approval of the accounts prepared in accordance with the IFRS, decision on the distribution of the profit after tax
 - report of the Supervisory Board on the accounts prepared in accordance with the IFRS
 - submission of the auditor of KELER CCP Ltd. on the accounts prepared in accordance with the IFRS
3. Election of the auditor of KELER CCP Ltd. and the determination of their remuneration
4. Amendment of KELER CCP Ltd.'s Articles of Incorporation
5. Election of the members of the Board of Directors and the Chairman of the Board of Directors of KELER CCP Ltd. and the determination of their remuneration (no written submission)
6. Election of the members of the Supervisory Board and the Chairman of the Supervisory Board of KELER CCP Ltd. and the determination of their remuneration (no written submission)
7. Amendment of the Rules of Procedure of KELER CCP Ltd.'s Supervisory Board
8. Amendment of the Outsourcing Agreement between KELER Ltd. and KELER CCP Ltd.
9. Amendment of the Member Credit Agreement, Overdraft Facility Agreement and Security Deposit Agreement between KELER Ltd. and KELER CCP Ltd.
10. Amendment to the Commercial Bank Overdraft Facilities provided to KELER CCP
11. Other

FINANCIAL MANAGEMENT ACTIVITIES OF KELER CCP

The year 2021 will be looked back on as a turning point in key economic trends over time, which were not immune to financial extremes.

On the positive side, household financial savings have reached new highs (doubling in the last 10 years) and the global economy as a whole, including the Hungarian economy, has seen GDP growth at an unprecedented pace, driven by the post-crisis recovery in industrial production and consumption. Domestic successes were supported by various government programmes during 2020–2021, but financing these required higher budget deficits than in the years before the crisis. At the same time, strong economic growth has already led to a decline in public debt as a share of GDP in 2021 compared to the previous year. Domestic inflation rose significantly in 2021, across a wide range of goods and services. The price increase was driven to a large extent by external factors (surges in global commodity prices and transport costs), but also by internal factors such as strong demand and a tight labour market. In response to rising inflation risks, the MNB was the first in the European Union to launch an interest rate hike in the middle of the year. According to the central bank's communication, the rate hike cycle will continue until the inflation outlook stabilises in a sustainable manner, back at the central bank's target of 3%, and inflation risks are rebalanced.

The developments in the electricity markets that caused the energy crisis have become so extreme that they can no longer be adequately described by the adjective turbulent. The

energy prices, the amount of energy consumed, the volumes accounted for by KELER CCP all reflect the most recent global economic, social and political difficulties and conflicts:

- increasingly high temperatures and increasingly extreme weather conditions,
- increasing 'electrification',
- changing global political balance of power and growing conflicts of interest,
- extra energy demands of the post-COVID economic reset,
- limited energy production capacity, nuclear power plant shutdowns,
- and even the ESG phenomenon, which is often only present at marketing level,

have all had direct and indirect effects in the period under review that have pushed market prices and the amount of energy consumed to all-time highs.

The revenues of KELER CCP were affected by external economic events to such an extent that the total revenues for the year under review exceeded HUF 3 bln, which is a new record. A significant contribution to this positive performance was also made by the recently established surety management fee, which has almost become a business line in its own right with revenues of over HUF 1 bln.

Although total operating expenses increased by more than 20%, the operational profitability of the central counterparty for 2021 was one of the best ever achieved.

The loss of almost HUF 690 mln in net interest income can be largely offset by the fee income from surety management, as KELER CCP continues to charge the nostro account managers negative interest in the form of fees, with some margin.

Although the revaluation loss on financial assets of HUF 95.2 mln has a slightly negative impact on the profit for the year, this problem was resolved in the period under review and foreign exchange risks were reduced to such an extent that the future impact should be minimal.

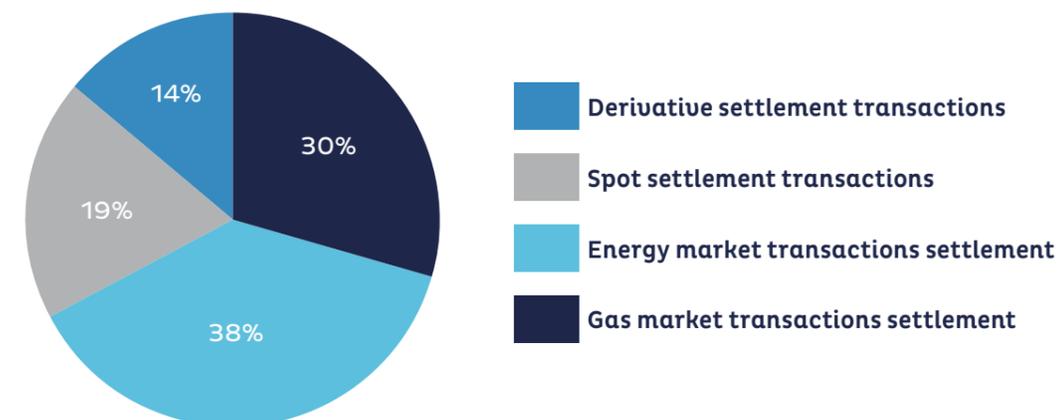
The operating profit of more than HUF 1.2 bln reported in the accounts is 3.5 times the amount for 2020, while the profit before tax is also of an outstanding magnitude, amounting to HUF 446 mln.

Summarization criteria of summarized separate financial statements that can be found on pages 40–43 of the KELER CCP Annual Report: separate statement of financial position, separate statement of comprehensive income, separate statement of cash-flow and separate statement of changes in equity were transferred without changes from the audited separate financial statements, however, the Annual Report does not include the notes to the audited separate financial statements.

KELER CCP results (amounts are in HUF million)

Item	2021. I-XII. KELER CCP	2020. I-XII. KELER CCP
Revenues from central counterparty activity	3 038	1 784
Revenues outside central counterparty activity	13	45
Operating expenses	-1 820	-1 477
OPERATING PROFIT	1 231	352
Net interest income	-690	-10
Other financial revenues, expenses	-95	227
FINANCIAL RESULT	-785	217
PROFIT BEFORE TAX	446	569

Revenues from counterparty services - 2021



RISK MANAGEMENT

Partner Risks – Clearing Membership System

The number of KELER CCP capital market clearing members and non-clearing members was similar in 2021 to the end of 2020.

A total of 30 institutions had clearing or non-clearing memberships in a section of the Budapest Stock Exchange, the same number as in 2020. At the end of 2021, 11 institutions were general clearing members, 8 were individual clearing members and 12 were non-clearing members.

There was no significant change in the number of clearing members in the gas markets in 2021 compared to 2020. The number of clearing members decreased only on the Trading Platform and increased minimally on Balancing Clearing, CEEGEX and HUDEX. The number of clearing members on the Trading Platform was 17, while the number of clearing members on Balancing Clearing was 66. KELER CCP had 41 clearing members on the CEEGEX gas exchange and 22 on the HUDEX/Gas market. The number of non-clearing members in the energy markets cleared by ECC was 71 at the end of 2021.

KELER CCP's counterparty risk management is based on well-established participation baseline requirements and the continuous monitoring and review of the fulfilment of these requirements. Prior to the admission of clearing members and energy market non-clearing members, and on an annual basis thereafter, KELER CCP conducts a full risk assessment using

its self-developed Know Your Customer (KYC) questionnaire and risk-sensitive rating system, ensuring that only eligible companies are allowed to participate in the system.

In 2021, the subjective rating of partners was based on the new Know Your Customer (KYC) questionnaire, revised and modified in 2020, with a strong emphasis on assessing the operational capacity of clearing members and energy market non-clearing members, in order to better assess the risk profile of each partner. In addition to energy and gas market partners, from 2021, our capital market clearing members are also required to complete the KYC questionnaire, thus facilitating an even more comprehensive risk assessment.

Market risks – Initial margin

An important core activity of KELER CCP risk management is the continuous monitoring of the adequacy of initial margin parameters and the maintenance of the risk management framework. In 2021, the capital and HUDEX/Gas market initial margins were reviewed at least on a monthly basis and the appropriate initial margin values were determined for all new products based on available public information. The initial margin determination methodology is in line with the legal requirements, but the Risk Management Department is continuously working to improve the methodologies and ensure regular reviews. At the end of 2020, the risk management methodology for the KELER CCP Balancing Clearing was reviewed to reduce the risks involved and approved at the beginning of 2021.

With regard to energy markets, the trading limits introduced in 2017, mainly for spot markets, were also applied by KELER CCP in 2021, and a margin requirement limit was applied for all energy market non-clearing members, with the aim of limiting exposures to the futures market, so that not only spot markets but also exposures from derivatives market trading are limited and highly collateralised. KELER CCP has placed great emphasis on fine-tuning the limit calculation methodology and automating the related processes. In addition to the limit values applied, traders can determine the value of the value of the extra collateral they add, depending on the trading limit they need.

With regard to the energy market trading, the contribution of KELER CCP to the ECC Default Fund has changed during 2021, from EUR 10 mln to EUR 5 mln in November 2021 and to EUR 0 at the end of December 2021, i.e. the full contribution passed on to the energy market non-clearing members.

KELER CCP has continued to fine-tune the gas market guarantee system in 2021, taking into account both its previous default experience and the recommendations of the Central Bank of Hungary, as supervisor and overseer.

Default funds

The risk management area of KELER CCP checks the adequacy of the size of the capital and gas market default funds on a daily basis, as required by EMIR, and uses a default fund calculation methodology based on the result of the daily stress test calculation as part of its compliance with the legislation.

The methodology for the calculation of the Default Fund for Balancing Clearing and Trading Platforms did not change in

2021, but the methodology for the calculation of the Default Fund for CEEGEX/HUDEX gas markets did change. In 2021, a financial default occurred in Balancing Clearing, which resulted in the suspension of the clearing member's clearing right. The defaulted amount was eventually made available by the clearing member, it fully settled its purchase price payment obligation and therefore no losses were incurred by market participants or the KELER CCP, which demonstrated the adequacy of the risk management system.

Collateral assets

During the period under review, the scope of collateral instruments accepted was defined in accordance with EMIR requirements and the acceptance parameters were regularly reviewed.



MARKET AND PRODUCT DEVELOPMENTS

Budapesti Értéktőzse (Budapest Stock Exchange)

The year 2021 was the first financial year following the Stock Exchange's previous 5-year strategy, where initiatives that had already come to fruition continued to flourish, while others blossomed for the first time this year. One of the main pillars of competitive and innovative economies is the stock exchange. The mission of the BSE is to effectively facilitate equity and bond financing for companies and to play a catalytic role in expanding the ability of domestic companies to raise funds, thereby strengthening the competitiveness of the Hungarian economy. As part of this process, the Stock Exchange established the National Stock Exchange Development Fund (Hungarian abbreviation: 'NTfA') in 2017.

As a venture capital fund, the NTfA, like the ELITE Programme, aims to provide support to companies that are ready to take a new step in their maturity and enter the stock market, including the BSE Xtend market. BSE Xtend is a capital financing market specifically designed to help small and medium-sized enterprises (SMEs) enter the stock market. The first successful issue of securities on BSE's Xtend market was finally made in December 2018 with Megakrán Nyrt., followed shortly afterwards by the listing of CyBERG Corp. Nyrt., and in 2019, the shares of two more companies were listed (DM-KER Nyrt. and GOPD Nyrt.). In 2020, the Stock Exchange welcomed another issuer with the successful listing of Gloster Infokommunikációs Nyrt. Building on the success of previous years, 4 new companies were listed in

2021: OXO Nyrt., NAP Nyrt., Épduferr Nyrt. and Polyduct Nyrt. joined the platform.

The Central Bank of Hungary launched the Growth Bond Programme (Hungarian abbreviation: 'NKP') on 1 July 2019, through which it will use around HUF 300 bln to purchase eligible bonds issued by domestic non-financial corporations. Simultaneously with the launch of the programme, the Budapest Stock Exchange created a new market, BSE XBond, for companies planning to issue bonds, where they can enter the open market under simplified conditions. Since the authorisation of the XBond market, the first listing has taken place for bonds issued by MOL Nyrt. and subsequently by CORDIA International Ingatlanfejlesztő Zrt. In 2020, the number of listings on the platform jumped intensely, with the listing of bonds of 26 issuers in addition to the companies already mentioned. In 2021, the success story of the Xbond market continued with 48 issuers listing 53 new bonds on the platform.

Three new issuers were listed on the Stock Exchange's main market, the equity market, in 2021: in addition to the appearance of ENEFI Vagyonkezelő Nyrt. and Eprolius Ingatlan Nyrt., Megakrán Nyrt. moved from the Xtend market to the Standard category of the Stock Exchange.

The product portfolio of the Stock Exchange was further expanded beyond the share listings with the listing of a number of new mortgage bonds, bonds, mutual funds and certificates. With the introduction of these new products, the

offering on the securities market continued to expand in 2021. In debt securities, the successful bond offerings of Magyar Export-Import Bank and Magyar Fejlesztési Bank, as well as the discount bond issues of OTP Bank Nyrt. and MKB Bank Nyrt. should be highlighted.

BÉTa

The BÉTa Market offers the opportunity to trade directly in HUF in the securities of major European companies. In December 2020, the shares of Wizz Air Holdings Plc became available on the BÉTa Market, the alternative platform of the Budapest Stock Exchange. In addition to the Wizz Air paper, two new ETFs issued by UBS have been listed on BÉTa Market.

The foreign securities trading venue continued to offer 20 equities and 9 exchange traded funds in 2021.

MTS Hungary

Since March 2019, MTS Hungary, which provides price quotes for Hungarian government securities, has been operating under the umbrella of MTS S.p.A. In 2021, the platform continued to offer a wide range of products to domestic and international participants in the primary government securities trading system, with the possibility to trade Hungarian government bonds, discount Treasury bills and student loan bonds, as well as bonds issued by the Magyar Fejlesztési Bank.

Balancing Platform (IP) and Trading Platform (KP)

In order to increase financial security, the Gas Supply Act was amended on the initiative of FGSZ Földgázszállító Zrt. as of 1 January 2020, according to which system users willing to connect to the high-pressure natural gas transmission system in Hungary are obliged to become members of the central counterparty. The compulsory clearing membership laid down in the legislation reinforces the "gatekeeper" role of KELER CCP, while at the same time requiring more responsible behaviour from all participants, in order to ensure that market players are always in the best financial security and can guarantee the continuous and uninterrupted supply of natural gas.

As of 1 December 2020, KELER CCP has successfully switched to the new settlement banking model, whereby all gas and energy market participants settle their financial accounts through commercial bank payment accounts.

CEEGEX / HUDEX

The extension of the trading period for spot products has had a positive impact on exchange turnover, as has the further promotion of the possibility to register OTC futures on the exchange.

Energy markets

Energy trading has been growing year on year, both in terms of the number of participants and the volumes traded on the market, and this trend continued in 2021. HUPX joined the Single Intraday Market Coupling (XBID) in November 2019. Another milestone in the coupling of markets was the successful completion of the DE-AT-PL-4M MC (Interim Coupling) project in June 2021, which aims to unite the day-ahead electricity markets of Eastern and Western Europe and is the most significant step towards a single European day-ahead market coupling.

Trading venues in terms of numbers

Budapest Stock Exchange - Spot securities market (regulated market)

In 2021, the Stock Exchange's spot market had a single counted turnover of HUF 3,366.9 bln, a year-on-year decrease of 3.9%. The average daily turnover was HUF 13.4 bln, down from HUF 13.9 bln a year earlier (252 trading days in 2021 and 251 in 2020).

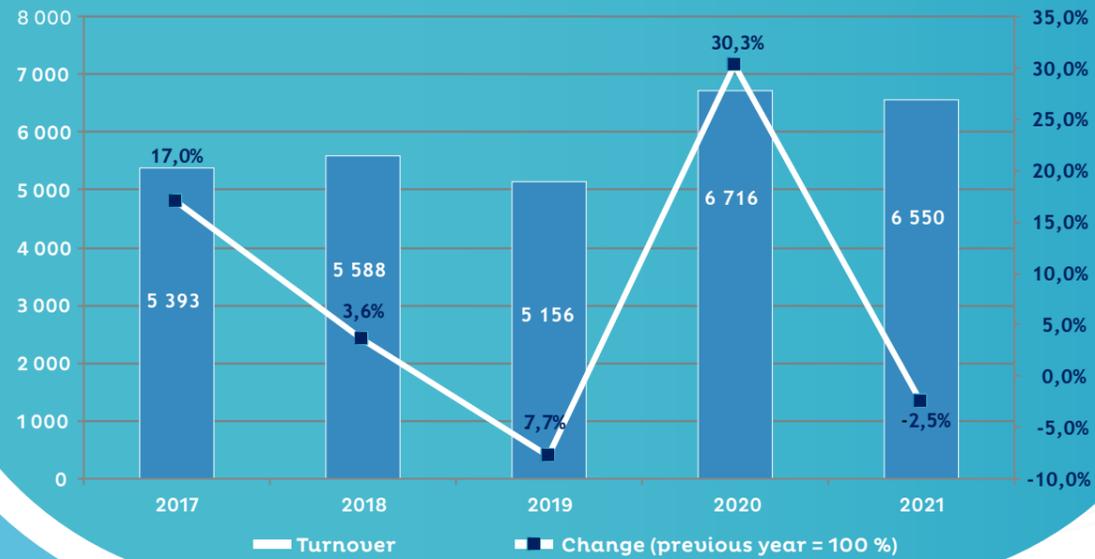
Equity transactions accounted for 97.0% of the spot market turnover (95.7% in 2020), with an annual turnover of HUF 3,265.6 bln in 2021. The average daily equity turnover was thus HUF 13.0 bln, up from HUF 13.4 bln a year earlier.

The annual number of BSE regulated market spot securities transactions registered was 1,845,793 in 2021, a decrease of 22.0% compared with 2020. Within the number of transactions, the number of equity transactions amounted to 1,647,570, accounting for 89.3% of all transactions. The average daily volume of transactions in the spot market of the Stock Exchange was 7,325 in 2021, compared to 9,433 a year earlier, of which the average daily volume of equity transactions was 6,538 in 2021.

Budapest Stock Exchange- BÉTa Market, BSE Xtend, BSE XBond (MTF markets)

The annual aggregate single counted turnover of foreign equities and ETFs traded and cleared in HUF is HUF 5.2 bln, in a total of 17,088 transactions. The previous year turnover was HUF 5.6 bln in 19,723 transactions. The average transaction value was HUF 0.31 mln in 2021 (HUF 0.28 mln in 2020).

Trading volumes at spot markets (BSE, BSFA, Xtend) 2017 -2021 (duplicated), HUF billion



BSE - Xbond (MTF Market)

The domestic corporate bond market had 36 transactions worth a total of HUF 5.9 bln in 2021 (12 transactions worth HUF 2.9 bln in 2020).

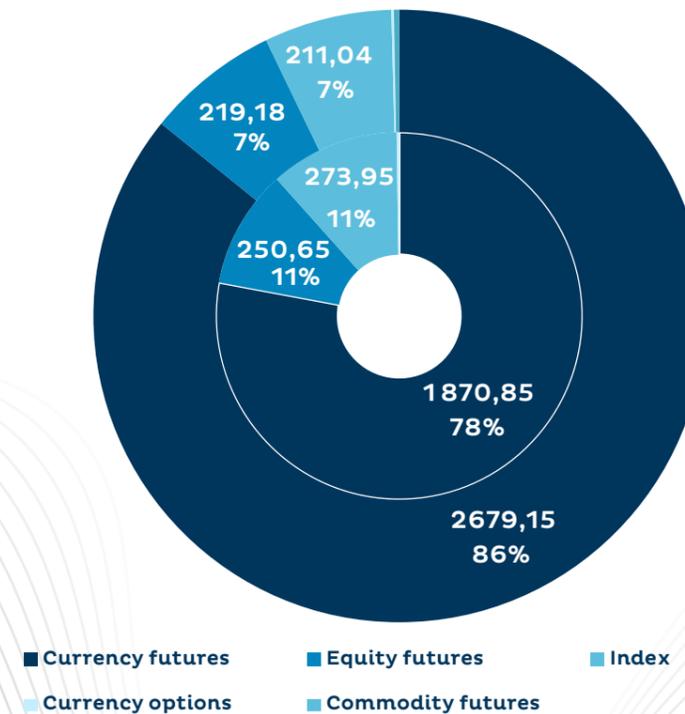
Budapest Stock Exchange - Derivative Market

The annual single counted derivatives market turnover was HUF 3,122.2 bln, an increase of 30.0% compared to the same period last year. Among derivative products, FX futures transactions continued to account for the largest share of turnover, with HUF 2,679.2 bln in 2021, representing 85.8% of total turnover (77.9% in 2020). The turnover of foreign

currency options was HUF 4.2 bln in 2021, compared to HUF 5.4 bln in the previous year. The annual traded volume of single stock futures transactions was HUF 219.2 bln in 2021, down from HUF 250.6 bln in the previous year. The turnover of index based futures was HUF 211.0 bln in 2021, compared to HUF 273.9 bln in 2020.

Measures to boost turnover in the BSE Commodity Section proved effective, with a total of HUF 8.6 bln of cereals changing hands in 2021.

BSE derivative turnover by product, 2021 and 2020, HUF billion



MTS - MTS Hungary

In the primary dealer market for domestic bonds, financial institutions traded HUF 721.3 bln in 2,248 single deals, compared to HUF 817.4 bln in 2,420 deals in 2020.

MTS Hungary cash turnover and number of trades 2017-2021, HUF billion (double-counted)



FGSZ IP / FGSZ KP - Balancing Clearing (IP) and Trading Platform

The domestic natural gas balancing clearing and trading platform cleared 7.7 TWh of gas in 2021, for a total value of HUF 129.4 bln. The volume traded increased by 4.8% and the value traded increased by 343.0% compared to 2020.

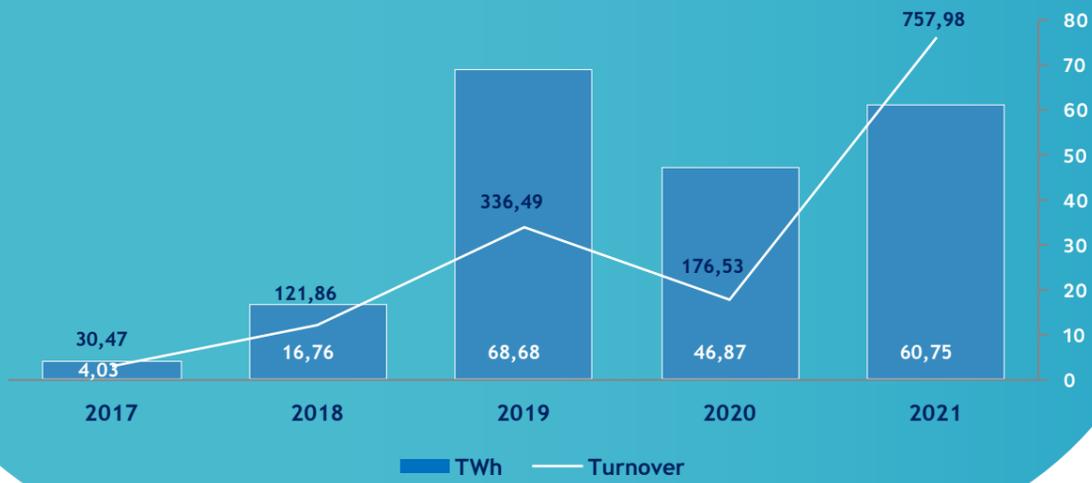
Trading volumes of Order Book Balancing Platform and Trading Platform 2017-2021 (duplicated), HUF billion, TWh



CEEGEX

The organised-market day-ahead and intraday turnover in 2021 was 60.7 TWh, with a total value of HUF 758.0 bln, compared with 46.9 TWh and HUF 176.5 bln in the previous year.

CEEGEX spot trading volume 2017-2021 (duplicated)
HUF billion, TWh



HUDEX/GAS

Gas market participants traded 2.3 TWh of turnover on the domestic derivatives energy exchange in 2021, compared to 1.4 TWh of turnover in the previous year. The volume in terms of turnover value was HUF 30.5 bln in 2021 (HUF 6.7 bln in 2022).

HUDEX/Gas futures trading volume 2017-2021
(duplicated) HUF billion, TWh



Energy markets - Spot markets

In the EEX, EPEXSPOT, HUPX, SEMOPX and SEEPEX spot energy markets, cleared as part of the KELER CCP's general clearing and settlement service for energy markets, KELER CCP's clients primarily trade electricity and natural gas on the day-ahead and intraday energy markets. The volume traded

reached 77.8 TWh in 2021 with a value of HUF 2,551.2 bln (HUF 55.4 TWh and HUF 560 bln in 2020). Within each market segment, the market share of day-ahead and intraday electricity products is dominant, with a turnover of 45.4 TWh in 2021 (37.1 TWh in 2020). In the market for day-ahead and intraday natural gas products, traders generated 32.4 TWh of turnover, down from 18.3 TWh in 2020.

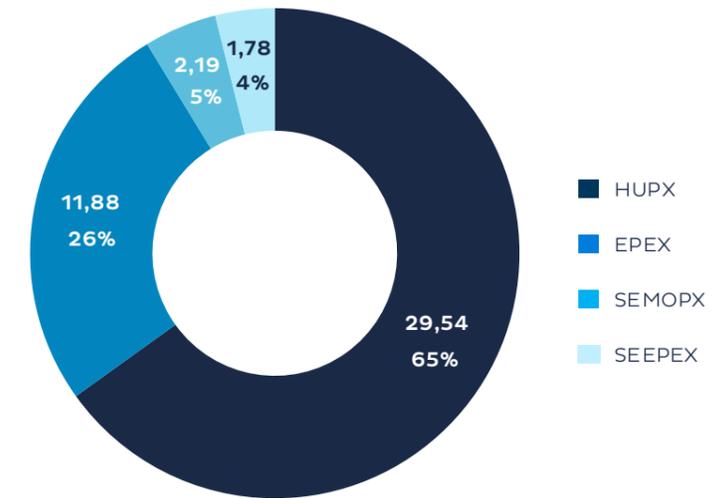
Spot energy market trading volume 2017-2021 (singular) HUF billion, TWh



Four trading venues shared the combined 45.4 TWh turnover of the spot commodity markets. The largest volume was traded on the Hungarian HUPX, with a total of 29.5 TWh, representing a 65.1% share. The pan-European EPEXSPOT

accounted for 11.9 TWh of turnover and 26.2% of the total. The Serbian SEEPEX with 2.2 TWh traded accounted for 4.8%, while SEMOPx with 1.8 TWh traded accounted for 3.9% of the total.

Spot electric power markets trading volume by exchanges in 2021 (TWh)



Within the total exchange and OTC registered turnover of the HUPX day-ahead and intraday market, the market share of KELER CCP was 48.6% in 2021 (42.2% in 2020).

Energy markets - Derivatives markets

In 2021, KELER CCP's clients concluded transactions worth HUF 2,085.9 bln and 90.5 TWh on the EEX energy derivatives exchange and the HUDEX power futures exchange.

Futures energy market trading volume 2017-2021 (singular), HUF billion, TWh



KELER CCP's market share in the registered exchange and OTC turnover of the HUDEX futures was 22.7% in 2021 (31.7% in 2020).

CLIENT RELATIONS

Energy markets, energy market client acquisition

KELER CCP's so-called GCM (General Clearing Member) business line, which offers its clients access to exchanges served by European Commodity Clearing AG (ECC) and which operates in a highly competitive environment internationally, closed the year with 71 members. In a highly competitive environment in this segment, KELER CCP signed 12 new clients contracts during the year and terminated contracts with 7 clients - some clients decided to switch providers and there were several clients that ceased trading activities completely either due to the effects of the Covid-19 epidemic or due to the economic challenges and changing business conditions resulting from the turbulence in the energy market.

In the Hungarian gas markets, which are of particular importance to KELER CCP there were 66 clearing members at the end of the year - of which 41 are also members of CEEGEX and 22 of HUDEX. Of its clients, 16 companies were trading both on the Hungarian gas market and as non-clearing members on one of the ECC markets. In this segment, 10 new clients entered into a contract during the year and contracts with 6 clients were terminated, one of which was a counterparty for whom the KELER CCP initiated the termination of the clearing membership contract.

As of the end of 2021, KELER CCP had in total 121 contracted energy and gas market partners. An important and noteworthy fact for the business outlook is that, in addition to the new

(non-)clearing members that successfully joined by the end of the year, at least ten additional companies have indicated their intention to join, with the completion of these accession processes expected in 2022.

From a business perspective, in 2021, it is worth highlighting that KELER CCP has been engaged in intensive strategic discussions with partner exchanges with a view to stimulating turnover and serving their mutual clients even more fully. In this context, KELER CCP achieved several results during 2021:

- During the year, it revised the contribution calculation methodology for one of its default funds;
- It structurally restructured its fee structure to provide easier access to the markets for both existing members and new entrants, which in the long term will contribute to the shift of the OTC turnover to the exchange, ensuring transparency and support liquidity growth;
- It launched a review of the gas market risk management model, taking into account both the indicated client needs and the strengthening of the risk management framework;
- It initiated negotiations to expand the range of services offered by existing settlement banks;
- In addition, it has started negotiations with banking partners with an international background to further develop its current settlement banking service model - as a result of which it expects to be able to introduce new partner banks to its customers in 2022.

Capital markets, capital market client acquisition

KELER CCP continued to ensure stable, predictable and secure clearing of capital market transactions in 2021.

During the year, significant resources were put into the system-wide implementation of the CSDR (Regulation (EU) No 909/2014) and its detailed rules (together the Settlement Discipline Regime (SDR)), which places a strong emphasis on establishing and maintaining settlement discipline and which sets out requirements not only for central securities depositories but also for central counterparties. KELER CCP is looking forward to the entry into force of the legal requirements on 1 February 2022.

Communication, trade fairs

In 2021, KELER CCP has focused on strengthening its presence on various media platforms, such as LinkedIn, a YouTube channel and the CCP Academy page on its website, in order to address its clients in more forums and in more ways. In 2021, it published more tutorials on the above channels, which it hopes to increase further in 2022.

In 2021, KELER CCP was already able to participate as a speaker at several conferences, organising a half-day professional forum for its energy market clients with the help of the organiser for the GasCon conference and representing KELER CCP at the Energy Trading Central and South Eastern Europe (ETCSEE) conference.

National and international relations

KELER CCP is a Silver Sponsor of the Hungarian Energy Traders' Association, as part of which it participates in the work of the Gas Market Committee.

KELER CCP is a member of the AFM (Association of Futures Markets) and EACH (European Association of CCP Clearing Houses) and as such regularly participates in the work of the various professional sub-committees.



INFORMATION TECHNOLOGY

As in every year, the primary success factor for the IT Directorate in 2021 was to ensure a high level of availability for clients. The annual indicator for the KELER CCP this year was 99.966%.

Developments

A highlight of the past year was the successful roll-out of the first phase of the KELER Service Development Programme (KSDP) in early December, which included the modernisation of the securities settlement process. As a first step in the process of replacing the account management systems, the new securities settlement system developed in the JAVA framework was implemented, and the DER-SPOT application was used to ensure KELER CCP SDR compliance as part of the integration development.

In addition to meeting the IT and business challenges of user and market testing, the key task for 2021 was to plan and implement a large-scale year-end sharpening.

Developments at KELER CCP

The IT area continued to support the testing of the stress test module of the IRIS system in 2021 and participated in the preparation of the project for the development and implementation of the ALMA application. In the latter project, it will also perform the IT Quality Assurance functions. The increasingly accurate and frequent data reporting requirements are also affecting KELER CCP, and the

consolidation of the Data Warehouse to comply with these requirements has thus been in the interest of KELER CCP. In the first quarter of 2021, the IT improvements necessary for the Settlement bank changeover, which will contribute to operational stability and automation of financial processes, were completed.

Steps taken to maintain and improve operational security

A number of expert colleagues are working to ensure maximum compliance with regular internal and external audit inspections. Among these audits, the IT Directorate gives priority to the supervisory and overseer audits and the acquisition of HunGuard certification. During the audit that led to the integrity certificate, KELER did not receive any high or critical findings during the last year.

The monitoring system and the associated visualisation interface, which went live in 2018, continue to be effective in helping to locate unexpected faults. In 2021, infrastructure monitoring of new systems was also established in the live environment. The IT area will continue to develop and extend automated monitoring to newly deployed application and infrastructure elements, as well as version tracking of core IT systems to be provided on a scheduled basis as required by the policy.

Following the review of the business continuity plans, the KELER Group has taken the necessary actions and modified the plans to achieve RTOs in line with the CSDR legislation. With the successful implementation of the disaster recovery tests, it continued to ensure that it could ensure business continuity in the event of a crisis by involving the backup data centre. By further aligning the IT area's incident management process with ITIL principles, it continued to strive to achieve full compliance in 2021, thereby ensuring client satisfaction.

Looking ahead

The key tasks for 2022 include supporting the successful completion of the KSDP Programme, continued priority support for the MNB Data Corridor project, and the implementation of other new developments for regulatory compliance and compliance with the regulatory environment, as well as those requested by the business areas.

For KELER CCP, high priority tasks include supporting the implementation of the business needs articulated, the sharpening of the IRIS stress test module, supporting the development and successful implementation of the ALMA project in 2022, and the third phase of gas market consolidation.

In addition to the project tasks, the KELER Group is working with Magyar Nemzeti Bank on a new methodology for the determination of the availability indicators and will continue to aim at maintaining the current standards. The new methodology, which is planned to be introduced in the second half of 2022 and will be more thorough and more detailed, will allow for an even more accurate reporting of availability.

The IT Directorate will continue to strive for a fully audit-ready operation, with an IT architecture that serves the business services on a day-to-day basis. This will include the replacement of currently obsolete storage devices in 2022 and a planned expansion of the backup environment to meet increased backup needs.



HUMAN RESOURCES POLICY

The main task of the Human Resources policy area in 2021 continued to be to support the organisation in order to ensure the high quality of the work of KELER CCP. As of 31 December 2021, the KELER CCP had 28 employees and there were no organisational changes affecting KELER CCP.

As in the previous year, the priority tasks included supporting the integration of new recruits, motivating and retaining existing staff, and ensuring adequate human capital for the successful implementation of KELER CCP projects. In the Human Resources area, the main objectives were to maintain the mental health of staff due to the pandemic caused by the Covid-19 virus, to create a healthy balance between home and office work, to develop the organisation and to provide human resources due to staff turnover. In the selection process, the recruitment and integration of professionally qualified staff into the organisation and operations of the KELER Group remained a priority.

Further human resources policy tasks in 2021

In order to integrate and inform new employees and support their work, the complex information days introduced in 2019 enabled new employees to learn about the operation of certain areas of the KELER Group. In 2021, the complex information day was organised online (one new employee from KELER CCP participated). In September, a series of

lectures to support internal knowledge sharing, the KELER CCP Academy, was launched, where colleagues gave online presentations on topics related to the functioning of CCPs. The presentations were also posted on the company's website.

In 2021, the KELER CCP Employee Satisfaction Survey and the Complex Company Diagnostic, which examined the company's efficiency and its impact on the organisational culture from the perspective of managers and employees, were again carried out. The survey examined the impact of the interventions on the organisation, and all reports also include Hungarian benchmark data for setting realistic targets. The diagnostic results showed an improvement in all areas compared to the previous year. Building on the organisational diagnosis, work has started with senior management on organisational development, which is expected to result in a consensus-based, aligned vision with clear priorities in the long term. In addition to the existing strategic directions, the critical objectives needed to achieve these directions have been identified and will also serve as a basis for defining the team-level vision and objectives of the departments.

The year 2021 has set challenges for the entire KELER Group. The Covid-19 epidemic, which had a profound impact on 2020 and 2021, also forced KELER CCP to adapt to the changed circumstances. To address the situation, on-line presentations (KELER Café) were held to support staff, and several small group team building sessions, or team building sessions also partly in the on-line space, were held throughout the year, following the evolution of the epidemic situation. The KELER Group created the conditions for working from home and during the pandemic the management kept colleagues informed of the current situation and what needed to be done.

Human Resources will continue to strive to be flexible in adapting to the needs of the field, to ensure the necessary professional mix and to provide training and retraining for colleagues where necessary.

INTERNAL AUDIT

SECURITY MANAGEMENT

In 2021, the Internal Audit carried out its activities on the basis of the annual work plan adopted by the Supervisory Board, based on risk assessment and risk analysis, the unscheduled audit needs and the internal control system's operating rules in force. In defining its audit tasks, it has made the examination of high-priority activities and processes and the operation of controls which present a risk a key consideration. The Internal Audit organisation also conducted the mandatory review of new or amended regulatory documents.

The internal audit activities of the KELER CCP are also supported by the KELER Internal Audit Organisation, which carries out group and IT-related audits with its own organisation, based on an outsourcing agreement.

In 2021, five IT banking security and seven non-IT audits were completed. Within the audits carried out, there was one comprehensive, six thematic, four targeted audits and one follow-up audit.

A comprehensive audit was conducted on the work processes.

The thematic audits covered the following areas

- capital market clearing and settlement,
- the operation of the sales activity taken over from KELER,
- the processes of the operational risk management activity taken over from KELER,
- the availability of IT Systems,
- IT security requirements and framework,
- monitoring the provision of internal and external communication.

In the context of the target audits, the area monitored haircut compliance, the conduct of disaster recovery tests, IT data reporting and vouchering. The follow-up audit included a follow-up of the measures taken in the context of the overall supervisory review carried out by the MNB.

The inspections focused on compliance with legislation and internal rules and instructions, the operation of controls and the verification of security aspects, with particular attention being paid to the implementation of measures and recommendations deemed necessary on the basis of the weaknesses identified during previous inspections. The reports on the Internal Audit investigations were discussed by the Supervisory Board of the company at its regular meetings.

In 2021, Security Management continued to implement its security strategy, which was of course heavily influenced by the pandemic. Despite this, KELER CCP did not experience any significant security incidents. In order to increase the level of security, the area has continued the consolidation activities already initiated, with the aim of continuing to develop a user-friendly, higher security environment that meets the current cyber security challenges. Security continues to be a business-oriented and supportive organisation, helping the company to achieve its business strategy.

Security Management has reached the stage where it is focused on achieving ISO 27001 certification by continuously improving its security processes and technologies and taking the first step towards its goal. On this basis, a pre-audit was carried out to prepare for certification in 2022.

- In 2021, the group-wide BIA assessment and the associated risk analysis were updated again.
- The Business Continuity Framework and associated BCP-DRP plans were reviewed last year, resulting in a Group-wide regulation in addition to the existing Group-wide strategy.
- As in every year, KELER CCP carried out the testing of the BCP and DRP plans in 2021, but due to the pandemic security measures, the alternative site testing was only carried out for the infrastructure. It is important to underline that KELER Group has successfully managed the pandemic for the last 2 years and has been able to fully operate its business processes without any disruption.
- Security Management continued to test the security awareness of employees on a number of occasions on an ad hoc basis and continued the role-based training started

STANDARDS

EVENTS

REGULATIONS

TRANSPARENCY

in 2019, with the addition of general training, SWIFT and teleworking.

- In 2021, the area has further strengthened its incident management capability by further expanding the use of the SIEM system, extending the system and adding new log sources.
- Information security controls are regularly reviewed to ensure risk-based protection and compliance with external requirements. As part of this, vulnerability assessments were carried out continuously throughout the year, the depth of which was significantly increased by the introduction of scenarios not previously used. In addition to the internal investigations, several penetration tests were conducted on the organisation, the results of which were evaluated and action were taken.
- In the area of IDM system, a new development has been made in the area of on-line system connections, the development of which has been completed and is currently in the testing period.
- Security Management has completed two major projects in network protection, which resulted in a significant increase in the level of protection on the Internet side with the introduction of a new generation of protection tools. A more secure implementation of access control on the internal network was also a successful project.
- A new generation of protection against zero-day vulnerabilities was also introduced to strengthen endpoint and network protection.
- The area has carried out periodic regulatory reviews as part of the security regulatory framework and targeted risk analysis in several areas for compliance purposes.



ENVIRONMENTAL PROTECTION

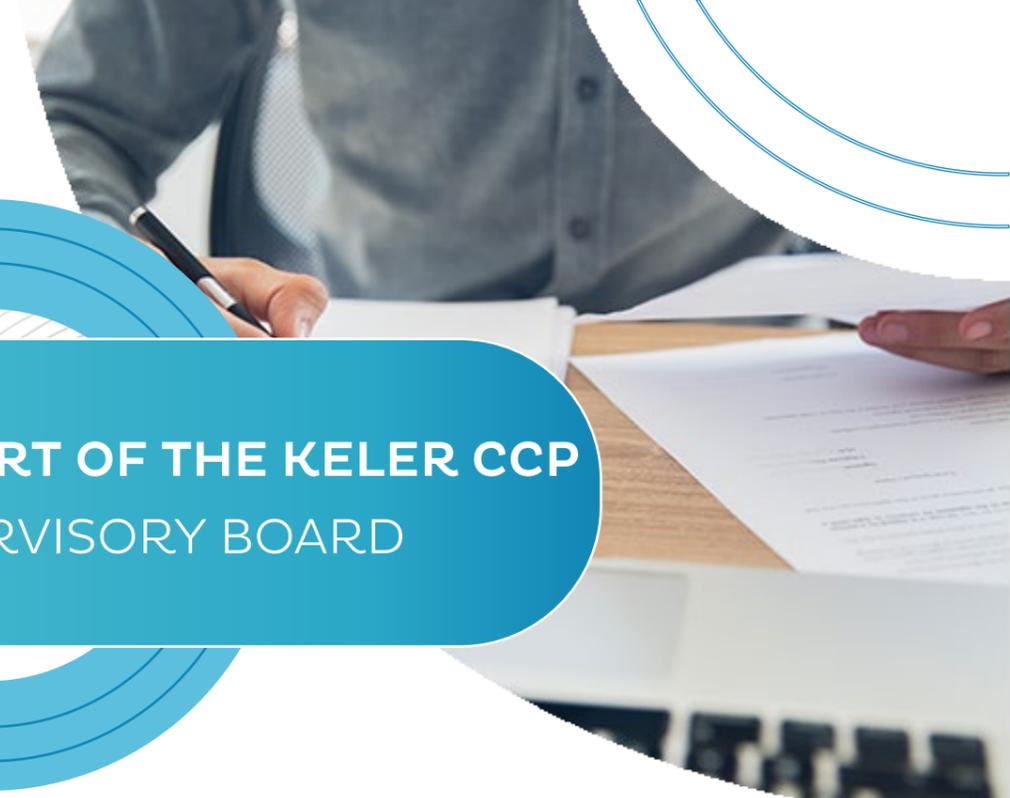
The environmental responsibility of the KELER Group is not significant due to the nature of its activities, as no environmental damage is likely to occur in the course of its operations. The KELER Group does not use any hazardous substances that require authorisation in its activities.

The KELER Group's own Green Office Programme aims at embedding environmental awareness in the corporate culture in the long term, reducing energy and paper consumption at company level and establishing a system of selective waste collection. The Group is also committed to the principle of responsible care, paying particular attention to creating a healthy workplace.

Continuous monitoring of the central printing fleet and data analysis ensure lower paper consumption for printing. And a motion-sensing lighting system in the leased building optimises power consumption.

An environmental consultant assists the KELER Group in identifying its legal obligations, air protection, waste reporting and other data reporting obligations.

The KELER Group's environmental objectives include reducing its ecological footprint in day-to-day operations, which is reflected in the temporary internal protection rules during the pandemic and additional measures to increase employee satisfaction. For example, only disposable, paper and wooden cutlery was procured during the pandemic kitchen use restrictions, and the vending machine is also operating with paper cups and without cups.



REPORT OF THE KELER CCP SUPERVISORY BOARD

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 2021.

The first quarterly meeting of the Supervisory Board was held on 26 March, by electronic means of communication in view of the pandemic. The Board discussed annual business continuity and alternative venue test conducted in 2020, haircut compliance, internal audit reviews on the implementation of the measures required by the MNB's comprehensive audit for 2019, and decided on deadline adjustments for the tasks included in the internal audit reports. The Supervisory Board adopted the report on the activities of the Board of Directors in Q4 of 2020, the Internal Auditor's 2021 TMR call and the amended Rules of Procedure of the Supervisory Board.

For information, the Supervisory Board received the Internal Audit Summary Report for 2020, the Compliance Work Plan for 2021, the status of completion of the Internal Audit Work Plans for 2020-2021, the Chief Technology Officer's Report for 2020, the summary of the status of the 2019 and 2020 Supervisory Reviews, and the status report on follow-up and stabilisation tasks related to the Settlement Bank project. The Supervisory Board received verbal information on the IRIS project and the review of outsourced activities.

On 4 May, in view of the Covid-19 pandemic, the Supervisory Board discussed the proposals for the annual General Meeting online, via an electronic means of communication. The topics discussed were the following: the report of the Supervisory Board of KELER CCP Ltd. on the financial statements prepared according to IFRS, the separate financial statements of KELER CCP Ltd. prepared in accordance with IFRS rules under the Accounting Act, and the election of the auditor of KELER CCP Ltd.

On 25 June, the Supervisory Board was able to hold its second quarterly meeting in person, due to the favourable epidemiological situation. On the agenda were the Internal Audit Reports on the examination of the capital market accounts and the audit of the management of operational risks, as well as requests for changes of deadlines for the tasks included in the Internal Audit Reports.

The Supervisory Board discussed the first quarterly management report of the Board of Directors of KELER CCP Ltd. for 2021 and the management of KELER CCP Ltd. for Q1 of 2021.

During the meeting, the Supervisory Board received verbal information on the status of the IRIS project, the decisions taken at the annual General Meeting and the default of Secenergy Hungary Kft.

The materials sent for information, which were not discussed as a separate agenda item, were the status of the Internal Audit Work Plan for 2021 and the Decision of the Comprehensive Supervisory Audit for 2020.

At its third quarterly meeting on 24 September, the Supervisory Board discussed the internal audit reports on the audit of the payment-disbursement and the audit of the assurance and supervision of internal and external communication, the requests for deadline changes for the tasks included in the internal audit reports and the amendment of the Rules of Operation of KELER CCP Ltd.'s Audit System.

The Supervisory Board approved the 2021 Q2 management report of the Board of Directors of KELER CCP Ltd. and the 2021 Q1-Q2 management of KELER CCP Ltd.

The agenda included as information material the external independent audit report on the internal control mechanisms (compliance, internal audit) of KELER CCP Ltd., the statement on the availability of the KELER Group's IT systems for KELER CCP for 2021 H1, the development of the contribution of KELER CCP to the ECC default fund, the status of the IRIS 2 project and the report on the review of the gas market clearing members.

The Supervisory Board received verbal information on the start of a comprehensive audit of the Company.

The Supervisory Board received written information, not to be discussed as a separate agenda item, on the audit of the indicators in the Remuneration Policy for 2020, the independent auditor's report on the findings and the status of the Internal Audit Work Plan for 2021.

The Supervisory Board met again on 10 December through electronic means in view of the pandemic situation. The Board discussed the Internal Audit reports on the audit of work processes, the audit of the onboarding process for new clients, the audit of IT data reporting, the audit of systems availability and the audit of the IT security requirements and framework, the requests for deadline changes for tasks included in the Internal Audit reports and the Internal Audit's proposed Work Plan for 2022.

The agenda included the Board of Directors' report for 2021 Q3 and the Company's management for the 2021 Q1-Q3.

The Supervisory Board received written information on the modification of the Internal Audit Manual of KELER CCP, the capital adequacy forecast of KELER CCP Ltd. and the drafting of KELER CCP Ltd.'s Rules for Outsourcing Management and approved the proposal for the dates of the Supervisory Board meetings in 2022.

The Supervisory Board received verbal information on the status of the ALMA project, the contract with MNB-Biztonsági Szolgáltatások Zrt. and the bankruptcy proceedings of JAS Budapest Zrt.

As information not to be discussed as a separate agenda item, the Supervisory Board received in writing the annual operational risk report and the status of the Internal Audit Work Plan for 2021.

In summary, the Supervisory Board has continuously monitored the operation of the KELER CCP throughout the year: it regularly discussed reports on business operation and management, monitored the activities of the Board of Directors in the form of quarterly reports and was informed of the agenda of Board meetings.

In the opinion of the Supervisory Board, the audits of Internal Audit focused on the activities and processes with the highest risks and the Supervisory Board discussed and approved the audit reports produced. The Internal Audit reports identified few weaknesses, which represent a significant improvement in the functioning of the areas audited. The Supervisory Board continuously monitored the tasks contained in the internal audit reports, the persons responsible for them and the performance of the tasks on the basis of the Internal Audit reports.

During the year, the Supervisory Board also received the audit reports based on external audits, namely the Comprehensive Supervisory Audit for 2020, the statutory audit for 2020, the GDPR audit, the external independent audit of internal control mechanisms (compliance, internal audit), the independent auditor's report on the audit of the indicators in the Remuneration Policy for 2020, the report on the findings of fact and the Business Systems Audit Report. These audits will further strengthen the increasingly robust internal audit processes, which have demonstrated precision in 2021 thanks to the concerted and thorough cooperation of our own Internal Audit and Compliance.

Based on the management submissions, internal audit reports and other material discussed by the Supervisory Board, the Supervisory Board is of the opinion that the management of KELER CCP Ltd. is well planned and orderly, with processes well regulated.

The Board of Directors and the management of the Company manage its financial resources appropriately.

KELER CCP Ltd. strives to introduce the most modern and efficient methods possible when determining development directions.

The Company keeps in mind the changes in internal processes when drafting and revising its policies and pays attention to create as much consistency as possible with the external regulatory environment and with KELER Ltd.

The Board of Directors and the management of KELER CCP Ltd. take the necessary steps to ensure the capital structure and capital adequacy of the Company and keep the ownership informed. Liquidity management is closely monitored.

KELER CCP Ltd. has the necessary infrastructure to provide its services. The Company is working on a high priority project to improve its operating systems to ensure secure and high quality operations.

In view of the above, the Supervisory Board is of the opinion that the Company has the necessary personnel, material and physical conditions for proper operation.

The Supervisory Board also reviewed the Company's separate financial statements according to the Accounting Act and IFRS rules as well as the auditor's report.

On this basis, the Supervisory Board proposes to the General Meeting to approve the annual report of KELER CCP Ltd. for 2021 with HUF 400,759 mln matching asset/liability total and HUF 407 mln net profit after tax.

Budapest, 16 March 2022

Attila Varga-Balázs

Chairman of the Supervisory Board
KELER CCP Ltd.

INDEPENDENT AUDITOR'S REPORT



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Independent Auditors' Report on the Summarized Separate Financial Statements

To the shareholders of KELER KSZF Zrt.

Opinion

The separate statement of financial position as at 31 December 2021, and the separate comprehensive income statement, and the separate statement of changes in equity, and the separate statement of cash flows for the year then ended (collectively "the summarized separate financial statements") presented on pages 40-43 of the 2021 annual report of KELER KSZF Zrt. ("the Company") were derived from the audited separate financial statements of the Company as at and for the year ended 31 December 2021.

In our opinion, the accompanying separate statement of financial position and the separate comprehensive income statement and the separate statement of changes in equity, and the separate statement of cash flows presented on pages 40-43 of the 2021 annual report of the Company are consistent, in all material respects, with the separate statement of financial position and the separate comprehensive income statement and the separate statement of changes in equity, and the separate statement of cash flows included in the audited separate financial statements of the Company as at and for the year ended 31 December 2021, in accordance with the summarization criteria as described in the annual report on page 13.

Summarized Separate Financial Statements

The summarized separate financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary. Reading the summarized separate financial statements and our report thereon, therefore, is not a substitute for reading the audited separate financial statements and our report thereon. The summarized separate financial statements and the audited separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited separate financial statements.

The Audited Separate Financial Statements and Our Report Thereon

We expressed an unmodified opinion on the audited separate financial statements in our auditor's report dated 17 March 2022. That report also includes the Other Matter paragraph which states that the separate financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor.

Management's Responsibility for the Summarized Separate Financial Statements

Management is responsible for the preparation of the summarized separate financial statements presented in the annual report in accordance with the summarization criteria as described in the annual report.

This is an English translation of the Independent Auditors' Report on the Summarized Separate Financial Statements of KELER KSZF Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails.

INDEPENDENT AUDITOR'S REPORT



Auditors' Responsibility

Our responsibility is to express an opinion on whether the summarized separate financial statements are consistent, in all material respects, with the audited separate financial statements as at and for the year ended 31 December 2021 based on our procedures, which were conducted in accordance with Hungarian National Standard on Auditing 810 (Revised), "Engagements to Report on Summary Financial Statements."

Budapest, 6 September 2022

KPMG Hungária Kft.
Registration number: 000202

Mitták Zoltán
Director, Professional Accountant
Registration number: 007298

This is an English translation of the Independent Auditors' Report on the Summarized Separate Financial Statements of KELER KSZF Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails.

SEPARATE STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED
31 DECEMBER 2021 (ALL AMOUNTS IN MHUF)

	31.12.2021.	31.12.2020.
Cash and cash equivalents	198 806	43 697
Debt instruments measured at fair value through other comprehensive income	6 945	4 990
Trade receivables relating to gas market	1 995	439
Trade receivables relating to central counterparty and other service	420	179
Other receivables	58	141
Receivables from repurchase agreements	35 209	0
Receivables from foreign clearing houses	156 657	22 790
Income Tax - Current tax receivables	1	0
Intangible assets	622	670
Property, plant and equipment	32	33
Income Tax - Deferred tax assets	14	4
TOTAL ASSETS	400 759	72 943
Trade payables	289	302
Trade payable from gas market activity	1 878	442
Other payables	29 575	130
Income Tax - Current tax liability	0	11
Default Fund liabilities	6 365	4 941
Financial guarantee contract liability	35	8
Collateral held from energy market participants	299 014	43 152
Collateral held from gas market participants	54 129	14 825
Lease liability	19	27
TOTAL LIABILITIES	391 304	63 838
Share capital	2 623	2 623
Capital reserve	3 935	3 935
Retained earnings	2 943	2 536
Reserves of financial instruments measured at fair value through other comprehensive income	-46	11
TOTAL SHAREHOLDERS' EQUITY	9 455	9 105
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	400 759	72 943

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021
(ALL AMOUNTS IN MHUF)

	01.01.2021.- 31.12.2021.	01.01.2020.- 31.12.2020.
Revenues from counterparty services	3 038	1 784
Other non-counterparty services	13	45
Bank service fees	-85	-87
Personnel expenses	-570	-530
Depreciation and amortization	-161	-97
Other operating expenses	-930	-755
Impairment of financial assets	-46	0
Impairment of non-financial assets	-1	-6
Expense/(income) from changes in financial guarantee funds liabilities	-27	-2
Operating expenses	-1 820	-1 477
NET OPERATING INCOME	1 231	352
Interest incomes for items measured at AC	72	315
Interest incomes for items measured at FVTOCI	46	13
Interest expense	-808	-338
Net interest income	-690	-10
Other financial gains/(losses)	-95	227
FINANCIAL INCOME	-785	217
INCOME BEFORE INCOME TAX	446	569
Income taxes	-39	-52
PROFIT OR LOSS FOR THE PERIOD	407	517
Other comprehensive income, net:		
Remeasurement gains/losses of financial instruments measured at fair value through other comprehensive income	-63	12
Income tax of other comprehensive income	6	-1
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-57	11
Of which later to be reclassified to net income:	-57	11
Of which later not to be reclassified to net income:	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	350	528

SEPARATE STATEMENT OF CASH FLOWS

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(ALL AMOUNTS IN MHUF)

CASH FLOW FROM OPERATING ACTIVITIES	01.01.2021.- 31.12.2021.	01.01.2020.- 31.12.2020.
PROFIT BEFORE TAXES	446	569
Interest expense	808	338
Interest income	-118	-328
	690	10
Non cash items - adjustments		
Depreciation and amortization charged	161	97
Impairment loss / reversal	47	6
Gains and losses realized on securities	0	0
Foreign exchange rate losses/(gains)	-13	-217
Recognition / release of financial guarantee contract	27	2
Operating cash-flow before working capital adjustments	1 358	469
Changes in the net balance of gas market transactions, net	-120	22
Changes in the net balance of security funds	296 591	19 736
Changes in the receivables from balance with other clearing houses	-133 885	-4 446
Decrease/(increase) in trade and other receivables	-35 414	9 465
Increase/(decrease) in trade and other payables	29 371	-73
Interest paid	-746	-338
Income tax paid	-56	-54
Cash generated (+) / used (-) in operation	157 099	24 779
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial assets	-7 970	-5 465
Cash proceeds from financial instruments held for investment purposes	5 965	4 500
Acquisition of property, plant and equipment	-13	-5
Acquisition of intangible asset	-98	-241
Cash proceeds from disposal of property, plant and equipment	0	12
Proceeds from interest	144	313
Cash generated (+) / used (-) from investing activity	-1 972	-886
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from capital contribution	0	0
Lease paid	-10	-9
Cash generated (+) / used (-) from/in financing activity	-10	-9
Net increase (+) / decrease (-) in cash and cash equivalents	155 118	23 884
Opening cash and cash equivalents	43 697	19 765
Foreign exchange rate difference on closing cash and equivalents	14	49
Expected credit loss balance on cash and equivalents	-21	-1
Closing cash and cash equivalents	198 806	43 697
Net (decrease)/increase in cash and cash equivalents	155 118	23 884

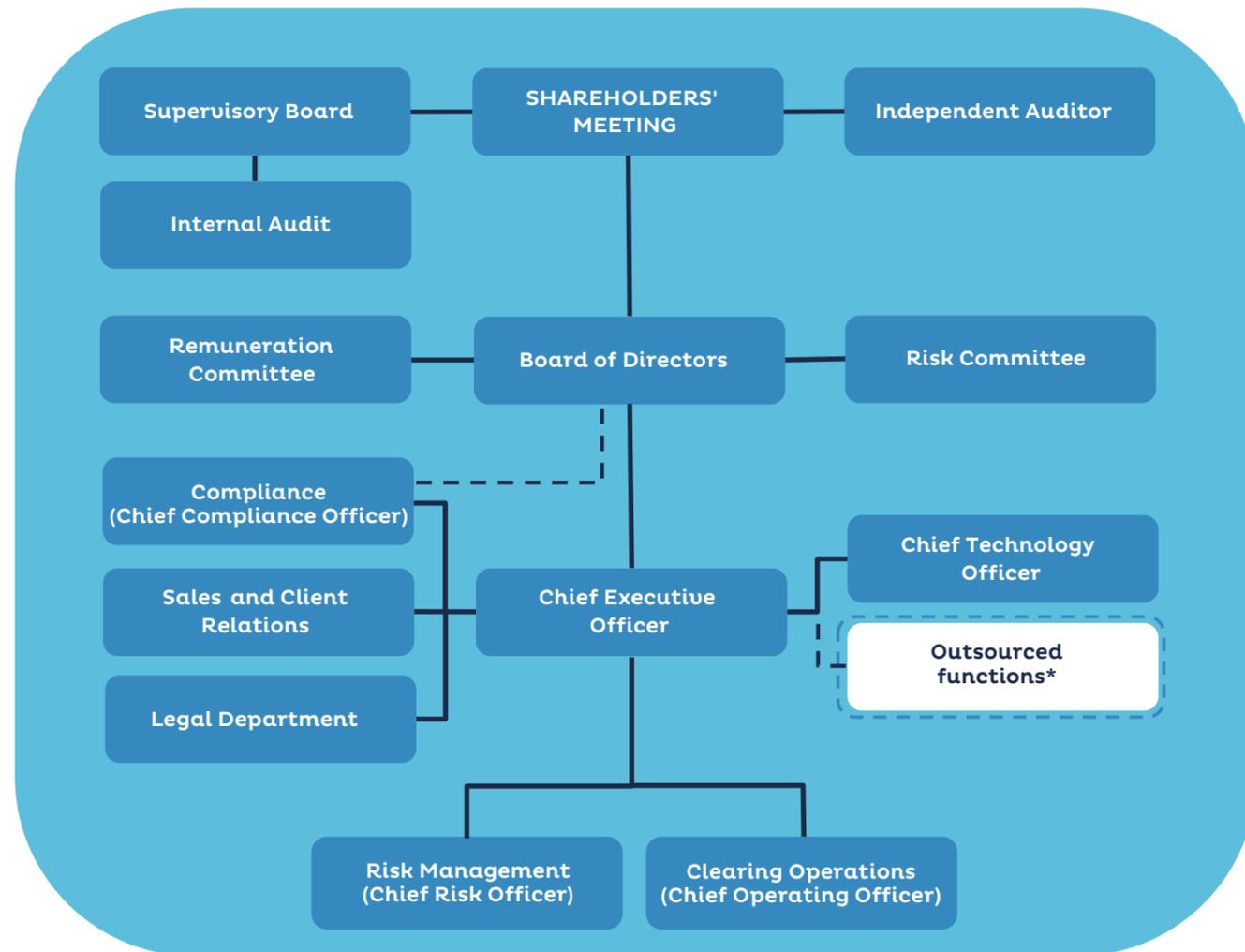
SEPARATE STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(ALL AMOUNTS IN MHUF)

	Share Capital	Share premium	Fair value through other comprehensive income debt instruments revaluation reserve	Retained Earnings	Total
Balance as of 1 January 2020	2 623	3 935	0	2 019	8 577
Total comprehensive income for the year	0	0	11	517	528
Balance as of 31 December 2020	2 623	3 935	11	2 536	9 105
Balance as of 1 January 2021	2 623	3 935	11	2 536	9 105
Total comprehensive income for the year	0	0	-57	407	350
Balance as of 31 December 2021	2 623	3 935	-46	2 943	9 455

ORGANIZATIONAL STRUCTURE

(AS OF 31 DECEMBER 2021)



***Outsourced functions:**

- planning,
- controlling,
- specific legal activities,
- 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,
- PR & marketing,
- financial and accounting activities,
- Human Resources Management,
- facility, office management, procurement, document management,
- IT activities,
- operation and maintenance of the security system,
- certain internal audit activity,
- reporting

MANAGEMENT



Ms. BABETT PAVLICS
Chief Executive Officer



Mr. TAMÁS HORVÁTH
Chief Operating Officer



Ms. CSILLA SZANYI
Chief Risk Officer



Ms. FRUZZINA FÜZESI
Head of Sales and Client Relationship
(from 1 January 2021)



Ms. DÓRA TAJTHY Dr.
Senior Legal Advisor



Ms. RITA BARNA Dr.
Senior Legal Advisor



Ms. ÁGNES JUHÁSZ
Chief Advisor



Mr. KRISZTOFER MOLNÁR
Chief Technology Officer



Mr. GÁBOR PLUZZIK
Internal Auditor

GENERAL INFORMATION

Effective between 1 January 2021 and 31 December 2021

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	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%

Ownership structure from 27 April 2022

Shareholders	Financial contribution	Ownership ratio
KELER Central Securities Ltd.	HUF 3 418 100 000	99,85 %
Central Bank of Hungary	HUF 2 720 000	0,08%*
Budapest Stock Exchange	HUF 2 380 000	0,07%**
TOTAL	HUF 3 423 200 000	100,00 %

BOARD OF DIRECTORS

Chairman:

Mr Zsolt Selmeczi-Kouács dr.

Members of the Board of Directors:

Mr Csaba Kornél Balogh

Mr Dániel Horuáth

Mr Dániel Körmöczi

Mr László Berényi

Mr Zsolt Demkó-Szekeres

Ms Babett Paulics

SUPERVISORY BOARD

Chairman:

Mr Attila Varga-Balázs

Members of the Supervisory Board:

Mr Ádám Bánai

Mr János Gerendás

Mr Miklós Kardos

Ms Eszter Boros dr.
(from 27 May 2021)

CONTACT

CONTACT

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