



2023

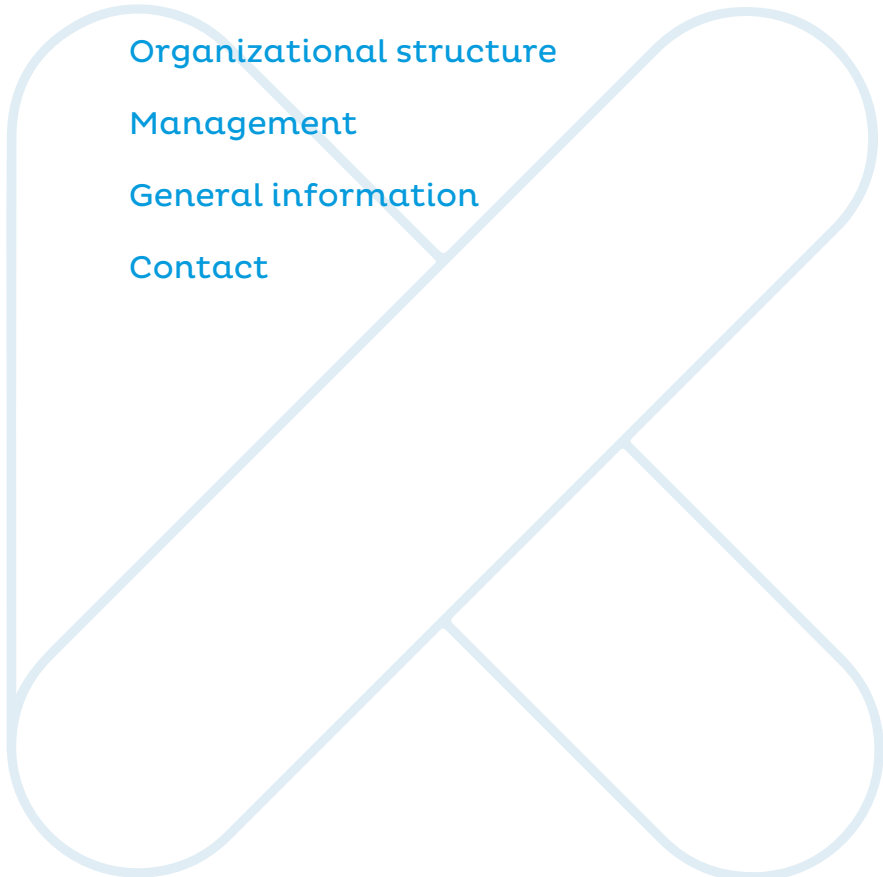
15 YEARS OF
keler ccp

Energizing Clearing

ANNUAL
REPORT

TABLE OF CONTENTS

Chairman's message	3
Chief Executive Officer's message	4
Market environment	6
Activities of KELER CCP	8
Regulatory environment	10
Financial management of KELER CCP	13
Risk management	15
Market and product developments	17
Client relations	27
Information technology	30
Human resources policy	32
Internal audit	33
Security management	34
Environmental protection	35
Organizational structure	36
Management	37
General information	38
Contact	39



MESSAGE OF THE CHAIRMAN

Both members of the KELER Group closed year 2023 with an outstanding performance. 2023 was also a special year for KELER, as it celebrated the thirtieth anniversary of its foundation, while KELER KSZF celebrated its fifteenth anniversary.

Just like over the last thirty years, last year has proven that KELER Group, as the most important back office institution in the capital and energy markets, has stable and secure operation and development of the markets that it serves with a solid foundations, an outstanding knowledge base, recognised specialists and reliable information technology background that meets the contemporary requirements.

In a challenging economic environment, KELER's pre-tax profit for 2023 was 5.9 billion forints, while that of KELER KSZF was 6.9 billion forints. This was highest profit of the group since its establishment.

Year 2023 was special not only because of the anniversaries and the highest profit rate in the history of KELER Group. Last year was also important because KELER Group is striving to achieve its ambitious goals for the period 2023-2027. The strategic objectives are clear: providing professional services to its existing clients, including the operation and development of the Hungarian capital market and the energy market in the region.

For this purpose, the main direction for KELER is the implementation of "Domestic Excellence", the primary objective of which is to improve the core services, to make the Hungarian capital market more attractive, primarily by increasing the level of harmonisation with international practices, to provide high quality, efficient services with high price to value ratio, while increasing client focus and client satisfaction.

The basis of the strategic directions of KELER KSZF for 2023-2027 is its core values, professional reputation established over the past fifteen years, which are stability, professional excellence, reliability, client focus, prudence and transparency. KELER KSZF's present and future objective is to add value as a centre of risk management and clearing house expertise, particularly for the Hungarian capital market and the domestic and key regional energy markets, in order to enhance the safety, efficiency and stability of the markets it serves.



Zsolt Selmeczi-Kovács

ZSOLT SELMECZI-KOVÁCS DR.
Chairman

The shareholders have mandated the companies to achieve these strategic goals. I am confident that the KELER Group will seize the development opportunities to implement the goals bring.

On behalf of KELER Group, I would like to thank our clients, partners, shareholders and all our previous and current employees not only for the outstanding performance achieved last year, but also for the past thirty years, during which the KELER Group has become a reputable and stable service provider with excellent professional values not only in Hungary but also in the entire region.

As for the future prospects of the KELER Group, I am confident that, based on the excellent expertise of its professional staff, and thanks to continuous improvements and innovations, both companies will continue the work already started in order to achieve outstanding results, both in professional and financial terms, in the years to come.

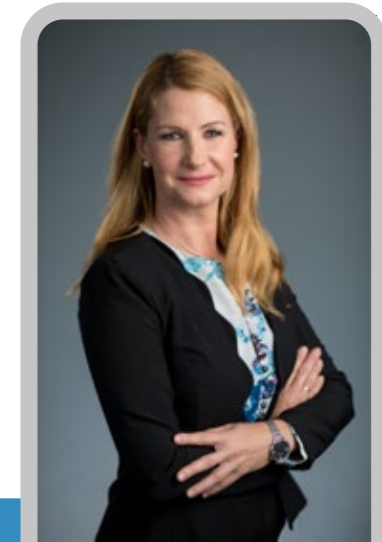
MESSAGE OF THE CHIEF EXECUTIVE OFFICER

Year 2023 was a landmark year in the life of KELER KSZF in several aspects. We celebrated the fifteenth anniversary, as well as outstanding performance of KELER KSZF. Together with its parent company, KELER, we can be proud of the achievements of the past fifteen years. Since the beginning, KELER KSZF has been a key player in financial settlements and continuous development of the Hungarian securities and derivatives capital markets. Furthermore, KELER KSZF has become a key player in the Hungarian natural gas trading market. At the same time, KELER KSZF provides direct access to the major European energy markets as a general clearing service provider beyond central clearing services.

After the energy crisis of 2022, the Ukrainian war and the ensuing complex economic challenges, KELER KSZF continued to avert the effects of the crisis in 2023, responding to challenges, market needs and regulatory initiatives. With regard to the crisis, we can conclude that the European Central Counterparties, including KELER KSZF, have been successful in meeting the expectation to ensure the stability and settlement of the exchange markets. KELER KSZF served them during the economic crisis and turbulence and the resulting increased default risk.

In the year following the crisis, the volume of transactions settled by KELER KSZF has been significant, particularly in the energy markets. The continuous risk management required versatile means and a high level of security compared to pre-crisis levels. The large transaction volume and high level of deposits, coupled with a high interest rate environment, have led to slightly higher income resulting from clearing fees and even higher interest income for KELER KSZF than in 2022, which had also been an outstanding year. Although KELER KSZF has also faced cost increases mainly due to the high inflation and the staff related costs (significant human resource with specific expertise), as well as large volume of VAT associated with its operations, the company was able to control its operating costs through prudent management of investments and reducing cost to the minimum extent possible.

In addition to the operating profits, the profit of financial activities, such as the investment of KELER KSZF's stocks and equity have also contributed to the highest ever pre-tax profit in the history of the KELER KSZF, amounting to 6.9 billion forints.



Babett Pavlics

BABETT PAVLICS
Chief Executive Officer

With regard to the outstanding level of profitability and the stable capitalisation and liquidity of KELER KSZF, as well as the volume of liquid cash and the cash flow plan that safely supports the operations, the business plan and investments, the shareholders of KELER KSZF have resolved to pay dividend of 5,000 million forints, while the rest of the after-tax profit for 2023 (1,231 million forints) have been put in profit reserve.

Operating as an EMIR-licensed, independent clearing house, KELER KSZF is unique and exceptional not only in the region but also in Europe for the wide range of assets that it is capable to settle. Thanks to its diverse range of products and services that provide exceptional value for money ratio, the Company has become a dominant player in the regional and European markets, providing settlement services to a total of 181 direct and indirect clients from 25 countries at the end of 2023. The number of clearing members increased in all markets. The number of clearing members served increased to 29 in the capital market, 15 in the Trading Platform, 79 in Balancing Clearing, 55 in the CEEGEX organised natural gas market and 28 in the HUDEX/Gas market. The number of clearing members in the energy markets settled by ECC was 97 at the end of 2023, using the energy market sub-clearing services of KELER KSZF. While the overall number of clearing members in the gas markets has not increased drastically, the role of KELER KSZF in these markets seems to be steadily increasing. The significant increase in the energy market in 2023 shows that KELER KSZF's service is competitive at

European level. KELER KSZF's clientele in Western Europe now includes 58 clients, in addition to 58 clients in Hungary and 65 clients from South-Eastern and Central Europe. This indicates that most of our clients are from this latter region.

KELER KSZF will continue to give high priority to the development of the markets served and to support initiatives from clearing members to increase client satisfaction. In 2023, in continuous consultation with capital market participants, we have launched the "so-called" multi-round settlement model. The aim of the model is to support the early availability of securities collateral for clearing members by "first round" settlement of positions that have already been collateralized to a significant extent before the final deadline for settlement. In addition, by providing a second round deadline, we give market participants time to ensure the timely provision of collateral for positions that usually require longer time due to cross-border transactions. Overall, we are confident that this development will contribute to reducing the number of late settlements of securities transactions.

In 2023, we implemented the trading of FX forward share contracts on the Hungarian stock exchange. In connection with this, the need for foreign currency settlement also arose for forward equity contracts, given that the Budapest Stock Exchange provides forward trading for the underlying product for Premium Class shares. Ensuring settlement of the forward product in EUR is also a development supporting the subsequent HUF->EUR denomination change, which is fully supported by the KELER KSZF.

As I mention every year, in 2023 we continued to improve our risk management system, as we renewed the margin calculation methodology of the KELER KSZF and we switched to daily margin calculation. As the change had a significant impact on the lives of all our capital markets clearing members, KELER KSZF had started the market discussions related to the change and the preparation of clearing members for the expected changes already in 2022. With this methodological innovation, KELER KSZF has shifted to an advanced process in line with the latest international market practices and regulatory requirements. It is probably even more important that the upgrade has already been made in the automated risk management system that KELER KSZF started to develop as a greenfield investment at the end of 2021. With the current upgrade, this has become a key software for KELER KSZF.

Last, but not least, I would like to mention our developments to support natural gas markets among the top priorities for 2023. In 2019, FGSZ, CEEGEX and HUDEX, our strategic partners which operate the cleared gas market platforms settled by KELER KSZF, started to implement a number of significant changes to the operation of the cleared markets in order to facilitate the integration of Hungarian gas markets into European energy markets. At that time, in agreement with the market operating partners, KELER KSZF developed a gas market clearing concept that promised a simpler, more transparent and financially more favourable operation for all market participants. As the last step in the implementation of the concept, we merged the market closing processes in 2023 and implemented new and unified gas market statements. In addition, HUDEX has seen the development of import functions, changes to counterparty status and the introduction of cash settlement financial products, responding to the needs previously expressed by market participants.

We have all reasons to be satisfied with our achievements in 2023. KELER KSZF had outstanding performance both financially and in terms of our strategic objectives. We supported the stability and development of the markets. As we did in the past fifteen years, KELER KSZF continues to develop steadily. Furthermore, and we constantly work to improve our services and expand our market presence. I am proud that we have been able to grow from a domestic capital market service provider to the region's leading capital and energy market player, competing in the international market. In doing so, we rely on our excellent staff of past and present employees, and we enjoy the trust of our shareholders.

I would also like to take this opportunity to thank the shareholder of the KELER Group, Hungarian credit institutions, investment firms, the operators of our partner stock exchanges, our clearing members in the capital, gas and energy markets, we well as all the employees of KELER and KELER KSZF for their direct and indirect contribution to the achievements of KELER KSZF in 2023 and during our uninterrupted growth in the last fifteen years.

MARKET ENVIRONMENT

Compared to the previous period, 2023 was in many ways a year of moderation and consolidation. Although several emerging and potentially foreseeable conflicts around the world were constantly on the agenda, they did not cause as many shocks and market reactions as in previous years. A reduction in extremes and a return to normality characterised international and domestic financial, capital and energy markets, as well as social life. Energy prices, which had risen to unprecedented highs in previous years, and the resulting runaway inflation, have reached a trend reversal and moderated significantly this year. Energy production, trade and consumption have also adjusted to geopolitical events, but the global economy remains a mixed picture.

Economic growth remained typically subdued or stagnant in most countries. With inflation moderating, leading central banks tended to focus on cutting interest rates in the future, which was priced in by market participants in many cases.

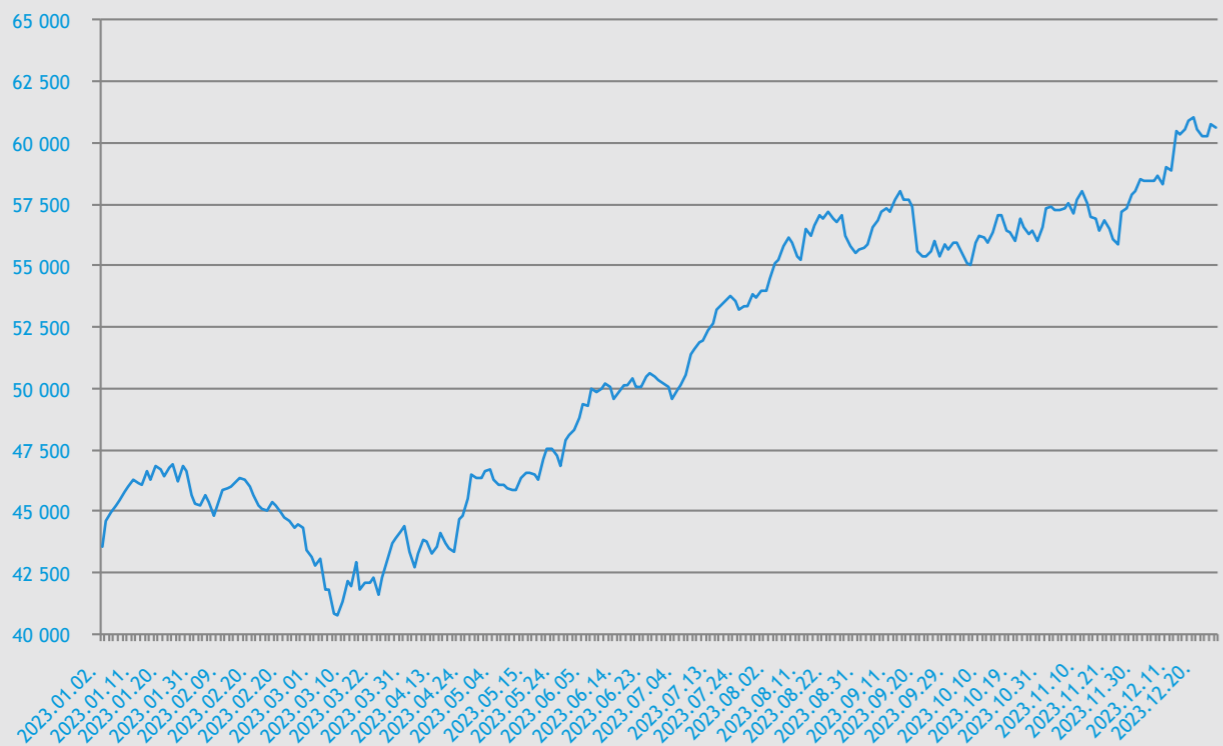
The consolidating economic situation also brought markets a markedly different year than in previous periods. Although government securities are still popular due to the high interest rate environment, market participants expecting a future reduction in interest rates have turned with increasing interest to risky assets, indicating that the trends so far may have reached a turning point. In capital markets, 2023 was characterised by relatively moderate stock exchange movements, reduced uncertainty, volatility and rising stock indices. The US Dow Jones Industrial Average index was up

14.5% on its year-end close, while the Standard & Poor's 500 index closed 25.3% higher. Alongside US stock indices, Japan's Nikkei rose 29.6%, Europe's Stoxx Europe 50 index closed 14.2% 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 increase compared to the previous year, with the BUX closing the last trading day of 2023 at 60 620 points, up by 39.2%. This completely reversed the decline of the previous years and the index reached a new all-time high. Despite the rise in prices, however, the BSE's total annual turnover on the spot market fell by almost 30% compared with the previous year, from HUF 3 802 billion to HUF 2 554 billion.

The domestic currency was trading between the extremes of EUR 368.3/HUF and EUR 402.8/HUF against the euro. Looking back to the year 2023, the forint strengthened by 4.5% against the euro, taking into account the mid-market exchange rates of 2 January and 29 December. By the end of 2023, the forint also strengthened against the US dollar by 7.7%, while it weakened somewhat against the Swiss franc by 1.6%. On the international currency market, the dollar strengthened against most major currencies, for example against the euro and the Swiss franc, gaining 3.5% and 10% respectively over the period.

Changes of the BUX Index in 2023



The National Bank of Hungary's (NBH) interest rate hike cycle, which started in mid-2021, ended in 2022 and the process of lowering the base rate started in 2023. The central bank cut the base rate from 13% in October to 10.75% in December in several steps. Inflation also fell significantly during this year, from a peak of over 20% to single digits in October and 5.5% in December. The NBH forecasts that domestic disinflation could continue in 2024, with the annual average inflation expected to be between 4–5.5%.

ACTIVITIES OF KELER CCP

Stability and reliability

KELER CCP continued to serve its domestic and international client base in the financial year of 2023 as well as a stable and reliable financial infrastructure provider of the region.

Unique services

Established in 2008 as an independent clearing house, KELER CCP is a unique provider in the region and in Europe in terms of the number of cleared trading venues and the diversity of its product range, which includes traditional capital market financial and agricultural commodity products, as well as gas market spot and derivative commodity products. 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 security of natural gas supply through ensuring the settlement of domestic natural gas markets. In addition to its clearing activities as a central counterparty, KELER CCP, as a general clearing member, provides its clients with direct access to domestic electricity and other major European energy exchanges cleared by EEC as central counterparty.

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 the financial year of 2023, KELER CCP provided central counterparty 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.

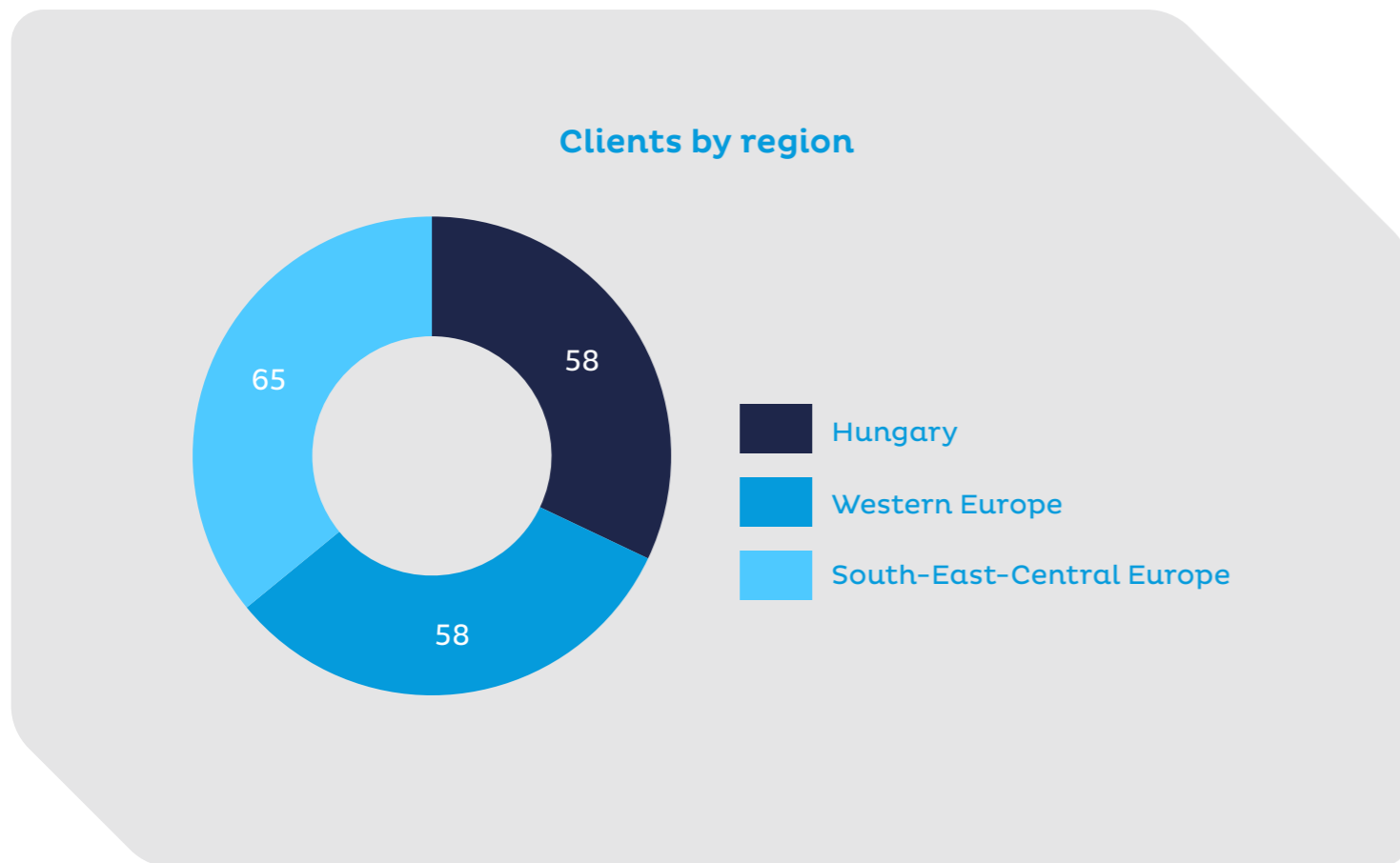
International client base

Over the past years, KELER CCP has become a major player on the international market. At the end of 2023, it provided clearing and clearing-related services to a total of 181 direct and indirect clients from 25 countries, in addition to domestic clients. The Client base is also very diverse, including both leading 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.

Prudential compliance

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 2023, 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.



REGULATORY ENVIRONMENT

KELER CCP as a central counterparty 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'), is a business association undertaking commitments related to the settlement of stock exchange and over-the-counter capital market transactions.

KELER CCP performs its activities primarily in accordance with the provisions of the above legislations 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.

The activities of KELER CCP were affected in 2023 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 2023 or earlier:

- 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,
- Act CXXXVIII of 2007 on Investment Firms and Commodity Exchange Service Providers and the Rules Governing the Activities They May Perform,
- Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings,
- Act CXXXIX of 2013 on the National Bank of Hungary,
- Act CXXII of 2009 on the More Economical Operation of Publicly Owned Companies,
- 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,
- Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings,
- 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 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 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,
- 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),
- Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of the destabilising Russian measures in Ukraine,
- 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,
- Commission Delegated Regulation (EU) 2023/451 of 25 November 2022 specifying the factors to be taken into account by the competent authority and the college of supervisors when assessing the recovery plan of a CCP,
- Commission Delegated Regulation (EU) No 2023/840 of 25 November 2022 supplementing Regulation (EU) No 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the methodology for calculating and maintaining the additional amount of pre-funded earmarked own funds to be used in accordance with Article 9 (14) of that Regulation,
- 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,
- Government Decree No 474/2022 (XI. 23.) on the rules applicable to certain activities related to energy trading during an emergency,
- 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,
- MNB Decree No. 54/2021 (XI. 24.) on the data reporting obligations to be fulfilled by capital market organisations to the central bank information system primarily for the purpose of performing the supervisory tasks of the National Bank of Hungary.

General Meetings

The Annual General Meeting of KELER CCP Ltd. was held on 24 April 2023, and Extraordinary General Meetings were held on 1 June and 24 August.

The agenda of the General Meetings was as follows:

24 April, 2023

1. Report of the Board of Directors of KELER CCP on the Company's assets, business policy and management (the submission is identical to the material titled "Business Report 2022")
2. Approval of the separate financial statements of KELER CCP Ltd. prepared in accordance with IFRS rules under the Act 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. Amendment of the Rules of Procedure of KELER CCP Ltd.'s Supervisory Board
4. Amendment of KELER CCP Ltd.'s Articles of Incorporation
5. Amendment of the Outsourcing Agreement between KELER Ltd. and KELER CCP Ltd.
6. Other

1 June, 2023

1. Election of the members of the Board of Directors of KELER CCP Ltd. and the determination of their remuneration

24 August 2023

1. Amendment of KELER CCP Ltd.'s Articles of Incorporation
2. Amendment of the auditor's contract of KELER CCP Ltd.
3. Other



FINANCIAL MANAGEMENT of KELER CCP

For Hungarian business organisations, 2023 was essentially about fighting inflation. In general, the business environment was characterised by weakening global demand and lower commodity prices than in 2022. Falling real wages due to price rises and cautious consumer and investor decisions led to a contraction in domestic demand and weak economic performance.

In domestic financial markets, investor sentiment improved over the year, reflecting positive developments in EU funding, as disciplined monetary policy, government action to enhance market competition, subdued domestic demand and a significantly lower external cost environment than in the previous year combined to lead to a gradual decline in the consumer price index.

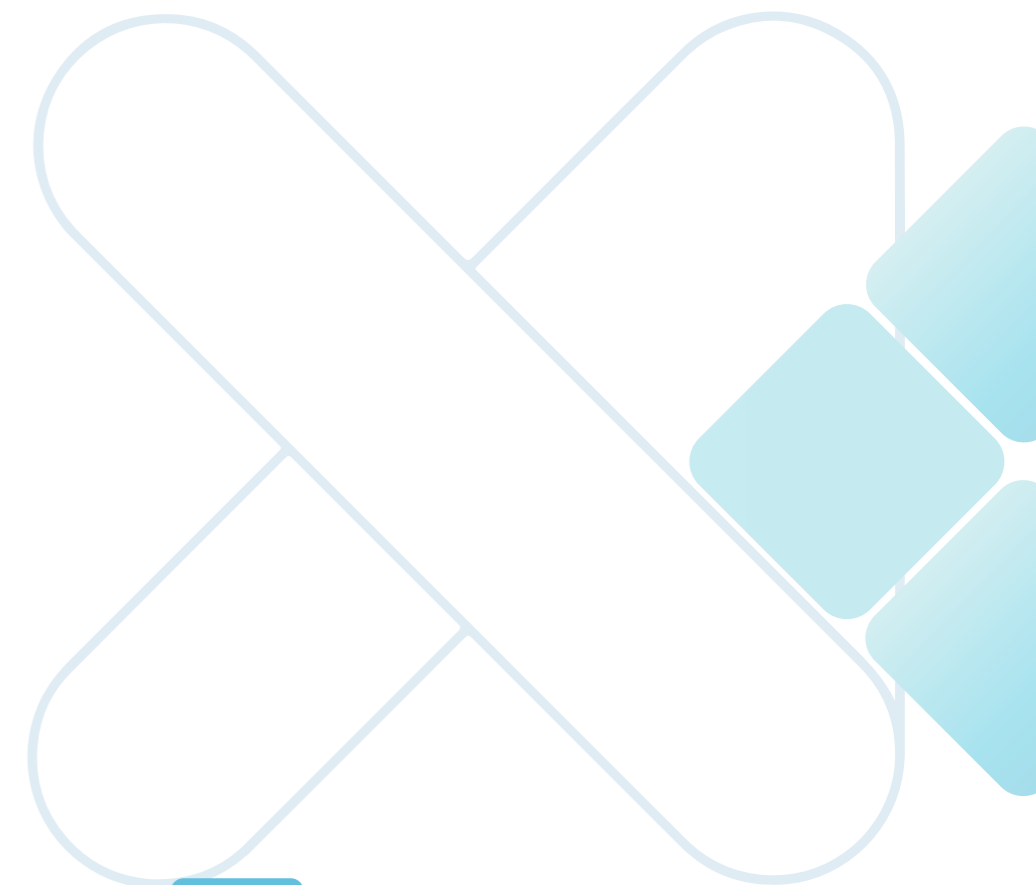
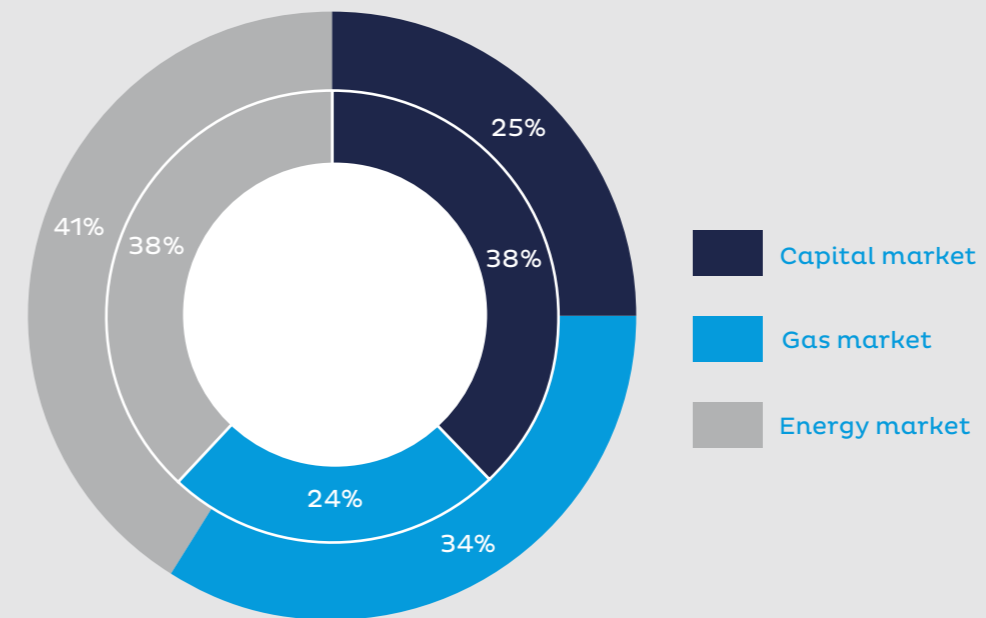
KELER CCP's pre-tax profit for 2023 reached HUF 6.9 billion, which is the best result during the Company's existence so far.

Overall, revenues from the core activity were slightly above the base (+3%), while capital market revenues were 30% below the 2022 level, which was the highest in the last ten years, and energy market fees were 23% above. Although the stock of collateral in the electricity and gas markets continued to decline (from HUF 308 bn at the end of 2022 to HUF 205 bn at the end of 2023), the direct result of collateral management nearly doubled compared to last year, thanks to the favourable interest rate environment.

The Company's operating expenses, excluding ECC deposit handling fees, were around HUF 200 million below the base in 2023. This amount is the result of an 11% increase in personnel expenses and a 22% decrease in other operating expenses. The latter is partly due to lower expenses for banking services, charges and commissions paid, lower professional fees and lower fees paid to supervisory bodies, among others.

Due to the increase in interest rates on the capital market, KELER CCP earned approximately HUF 1.5 billion as interest income on its own investments in the period under review.

Revenues from central counterparty services - 2023 and 2022



RISK MANAGEMENT

Partner Risks – Clearing Membership System

The number of KELER CCP's capital market clearing members and non-clearing members was similar in 2023 to the end of 2022.

A total of 29 institutions had clearing or non-clearing memberships in a section of the Budapest Stock Exchange, which is one fewer than in 2022. At the end of 2023, 11 institutions were general clearing members, 9 were individual clearing members and 10 were non-clearing members.

There were no significant changes in the number of clearing members in the gas markets in 2023 compared to 2022. The number of clearing members grew in all markets. This growth was more significant in the energy markets settled by ECC. The number of clearing members on the Trading Platform was 15, while KELER CCP had 79 clearing members in the Balancing Clearing. KELER CCP had 55 clearing members on the CEEGEX organised gas market and 28 clearing members on the HUDEX/Gas market. The number of non-clearing members in the energy markets cleared by ECC was 97 at the end of 2023.

The basis for the management of counterparty risk of KELER CCP is based on appropriate participation requirements and the continuous monitoring and review of the fulfillment of these requirements. Prior to the admission of clearing members and energy market non-clearing members, and at least 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 2023, there was no change to the Know Your Customer (KYC) questionnaire. The KYC questionnaires for gas and energy market members continue being separated, allowing for a more comprehensive risk assessment and operational capacity assessment. The gas market questionnaire continues focusing on the gas market-specific characteristics of clearing members, in order to better access the riskiness of each customer.

In line with ownership and supervisory expectations, the elaboration of tightening the participation requirements started in 2023. This tightening includes an increase in the minimum equity value and a compulsory audit requirement. The tightening is planned to be effective from the second half of 2024 and will apply to all clients of KELER CCP.

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. Until the end of October 2023, 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.

KELER CCP continues to fine-tune the gas market guarantee system in 2023 as well, taking into account both its previous default experience and the recommendations of the Central Bank of Hungary, as supervisor and overseer. In the year 2023, in the context of Balancing clearing, KELER CCP continued calculating the turnover margin on a daily basis using the model in effect since August 2022, but a new methodology was approved in the summer of 2023, based on data that also takes into account the exit portfolio of gas market clearing members, thus ensuring a margin model covering risks even better. The new methodology is expected to be introduced in the first quarter of 2024.

Regarding to energy markets, the trading limits introduced in 2017, mainly for spot markets, were also applied by KELER CCP in 2023, and a margin requirement limit was applied for all energy market non-clearing members, with the aim of limiting exposures to the derivative 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.

The contribution of KELER CCP to the ECC Default Fund already decreased during 2021 from its previous amount of EUR 10 mln to EUR 0, i.e. the full contribution passed on to the energy market non-clearing members. In 2023, this did not change, the contribution of the KELER CCP remained EUR 0.

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 applies 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 setting the capital market default funds (TEA and KGA) and the default fund linked to the CEEGEX/HUDEX gas markets (CEEGEX/HUDEX/Gas KGA) did not change. The methodology for establishing the default fund for the Balancing Clearing and the Trading Platforms Default Fund (TP NGA) did not change in 2023, it remained the amount of the contribution per member.

In 2023, there were no defaults in the markets cleared by KELER CCP.

Collateral assets

During the period under review, the scope of collateral instruments accepted was defined in accordance with EMIR requirements and the haircut values are reviewed by the ALMA risk management system every day.

MARKET AND PRODUCT DEVELOPMENTS

Budapesti Értéktőzsdé (Budapest Stock Exchange)

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 Market is a capital financing market specifically designed to help small and medium-sized enterprises (SMEs) enter the stock market and also a precursor to entry to the BSE main market. Entry is supported from the outset by the entire ecosystem set up by the BSE, through participation in the ELITE programme and the Mentor programme, followed by the NOMAD (Nominated Advisors) providing support for a successful market launch. Another part of the ecosystem is the BSE50 series of publications launched in 2016, which every year presents successful companies operating in Hungary that have already proven themselves in their own field. In 2023, the BSE will publish the publication for the 8th time.

The Stock Exchange is committed to sustainable development and the future. In order to promote ESG awareness, issuers can have their debt securities marked with a green distinctive mark, in accordance with one of the international Green Bond Frameworks, and thus be included in the "GREEN PRODUCTS" product category in the product list of BSE.

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 waves of success of previous years, 4 new companies were listed in 2021: OXO Nyrt., NAP Nyrt., Épduferr Nyrt. and Polyduct Nyrt. joined the platform. In 2022, the successful listing and trading of 11 new companies could start: EU-SOLAR Plc, ViVeTech Plc, Navigator, Biggeorge, Naturland Holding Plc, Multihome, ASTRASUN Solar Plc, Energy Investment Plc, Goodwill Pharma Plc, CDSYS Plc, and Valberg Plc. In 2023, 3 new companies were listed on the Xtend market: Vertikal Group Plc, Chameleon Plc and STRT Holding Plc, building on previous successful listings, thus bringing the total number of issuers on the Xtend market to 20.

On 1 July 2019, the National Bank of Hungary launched the Growth Bond Programme (NKP), which aims to help diversify the debt of domestic corporates by increasing the liquidity of the corporate bond market, thereby enhancing the effectiveness of monetary transmission. Under the programme, the central bank will purchase HUF 1550 billion of bonds issued by non-financial non-public corporations and public enterprises with a good rating. Contemporaneously with the launch of the NKP programme, the Budapest Stock Exchange created a new market, BSE XBond, for companies planning to issue bonds, where they can enter the public market under simplified conditions. Since the authorisation of the XBond Market, the first listing has taken place for bonds issued by MOL Plc. and later for bonds issued by by CORDIA International Ingatlanfejlesztő Ltd. In 2020, the number of listings on the platform skyrocketed, with additional 26 issuers listing their bonds. In 2021, the Xbond Market success story continued with 48 issuers listing 53 new bonds on the platform. The success of the XBond Market continued unabated in 2022 as well, with 26 issuers issuing 32 new corporate bonds. There were no new issues on the Xbond Market in 2023.

In 2023, four new issuers were listed on the equity market, which is the main market of the Stock Exchange: Shopper Park Plus Plc was listed in the Premium category, while the shares of CIVITA Group Plc and Biggeorge REIT Plc were listed in the Standard category. The fourth company to be listed in the Standard category on the 33rd anniversary of the re-founding of the Stock Exchange was Budapest Stock Exchange. The listing of Shopper Park Plus Plc marked the first euro-denominated issue in the history 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 2023. In debt securities, the successful bond offerings of Magyar Export-Import Bank and Magyar Fejlesztési Bank, the discount bond issues of OTP Bank Nyrt. and MKB Bank Nyrt., and the corporate bond issuance by Erste Bank Hungary Ltd. should be highlighted.

BÉTa

The BÉTa Market, the alternative trading platform of Budapest Stock Exchange, offers the opportunity to trade directly in forint in shares of major European companies and exchange-traded funds. Trading liquidity is provided by market makers in accordance with their obligations under the market maker contract. Most recently, shares in Wizz Air Holdings Plc. and two new ETFs issued by UBS have been listed on the BÉTa Market during the previous year.

The foreign securities trading venue continued to offer 19 equities and 9 exchange traded funds in 2023.

MTS Hungary

Since March 2019, MTS Hungary, which provides price quotes for Hungarian government securities, has been organised by MTS S.p.A. as market operator. In 2023, 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 and discount Treasury bills, 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. Since the new settlement banking model implemented in 1 December 2020, all gas and energy market participants have been settling their financial accounts through commercial bank payment accounts.

FGSZ has been applying the imbalance limit violation system management measures (WDO) since 1 April 2022.

On 1 December 2022, FGSZ introduced the Line Pool Flexibility Service (LPFS), which actively supports the daily balancing of system users.

CEEGEX / HUDEX

The extension of the trading period for spot products in 2021 had a positive impact on exchange turnover, similarly to the continuing promotion of the possibility to register OTC futures on the exchange. Since August 2022, spot market transactions concluded before 6.00 p.m. are processed in the daily settlement, while their financial settlement is carried out on the next business day. In March 2023, CEEGEX introduced a new price index: the CEEREP. The new price index follows the European best practice, thus improving the useability of CEEGEX prices.

Energy markets

Energy trade has 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 2022 as well. HUPX joined the Single Intra-Day Market Coupling (SIDC) in November 2019, in the second wave. 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. Italy joined in the third wave of SIDC in September 2021, followed by the successful completion of the fourth wave in 2022, with Greece and Slovakia joining the market coupling. With this new milestone, intraday trading expanded to 25 countries on 29 November 2022, thanks to SIDC.

From July 2023, Direct Clearing Participant (DCP) clearing became available on HUPX.

Trading venues in terms of numbers

Budapest Stock Exchange - Spot securities market (regulated market)

The regulated securities market of the Stock Exchange had a turnover of HUF 2 546.7 billion in 2023, reflecting an annual decrease by 32.8%. The average daily turnover was HUF 10.1 bln, up from HUF 15.1 bln a year earlier (with 251 and 252 trading days in 2023 and 2022, respectively).

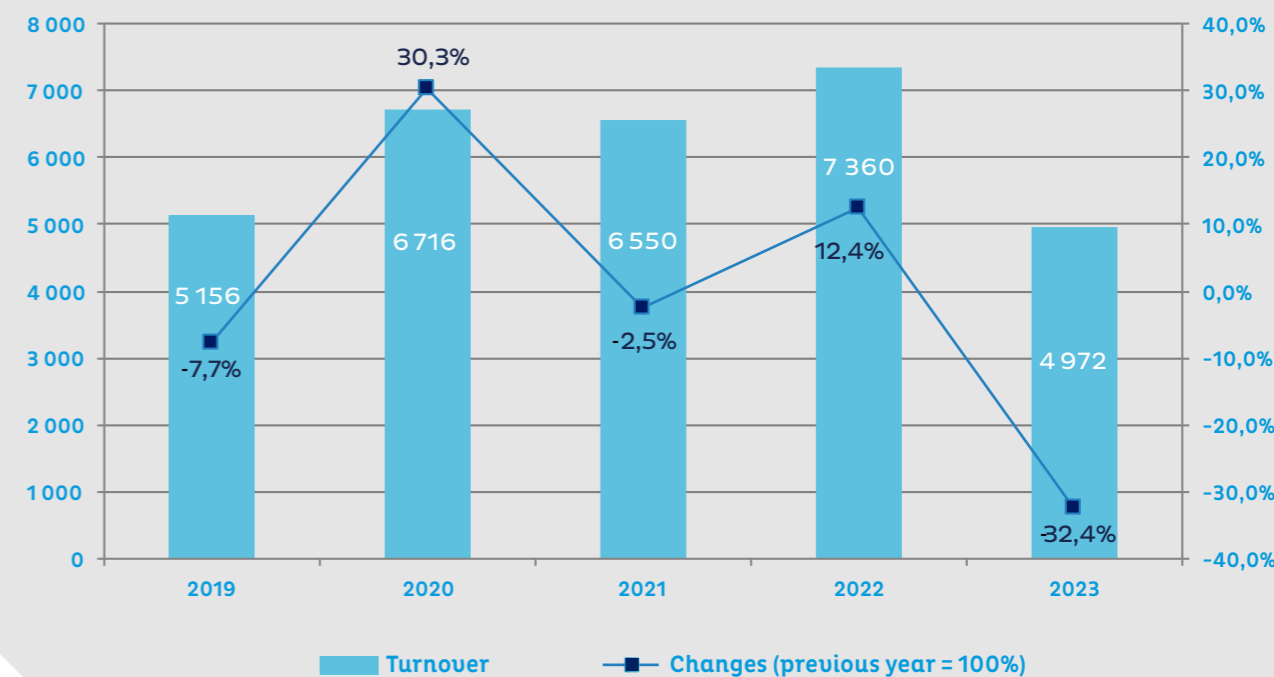
Equity transactions accounted for 97.3% of the spot market turnover (96.8% in 2022), with an annual turnover of HUF 2,478.6 bln in 2023. The average daily equity turnover was HUF 9.9 bln, down from HUF 14.6 bln a year earlier.

The annual number of BSE regulated market spot securities transactions registered was 1,616,691 in 2023, a decrease by 31.7% compared with 2022. Within the number of transactions, the number of equity transactions amounted to 1,452,175, accounting for 89.8% of all transactions. The average daily volume of transactions in the spot market of the Stock Exchange was 6,441 in 2023, compared to 9,399 a year earlier, of which the average daily volume of equity transactions was 5,786 in 2023 (9,399 in 2022).

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

The annual aggregate single counted turnover of foreign equities traded and cleared in HUF on the BÉTa Market and of investment funds (ETFs) traded on the Stock Exchange was HUF 5.5 bln, in a total of 24,828 transactions. The previous year turnover was HUF 6.1 bln in 19,734 transactions. The average transaction value was HUF 0.22 mln in 2023 (HUF 0.31 mln in 2022). The turnover of the BSE Xtend market in 2023 was HUF 4.1 billion in 21,974 transactions (compared to HUF 3.7 billion and 18,506 transactions in 2022).

Trading volumes at spot markets (BSE, BÉTa, Xtend) 2019 -2023 (duplicated), HUF billion



Budapest Stock Exchange – XBond (MTF Market)

The domestic corporate bond market had a single counted turnover of 2 transactions worth a total of HUF 74.4 mln in 2023 (compared to 11 transactions worth HUF 837.2 mln in 2022).

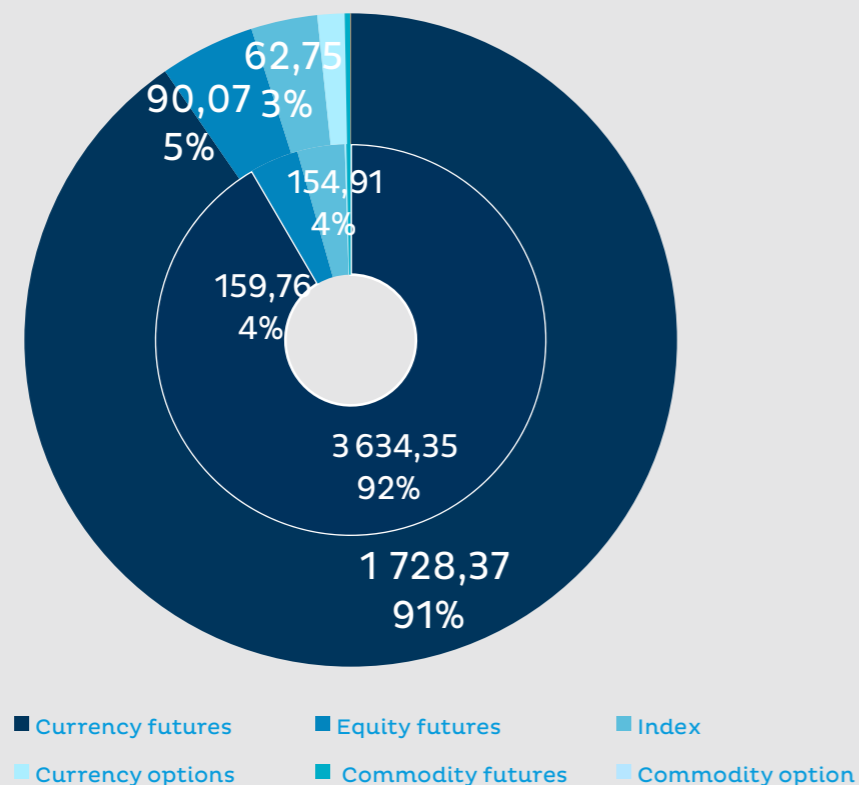
Budapest Stock Exchange – Derivative Market

The annual single counted derivatives market turnover was HUF 1,912.5 bln, a decrease of 51.8% compared to the last business year (HUF 3,968.3 bln). Among derivative products, similarly to previous years, FX futures transactions continued

to account for the largest share of turnover, with a turnover of HUF 1,728.4 bln in 2023, representing 90.4% of the total turnover (91.6% in 2022). The annual traded volume of single stock futures transactions was HUF 90.1 bln in 2023, down from HUF 159.8 bln in the previous year. The turnover of index based futures was HUF 62.8 bln in 2023, compared to HUF 154.9 bln in 2022. The turnover of FX options was an outstanding HUF 25.7 billion in 2023 (compared to HUF 5.5 billion in 2022).

The turnover in the BSE Commodity Section was HUF 5.2 bln in 2023, compared to the turnover of HUF 13.8 bln in 2022.

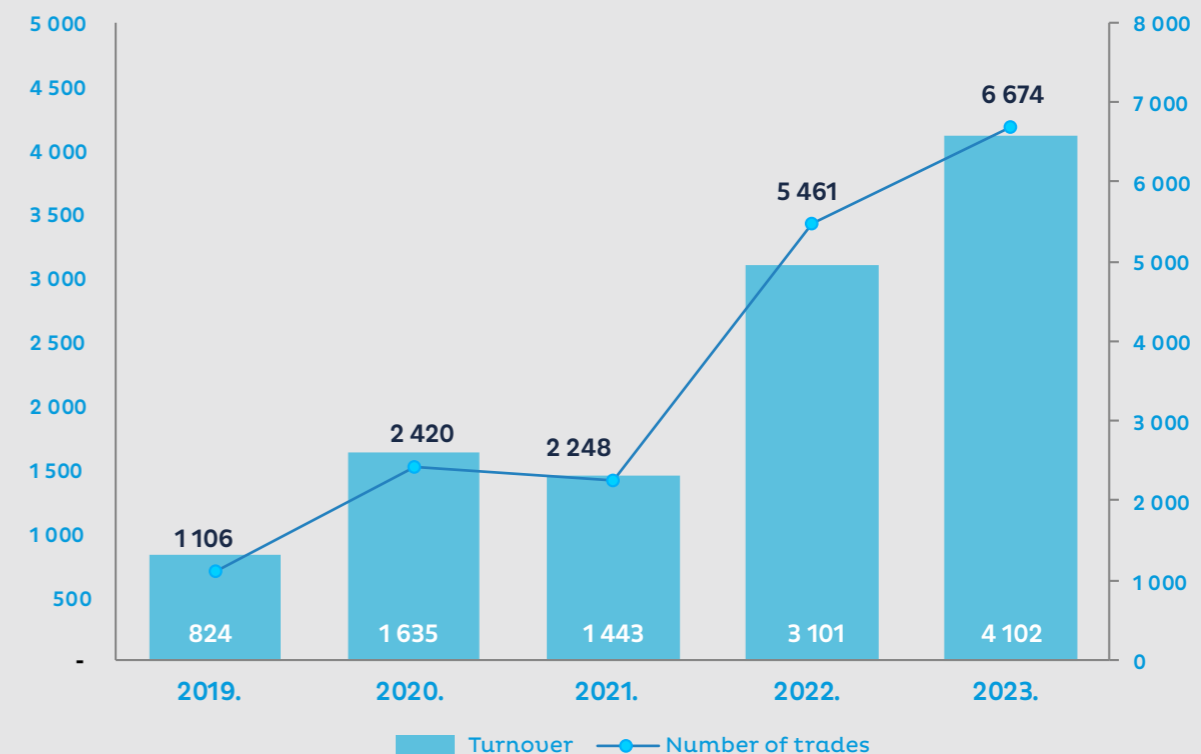
BSE derivative turnover by product, 2023 and 2022, HUF billion



MTS – MTS Hungary

In the primary dealer market for domestic government securities, the single counted turnover was HUF 2,051.1 bln in 6,674 transactions (a record number), compared to HUF 1550.7 bln in 5,461 transactions in 2022.

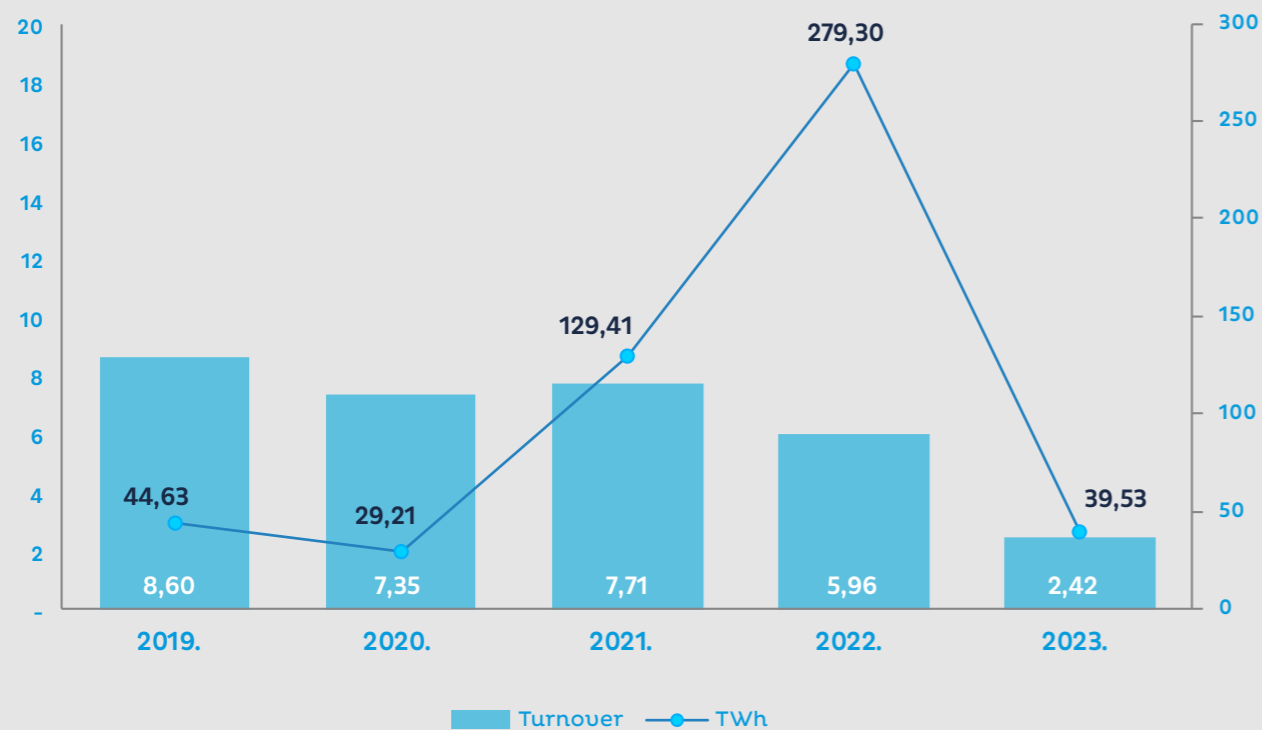
MTS Hungary cash turnover and number of trades 2019–2023, HUF billion (double-counted)



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

The domestic natural gas balancing clearing and trading platform cleared 2.42 TWh of gas in 2023, for a total value of HUF 39.5 bln. The volume and the value traded in the past year was 5.96 TWh and HUF 279.3 bln, respectively.

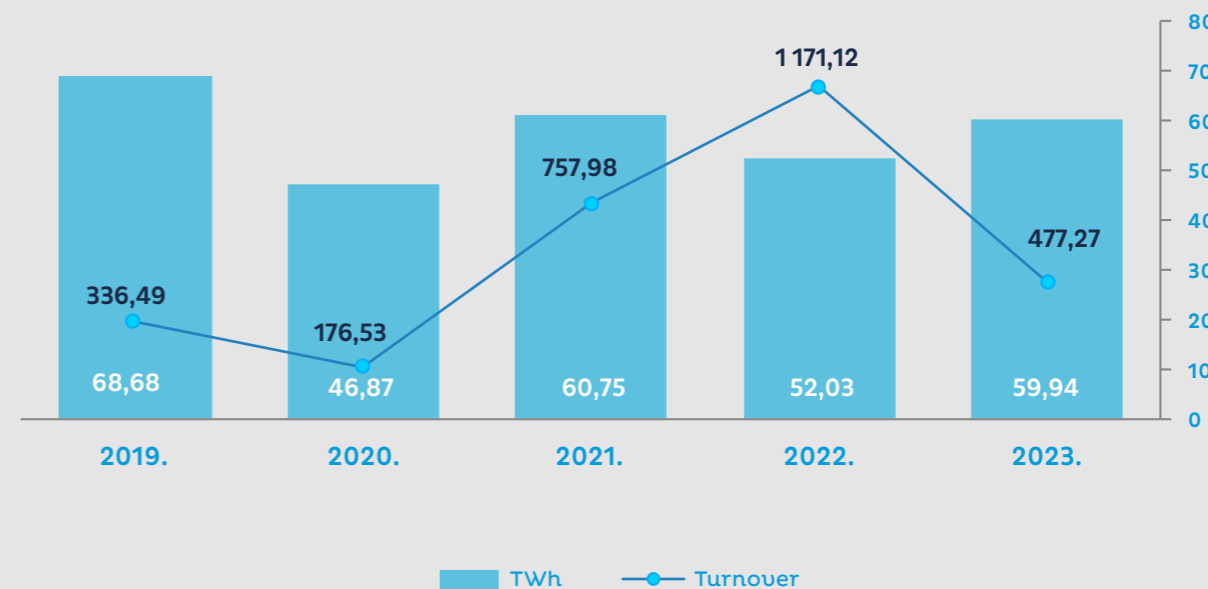
Trading volumes of Balancing Platform and Trading Platform 2019-2023 (duplicated), HUF billion, TWh



CEEGEX

The day-ahead and intraday turnover of the organised natural gas market was 59.9 TWh in 2023, with a total value of HUF 477.3 bln, compared with 52.0 TWh and HUF 1171.1 bln in the previous year.

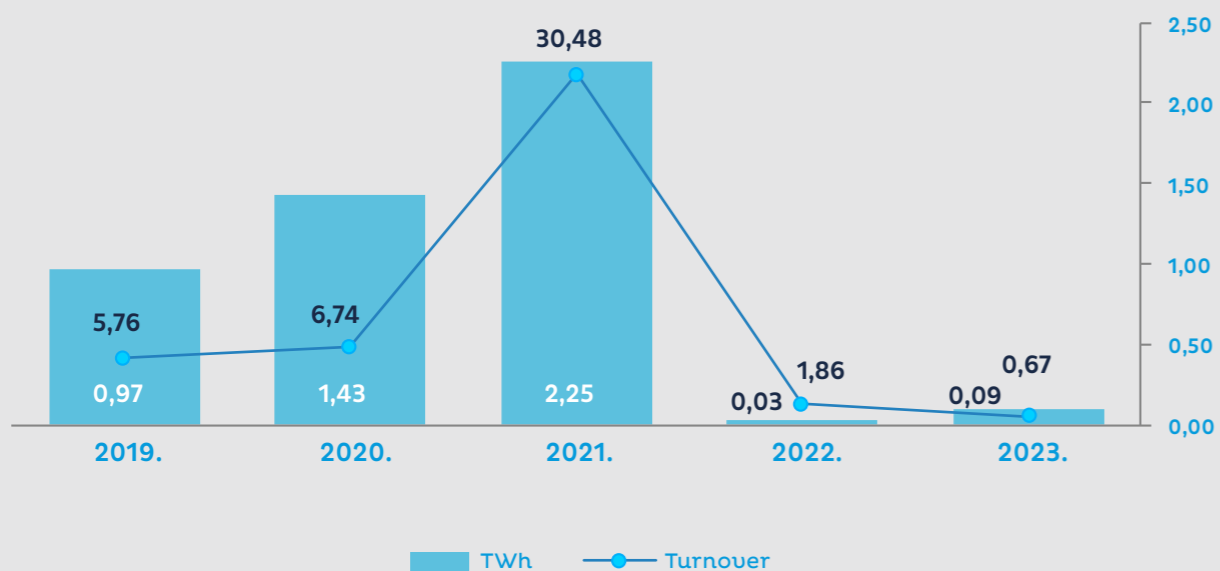
CEEGEX spot trading volume 2019-2023 (duplicated) HUF billion, TWh



HUDEX/GAS

Gas market participants traded 9.1 TWh of turnover on the domestic derivatives energy exchange in 2023, compared to 31.2 TWh of turnover in the previous year. The volume in terms of turnover value was HUF 672.2 bln in 2023 (HUF 1.86 bln in 2022).

HUDEX/Gas futures trading volume 2019-2023 (duplicated) HUF billion, TWh

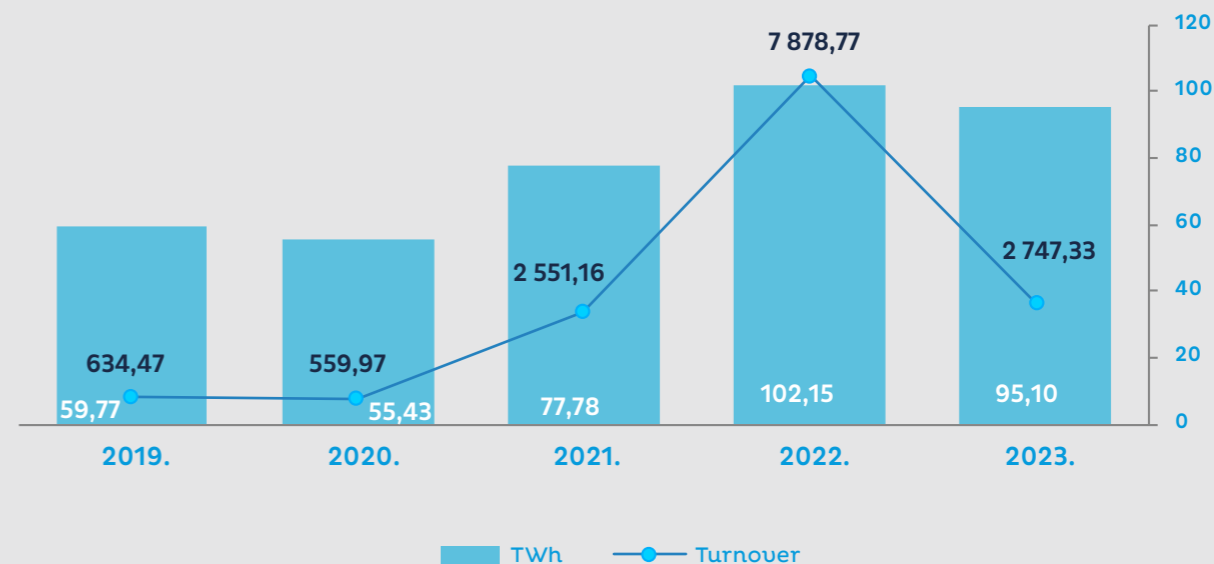


Energy markets - Spot markets

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 of

natural gas and electricity traded reached 95.1 TWh in 2023 with a value of HUF 2.747 bln (102.1 TWh and HUF 7,878.8 bln in 2022). The turnover of day-ahead and intraday electricity products was 48.6 TWh in 2023 (49.18 TWh in 2022). In the market for day-ahead and intraday natural gas products, traders generated 46.5 TWh of turnover (52.97 TWh in 2022).

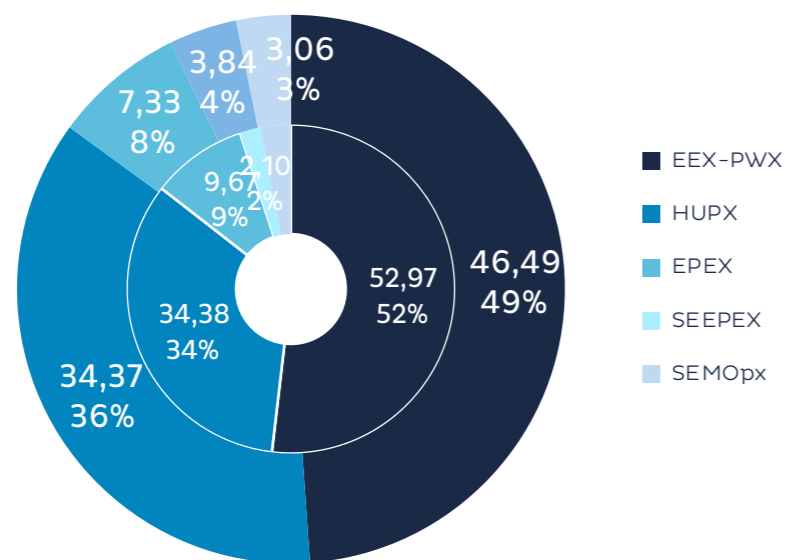
Spot energy market trading volume 2019-2023 (singular) HUF billion, TWh



Four trading venues shared the combined 48.6 TWh turnover of the spot commodity markets. The largest volume was traded on the Hungarian HUPX, with a total of 34.4 TWh, representing a share of 70.7%. The pan-European EPEX

accounted for 7.3 TWh of turnover and 15.1% of the total. The Serbian SEEPEX with 3.8 TWh accounted for 7.9%, while the Irish and Northern Irish SEMOpX with 3.1 TWh accounted for 6.3% of the total turnover.

Spot energy markets trading volume by exchanges in 2023, 2022 (TWh)

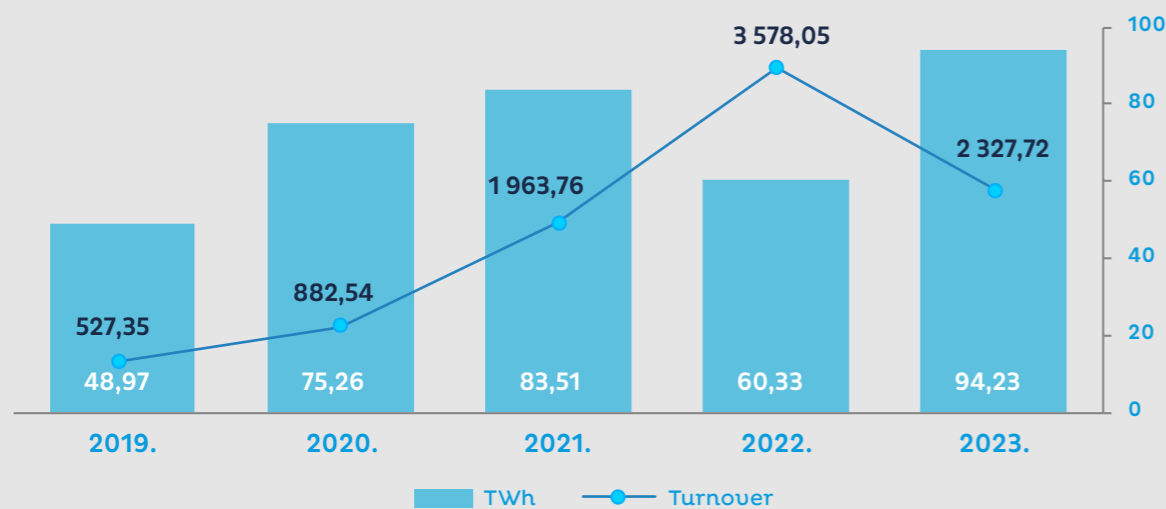


Within the total exchange and OTC registered electricity market turnover of the HUPX day-ahead and intraday market, the market share of KELER CCP was 52.2% in 2023 (54.7% in 2022).

Energy markets - Derivatives markets

In 2023, KELER CCP's clients concluded transactions worth the outstanding values of HUF 2,237.7 bln and 94.2 TWh for gas and electricity products on the EEX energy derivatives exchange (91.8 Twh, of which gas and electricity accounted for 61.1 Twh and 30.7 Twh, respectively) and for electricity products on the HUDEX energy exchange (2.4 Twh), compared to a turnover of gas and electricity derivatives in the volume of 60.3 Twh in 2022.

Futures energy market trading volume 2019-2023 (single counted), HUF billion, TWh



KELER CCP's market share in the registered electricity exchange and OTC turnover of the HUDEX futures was 13.4% in 2023 (18.6% in 2022).

CLIENT RELATIONS

Gas and energy markets, acquisition of clients on the gas and energy market

The year 2023, following the energy crisis, also brought significant activity to KELER CCP in terms of client enquiries. Experience has shown that, as the markets had calmed down, strategic decision making in energy trading companies shifted towards entering the markets. As a result, KELER CCP carried out an unprecedented number of client entries, exceeding even the numbers of 2022: a total of 31 new gas and energy market client acquisitions were made on an annual basis (2022: 26 new acquisitions), while in 4 additional cases, client acceptance by KELER CCP was already approved by the turn of the year, and was only awaiting the related confirmation from the partner clearing house. In contrast, the number of contract terminations was not outstanding, with a total of 5 contracts terminated (2022: 21 contract terminations), each on the basis of a client decision.

KELER CCP operates in a highly competitive international environment, the so-called GCM (general clearing member) business, where it offers access to commodity exchanges serviced by European Commodity Clearing AG (ECC). We closed the year with 97 members (December 2022: 78 members), i.e. we signed contracts with 21 new clients (2022: 17 clients) and terminated contracts with 4 clients (2022: 14 clients). There were no clients for whom the KELER CCP initiated the termination of the clearing membership contract.

In the Hungarian gas markets, which are of particular importance to KELER CCP, we had 79 clearing members at the end of the year (December 2022: 68 members), of which 55 are members of CEEGEX (December 2022: 47) and 28 are members of HUDEX (December 2022: 24) as well. In this segment, we signed contracts with 10 new clients during the year (2022: 9 clients) and contracts with 1 client were terminated (2022: 7 clients), however, the termination of the clearing membership contract was not initiated by KELER CCP but the client.

By the end of 2023, KELER CCP had a total of 152 contracted energy and gas market non-clearing members, and of such clients, 24 companies were trading both on the Hungarian gas market and as non-clearing members at a European trading venue.

Below are some of the events and business development achievements for 2023 highlighted which contributed to both the strengthening of the cooperation with partner trading venues and to the improving of client experience:

- Evaluation of the results of the client satisfaction surveys: overall, the results were very positive, with 10 of the 12 image elements showing improvement (e.g. safety, reliability, professionalism, client-centred approach, etc.) and 2 showing further room for improvement. The latter related to the user-friendliness, sophistication and modernity of the IT technologies applied.

The biggest development of the last year for gas market clients was launched by KELER CCP on 1 August 2023. Feedback from previous and 2021 client satisfaction surveys indicated that clients wished to see harmonised (contemporaneous, preferably netted) gas market closing processes. The harmonisation of trading and clearing practices on 1 August 2023 provides the following benefits to market participants:

- o lower collateral requirement,
- o transparent trading limit system,
- o simplified more transparent post-trade processes,
- o harmonised deadlines of performance,
- o simplified cashflow,
- o simplified invoicing of purchase price,
- o rationalised clearing extracts.

Capital markets, capital market client acquisition

KELER CCP continued to ensure stable, predictable and secure clearing of capital market transactions in 2023. In terms of clients, the number of capital market clients increased by 1 non-clearing member in 2023, but a significant change is that our 2nd foreign exchange client decided to become a direct clearing member this year instead of being a non-clearing member. At the end of 2023, KELER CCP had a total of 29 contracted capital market clearing members (December 2022: 28).

During the last year, the Company placed particular emphasis on communicating with capital market clearing members. In 2022, the market dialogue and professional forum on settlement discipline and "default management" was completed, and in November 2023, the Board of Directors of KELER CCP approved the amendment to the GBR, which also regulates the operation of the multi-round settlement model for the capital market. Therefore in February 2024, following the approval of the MNB, the methodological change that will contribute to reducing the number of late settlements in the clearing of securities transactions can go live.

KELER CCP presented its key clearing members the changes to the margin calculation methodology planned by KELER CCP back in 2022. With the clients affected more significantly, bilateral consultations were also held so that the Company could take into account client feedback on the planned changes. As a result, the margin module of the ALMA system successfully went live on the market on 1 November 2023, achieving the goal that all calculations based on the risk management model should be performed in an automated, closed and auditable system, which is a significant milestone in the life of KELER CCP and provides stability for customers.

Communication, trade fairs

In 2023, KELER CCP continued focusing on professional topics and further strengthening its brand. To this end, KELER CCP was constantly present on different media platforms: it was actively managing its LinkedIn profile and Youtube channel and created the "CCP Academy" page on its website.

In the year 2023, the Company participated at the major energy market conferences (ETCSEE - Vienna, E-World - Essen [where KELER CCP shared a stand with FGSZ Ltd for the first time, to the satisfaction of the clients], GasCon - Budapest, EnergyKon - Budapest, MEKSZ conference - Balatonalmádi, International Gas Conference - Siófok), with the aim of reinforcing the brand of and the service provided by KELER CCP and its contribution to the safe operation of the markets at these events.

In close cooperation with its partners, KELER CCP continued organising open days to learn about each other's processes. In 2023, KELER CCP colleagues were able to learn more about the operating processes of BSE, CEEGEX and FGSZ (TSO).

International relations

KELER CCP is a member of the AFM (Association of Futures Markets) and EACH (European Association of CCP Clearing Houses) and as such regularly participated in the work of the various professional sub-committees in 2023 as well. CCP12 welcomed KELER CCP as a member at its 2023 Annual General Meeting, so the work of this organisation (newly named: CCP Global) will provide further opportunities for professional development and consultation.

Moreover, in 2023, KELER CCP was also represented at the WomenInEnergy (WoNY) Lounge event, attended the SEEGAS regional energy market panel discussions on opportunities for energy market development in the region, and participated in the panel discussion at the event titled "David Murphy in Hungary - CORVINUS" and the panel discussion of the Women in Clearing event in Brussels.

INFORMATION TECHNOLOGY

As in every year, the primary task for the IT area was to ensure a high level of availability for clients in 2023 as well. The new availability policy jointly developed with MNB was introduced on 1 January 2023, and as a result, the IT area now calculates the business availability of KELER CCP for each service separately. The annual Client Availability Rate for KELER CCP was 99.980% in 2023.

Steps taken to maintain and improve operational security

The renewal of components used by business applications is realized as part of the EOS (End of support) project, while the renewal of infrastructure components not directly related to business applications is carried out as an organisational task.

In the backup environment, outdated tape units were replaced with new type LTO9 units. Together with the manufacturer and partner support provided, these devices will ensure that the storage and retrieval of saved files should be efficient in the long term, both in terms of the number of tapes and the retrieval time for the increased data volume.

As part of the process of upgrading the office environment, worn-down VDI devices and outdated, low-category laptops were replaced by business-grade laptops, supplied with manufacturer support for their intended lifetime and the option of on-site repairs.

In addition to performing technical tasks, the organization supported several (Hunguard, MNB comprehensive, auditor's, internal auditor's) audit processes involving the IT area. None of the completed audits contained critical findings for operational security. Some of the tasks identified in the audit findings have been implemented and others are in progress in line with the commitment deadline.

Developments

In 2023, the IT area continued upgrading the database and application servers supporting business applications, and started to upgrade our browser and office software tools under the EOS programme. In addition, the tasks comprising part of the KELER Service Development Programme (KSZP) were also completed in respect of KELER CCP.

Risk management developments

MNB, as the supervisory authority of the KELER CCP, requested on behalf of the College of KELER CCP that KELER CCP should implement the recommendations made by ESMA and MNB. In the event of any exceeding of predefined thresholds, exposures that may arise from imbalances in the balancing market (IP market) on weekends and non-clearing days should be covered by collateral at least on a daily basis, even within the day. The related clearing processes shall be adjusted to reduce the time interval between the collateral

calculation date and the cut-off time of the transactions as far as possible. To address potential risks from OTC transactions, OTC data circles shall be obtained and incorporated into IP risk management methodologies.

Risk management system (ALMA)

In recent years, KELER CCP started to develop an integrated risk management system (ALMA - Analysis of Liquidity and Margining system) as a greenfield investment. The integrated risk management system was designed to allow the introduction of an integrated, closed, automated and auditable application.

ALMA project aimed at automating the risk management calculations and mandatory reports and analyses of KELER CCP and validating the risk management models by creating an integrated and auditable application.

The project scope included the implementation of the haircut and margin modules. The go-live of the haircut functions was successfully completed on 12 December 2022, to the satisfaction of users. The margin module went live on 2 November, 2023. The administrative closure of the project is going to take place in early 2024.

Trading of individual FX futures equity contract

BSE indicated the demand, in line with market practice and the needs of market participants, for KELER CCP to provide FX clearing for the individual futures equity contract, given that BSE provides futures trading for the base product for Premium Class shares. As GSPARK had been trading and clearing in EUR since mid-February 2023, it was requested that this futures product could also be cleared in EUR accordingly, as well as an improvement to support the subsequent HUF->EUR change of denominations. The process improvements implemented also included efficiency and BCP improvement measures.

2022 gas market consolidation III

In 2019, the strategic partners FGSZ, CEEGEX and HUDEX, which operate the gas market platforms cleared by KELER CCP, initiated significant changes in the functioning of the cleared markets. As a result, a jointly agreed concept was developed in agreement with the market operator partners, with the aim of creating a simpler, more transparent and financially more favourable operating model for system users and market participants in the Hungarian gas market as a whole. As the last step in the implementation of the concept, the merging of the market closure processes was completed in 2023 and new and unified gas market extracts were created. In addition, HUDEX saw the development of import functions, changes to counterparty statuses and the introduction of cash settlement financial products, as well as other changes and several minor development needs.

HUMAN RESOURCES POLICY

The main task of the Human Resources policy area in 2023 continued to be to support the organisation in order to ensure the high quality of the work of KELER CCP. As of 31 December 2023, the KELER CCP had 29 employees. There were no organisational changes affecting KELER CCP in 2023.

The priority tasks included in 2023 as well the motivation and retention of existing staff, and the provision of adequate human capital for the successful implementation of the projects and operation of KELER CCP. In the human resources area, the main objectives were to maintain a healthy balance between home and office work, to continue managing organisational development and to provide human resources due to staff turnover.

In addition to the obligatory training, the complex information days introduced back in 2019 to integrate, inform and support the new employees allowed them to get acquainted with the operation of certain areas of the KELER Group.

In the year 2023, the E-learning system was introduced, which is an online platform for conducting and recording internal training and education programmes, and which also functions as a knowledge bank by providing central access to the materials of trainings and educational courses.

The integration of new entrants is also served by the exam to be absolved on the E-learning platform, which is to be completed by new colleagues in the weeks following their entry and which contributes to the acquisition of knowledge relevant to the activities and operation of the individual areas and the work to be performed by the individual colleagues.

The series of lectures previously launched to promote internal knowledge sharing continued in 2023 as well. In addition, KELER CCP employees were provided the opportunity to take part in a range of training programmes, trainings and educational courses in 2023 as well to enable them to expand and develop their knowledge, skills and abilities.

Last year, Human Resources Policy once again collected employees' opinions and conducted a complex company diagnosis for the fourth time. The survey examined the effectiveness of the Company and how this influenced the organisational culture, as well the impact of the interventions on the organisation from the perspective of executives and employees.

In the year 2023, the KELER CCP continued to provide the financial coverage necessary to maintain the value of wages and remunerations appropriate for the prestige of the KELER Group.

KELER CCP also continued providing its employees the possibility of working from home with unchanged conditions, in a hybrid model in 2023 as well, which had become widespread in practice and preferred in previous years and also constitutes significant advantage for the Company in the labour market.

In addition, an organisation-wide competency assessment was commenced in the second half of the year. Certain competences were tested uniformly for all employees and each area identified the "skills" essential for its proper functioning individually.

The HR area will continue to strive to be flexible in adapting to the needs of the areas of KELER CCP in order to ensure the necessary professional mix and to provide training and retraining for colleagues where necessary. Moreover, KELER CCP also paid particular attention in 2023 to organising both team-building and professional events for its staff, including but not limited to the Sports and Cooking Day in June, the Panorama ("Körkép") and KELER CCP Birthday in September, and the Christmas event.



INTERNAL AUDIT



In 2023, 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 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 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 2023, five IT banking security and seven non-IT audits were completed. Within the audits carried out, there were ten thematic, four targeted audits and one follow-up audit.

The thematic audits covered the following areas

- SWIFT annual security assessment,
- Remuneration Policy,

- Liquidity management,
- Compliance with ISO/IEC 27001:2014,
- The margin and guarantee system,
- External and internal communication,
- Management of outsourced activities, including IT application surveillance,
- Incident management process,
- Capital market clearing.

In the context of the target audits, the area monitored haircut compliance, the conduct of disaster recovery tests, the backup order, licence management and source code depositing. The implementation of the measures taken on the basis of the findings of the previous official examinations was reviewed in the framework of a separate follow-up inspections.

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 findings of the Internal Audit was discussed by the Supervisory Board of the Company at its regular meetings.



SECURITY MANAGEMENT

In 2023, KELER CCP also reviewed its cyber defence strategy in line with its new business strategy and formulated plans and steps to respond to business needs and the challenges of the changing security environment in the medium term. As a result, KELER CCP's Board of Directors adopted KELER CCP's Cybersecurity Strategy for 2023-2027, which will enable the depository to meet high security expectations effectively. The strategy fully builds on and reflects the achievements and objectives of the previous strategic period, which favours a more proactive incident management in the event of potential cyber-attacks. The strategy also responds to a large extent to the expectations of the regulations CROE (Cyber resilience oversight expectations for market infrastructures) and DORA (Digital Operational Resilience Act). The area remains a business-oriented and supportive organisation, helping the company to achieve its business strategy, as well as compliance with statutory requirements. During 2023, KELER CCP successfully underwent a maintenance audit for the ISO 27001:2014 certification obtained in 2022, which covers the core services of the CSDR central securities depository, the licensed banking services and the banking type services, the IT, other business and support processes supporting them, and the processes under the EMIR service, the IT, other business and support processes supporting them, performed by KELER CCP as an outsourced activity. The physical scope of the Information Security Management System (IBIR) covers the fields of primary business administration, alternative business administration and both data processing centres of KELER CCP.

In 2023, KELER CCP met the following main objectives in the area of security:

- The business impact analysis (BIA) and the associated risk analysis were updated repeatedly.
- The Business Continuity Framework and associated BCP-DRP plans were reviewed, and their annual testing also took place.
- The area further strengthened its incident management capability by further expanding the use of the SIEM system, extending the system and adding new log sources.
- In the area of more proactive incident management, IoC (Indicators of compromise) feeds and threat intelligence solutions from major security companies were implemented and connected for several security systems.
- An advanced DNS security solution was implemented to strengthen proactive security controls.
- Our endpoint protection solutions were also significantly strengthened with the introduction of EDR (Endpoint Detection and Response) technology, which can also deliver a much faster response at the endpoint.
- Continuous vulnerability scanning was implemented for the infrastructure available from the direction of the internet, with the ability to take immediate action in the event of a vulnerability.

- Information security controls were regularly reviewed to ensure risk-based protection and compliance with external requirements and several penetration tests were conducted.
- In several areas, a set of security controls were identified that will result in significant improvement in the level of security in 2024, following the transformation of the IT network and the test environments.
- As part of the preparation for the DORA Regulation, an extensive GAP analysis was carried out and plans were identified the implementation of which is expected to result in compliance by the beginning of 2025.



ENVIRONMENTAL PROTECTION

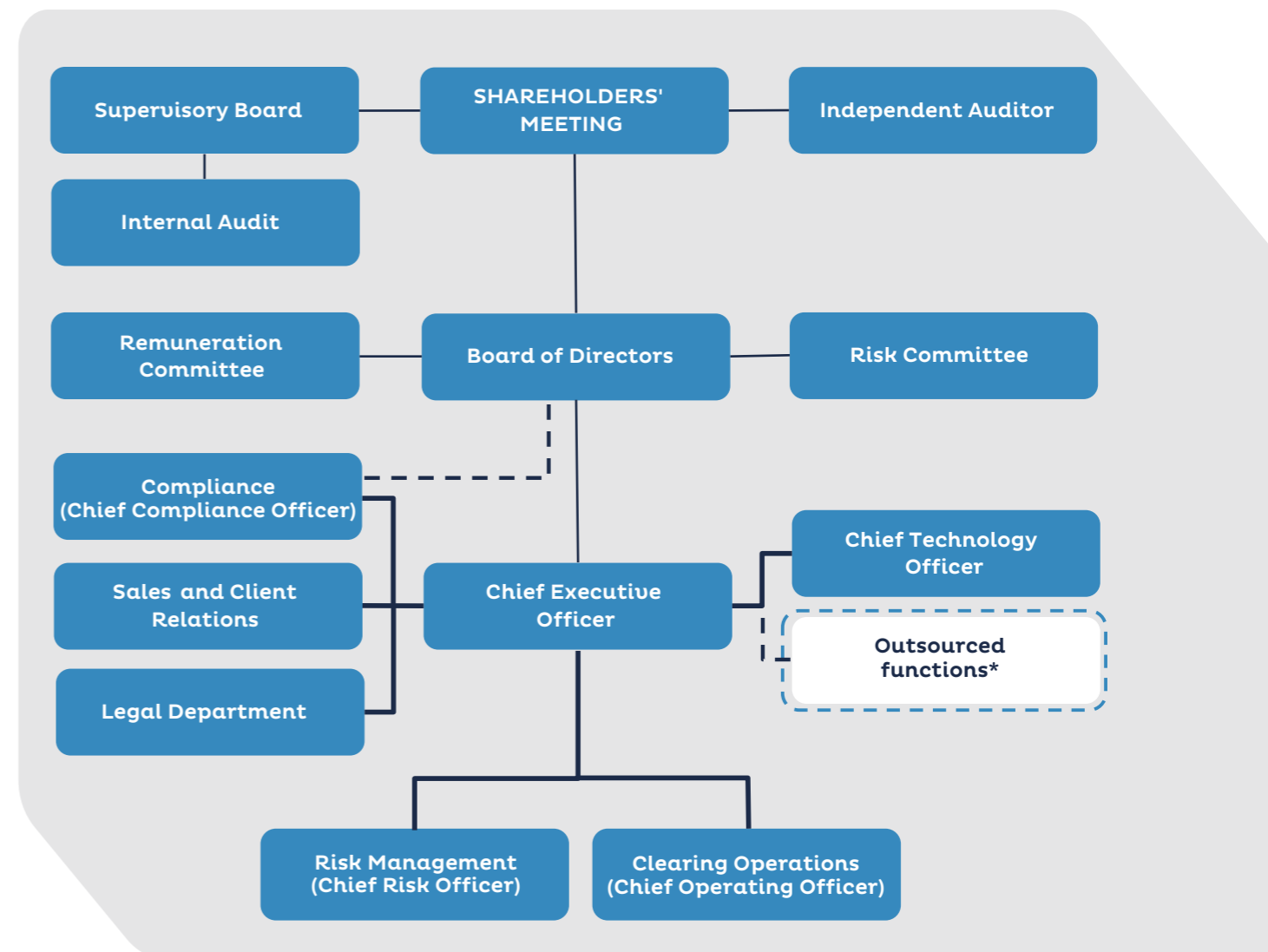
The environmental responsibility of the KELER Group is not significant due to the nature of its activities, as no environmental damage is likely to occur in the course of its operations. The KELER Group does not use any hazardous substances that require authorisation in its activities.

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, and the installation of low-flow taps in wet rooms will help reduce water consumption.

ORGANIZATIONAL STRUCTURE

(AS OF 31 DECEMBER 2023)



***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. FRUzsINA FÜZESI
Head of Sales and Client Relationship



Ms. DÓRA TAJTHY Dr.
Senior Legal Advisor



Ms. RITA BARNA Dr.
Chief Compliance Officer



Ms. ÁGNES JUHÁSZ
Chief Advisor



Mr. KRISZTOFER MOLNÁR
Chief Technology Officer



Mr. GÁBOR PLUZZIK
Internal Auditor

GENERAL INFORMATION

Effective between 1 January 2023 and 31 December 2023

Ownership structure

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 Ltd.	HUF 2 380 000	0,07 %**
TOTAL	HUF 3 423 200 000	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:

Mr Zsolt Selmeczi-Kovács dr.

Members of the Board of Directors:

Mr Csaba Kornél Balogh

Mr Dániel Horváth

Mr Kolos Kardkouvács dr. (2023. június 1-től)

Mr Dániel Körmöczi

Ms Babett Paulics

Mr Gábor Horváth (from 1 June 2023)

Mr László Berényi (until 12 May 2023)

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.

CONTACT

CONTACT

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Home page: www.kelerkszf.hu

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Phone: +36 30 481 4331

E-mail: ugyfelszolgalat@keler.hu

SERVICE DESK

Available from 7.00 until 20.00

Phone: +36 1 483 6228

Phone: +36 1 483 6120

