

KELER CCP LTD.

**Standalone Financial Statements prepared in accordance with International Financial
Reporting Standards as adopted by the European Union
and
Independent Auditor's Report**

for the year ended 31 December 2020

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Explanation of the abbreviations used in the financial statements:

AC	Debt instrument measured at amortized cost
AFS	Available-for-sale (financial instruments)
CBH	Central Bank of Hungary
CCP	Central Counterparty
CGU	Cash Generating Unit
DKJ	Discount treasury bill
EAD	Exposure at default
ECC	European Commodity Clearing
ECL	Expected Credit Loss
EMIR	European Market Infrastructure Regulation
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GCM	General Clearing Member
HAS	Hungarian Accounting Regulation
HTM	Held-to-maturity (financial instruments)
IAS	International Accounting Standards
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
LGD	Loss given default
LR	Loans and receivables (financial instruments)
MHUF	Million Hungarian Forint
OTC	Over the counter market
PD	Probability of default
PO	Performance Obligation
ROU	Right of use asset
SPPI	Solely Payments of Principal and Interest
THUF	Thousand Hungarian Forint
WACC	Weighted average cost of capital

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of KELER CCP Ltd.

Report on Audit of Financial Statements

Opinion

We have audited the financial statements of KELER CCP Ltd. (the „Company”) for the year 2020 which comprise the statement of financial position as at December 31, 2020 – which shows a total assets of thHUF 72.943.649 –, and the related statement of recognized income, statement of comprehensive income – which shows a total comprehensive income of thHUF 527.439 –, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act”) relevant to the entities preparing financial statements in accordance with EU IFRS.

Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "*The Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report.

We are independent of the Company in compliance with the relevant effective Hungarian regulations and the “Rules of conduct (ethical rules) of the auditor profession and the disciplinary process” of the Chamber of Hungarian Auditors and, in respect of matters not regulated therein, the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

Other Information: The Business Report

Other information includes the business report of the Company for 2020. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled „*Opinion*” does not apply to the business report.

Our responsibility in connection with our audit of the financial statements is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities also include assessing whether the business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, and to express an opinion on the above and on whether the business report is consistent with the financial statements.

In our opinion, the business report of the Company for 2020 corresponds to the financial statements of the Company for 2020 and the relevant provisions of the Accounting Act in all material respects. As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

In addition to the above, based on the information obtained about the Company and its environment, we must report on whether we became aware of any material misstatements in the business report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives during the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Company's internal control that we identify during the audit.

Budapest, May 3, 2021

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Molnár Gábor
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor
Registration number of statutory registered auditor: 007239

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

KELER CCP Ltd.
Stand alone Statement of Financial Position
As of 31 December 2020

(All amounts in THUF)

		31.12.2020	31.12.2019
Cash and cash equivalents	6	43 696 616	19 765 012
Debt instruments measured at fair value through other comprehensive income	7	4 990 030	3 999 775
Trade receivables relating to gas market	8	439 468	2 485 215
Trade receivables relating to central counterparty and other service	9	178 975	222 074
Other receivables	10	140 852	620 611
Receivables from repurchase agreements	10	0	8 942 350
Receivables from foreign clearing houses	11	22 789 869	18 175 567
Intangible assets	12	670 133	532 146
Property, plant and equipment	13	33 479	41 683
Income Tax - Deferred tax assets	20	4 227	9 877
TOTAL ASSETS		<u>72 943 649</u>	<u>54 794 310</u>
Trade payables	14	302 119	346 048
Trade payable from gas market activity	8	441 961	2 465 314
Other payables	15	130 338	166 973
Income Tax - Current tax liability	15	11 377	18 693
Default Fund liabilities	16	4 940 939	6 950 315
Financial guarantee contract liability	17	8 119	5 747
Collateral held from energy market participants	18	43 151 716	36 231 222
Collateral held from gas market participants	18	14 824 450	0
Lease liability	19	27 347	32 154
TOTAL LIABILITIES		<u>63 838 366</u>	<u>46 216 466</u>
Share capital	21	2 623 200	2 623 200
Capital reserve	21	3 934 800	3 934 800
Retained earnings	21	2 536 402	2 019 580
Reserves of financial instruments measured ad fair value through other comprehensive income	21	10 881	264
TOTAL SHAREHOLDERS' EQUITY		<u>9 105 283</u>	<u>8 577 844</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>72 943 649</u>	<u>54 794 310</u>

KELER CCP Ltd.
Stand alone Statement of Comprehensive Income
For the year ended 31 December 2020

(All amounts in THUF)

		01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Revenues from counterparty services	23	1 784 145	1 713 156
Other non-counterparty services	24	44 682	196 866
Bank service fees	26	-87 422	-78 993
Personnel expenses	27	-530 009	-469 759
Depreciation and amortization	12,13	-97 410	-92 747
Other operating expenses	28	-754 688	-794 444
Impairment of financial assets	29	135	-152
Impairment of non-financial assets	12,13	-5 679	-23 708
Expense/(income) from changes in financial guarantee funds liabilities	17	-2 372	-320
Operating expenses		-1 477 445	-1 460 123
Net operating income		351 382	449 899
Interest incomes for items measured at AC		314 648	220 614
Interest incomes for items measured at FVTOCI		13 092	11 296
Interest expense		327 740	231 910
Net interest income	30	-337 705	-239 736
Other financial gains/(losses)	31	227 111	45 618
Financial income		217 146	37 792
INCOME BEFORE INCOME TAX		568 528	487 691
Income taxes	32	-51 706	-45 377
PROFIT OR LOSS FOR THE PERIOD		516 822	442 314

KELER CCP Ltd.
Stand alone Statement of Comprehensive Income
For the year ended 31 December 2020

(All amounts in THUF)

		01.01.2020 - 31.12.2020	01.01.2019 - 31.12.2019
Other comprehensive income, net:			
Remeasurement gains/losses of financial instruments measured at fair value through other comprehensive income	33	11 667	-674
Income tax of other comprehensive income	33	-1 050	61
Other comprehensive income for the period		10 617	-613
		<hr/>	<hr/>
Of which later to be reclassified to net income:		10 617	-613
Of which later not to be reclassified to net income:		0	0
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		527 439	441 701
		<hr/> <hr/>	<hr/> <hr/>

KELER CCP Ltd.
Stand alone Statement of Changes in Shareholder's Equity
For the year ended 31 December 2020

(All amounts in THUF)

	Share Capital	Share premium	Fair value through other comprehensive income debt instruments revaluation reserve	Retained Earnings	Total
Balance as of 1 January 2019	<u><u>2 623 200</u></u>	<u><u>3 934 800</u></u>	<u><u>877</u></u>	<u><u>1 577 266</u></u>	<u><u>8 136 143</u></u>
Total comprehensive income for the year			-613	442 314	441 701
Balance as of 31 December 2019	<u><u>2 623 200</u></u>	<u><u>3 934 800</u></u>	<u><u>264</u></u>	<u><u>2 019 580</u></u>	<u><u>8 577 844</u></u>
Balance as of 1 January 2020	<u><u>2 623 200</u></u>	<u><u>3 934 800</u></u>	<u><u>264</u></u>	<u><u>2 019 580</u></u>	<u><u>8 577 844</u></u>
Total comprehensive income for the year			10 617	516 822	527 439
Balance as of 31 December 2020	<u><u>2 623 200</u></u>	<u><u>3 934 800</u></u>	<u><u>10 881</u></u>	<u><u>2 536 402</u></u>	<u><u>9 105 283</u></u>

KELER CCP Ltd.
Stand alone Statement of Cash Flows
For the year ended 31 December 2020

(All amounts in THUF)

	01.01.2020	01.01.2019
	31.12.2020	31.12.2019
CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT BEFORE TAXES	568 528	487 691
Interest expense	337 705	239 736
Interest income	-327 740	-231 910
	9 965	7 826
Non cash items - adjustments		
Depreciation and amortization charged	97 410	92 747
Impairment loss / reversal	6 339	23 734
Gains and losses realized on securities	64	0
Foreign exchange rate losses/(gains)	-217 018	-47 810
	2 372	320
Recognition / release of financial guarantee contract		
Operating cash-flow before working capital adjustments	467 660	564 508
Changes in the net balance of gas market transactions, net	22 394	12 760
Changes in the net balance of security funds	19 735 568	-1 809 740
Changes in the receivables from balance with other clearing houses	-4 446 235	1 607 965
Decrease/(increase) in trade and other receivables	9 465 475	662 675
Increase/(decrease) in trade and other payables	-73 322	31 658
Interest paid	-338 061	-245 593
Income tax paid	-54 422	-21 819
Cash generated (+) / used (-) in operation	24 779 057	802 414

KELER CCP Ltd.
Stand alone Statement of Cash Flows
For the year ended 31 December 2020

(All amounts in THUF)

	01.01.2020 31.12.2020	01.01.2019 31.12.2019
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of financial assets	-5 465 404	-6 949 982
Cash proceeds from financial instruments held for investment purposes	4 499 711	5 954 704
Acquisition of property, plant and equipment	-4 929	-2 281
Acquisition of intangible asset	-240 915	-110 739
Cash proceeds from disposal of property, plant and equipment	12 444	88
Proceeds from interest	312 717	206 841
Cash generated (+) / used (-) from investing activity	-886 376	-901 369
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from capital contribution	0	0
Lease paid	-9 256	-7 549
Cash generated (+) / used (-) from/in financing activity	-9 256	-7 549
Net increase (+) / decrease (-) in cash and cash equivalents	23 883 426	-106 504
Opening cash and cash equivalents	19 765 012	19 853 295
Foreign exchange rate difference on closing cash and equivalents	48 951	18 351
Expected credit loss balance on cash and equivalents	-773	-130
Closing cash and cash equivalents	43 696 616	19 765 012
Net (decrease)/increase in cash and cash equivalents	23 883 426	-106 504

NOTE 1: GENERAL

Statement of IFRS compliance

These financial statements of KELER CCP Central Counterparty private company limited by shares (hereinafter referred as the “Company” or “KELER CCP”) and its’ Separate subsidiary (together also referred to as the ‘Entity’) were prepared in accordance with IFRSs, as adopted by the EU. The management declares that the Entity fully complies with the provisions of IFRSs/IASs and IFRICs/SICs as endorsed by the European Union. The management made this declaration in full awareness of its responsibility.

The Company's management determined that the Entity will be able to continue as a going concern. Therefore, there are no signs that would indicate that the Entity intends to terminate or significantly reduce its operations in the foreseeable future.

These financial statements were prepared using the accrual basis, which means that the business transactions are accounted for regardless of the financial settlements.

The Entity generally measures its assets and liabilities on a historical cost basis, except for cases where a given item should be measured at fair value under IFRS. Additional disclosures about the measurement basis is further discussed in Note 2.

The Company (legal form, seat)

KELER CCP was founded as a limited liability company according to the Hungarian laws on 6 June, 2008. In 2011 KELER CCP was transformed to a private company limited by shares. Company’s seat is H-1074 Budapest, Rákóczi str. 70-72.

Shareholders

The current ownership structure of the company is valid since 25th October 2018.

KELER Central Depository Ltd.	99.81%
Central Bank of Hungary	0.1%
Budapest Stock Exchange (BSE)	0.09%

The ultimate parent of KELER CCP Ltd. is the Central Bank of Hungary (a major shareholder of KELER Central Depository Ltd. The major shareholder of BSE is also the CBH). The sole shareholder of CBH is the Hungarian State. The seat of the ultimate parent is 1054 Budapest, Szabadság tér 9.

The activity of the Entity

KELER CCP is a central counterparty business association under the requirements of the Act CXX of 2000 on the Capital Market of Hungary (hereinafter “Tpt.”) and Regulation (EU) No 648/2012 on OTC derivatives, central counterparties, and trade repositories (“EMIR (EU) No 648/2012”). KELER CCP as central counterparty, undertakes guarantee for transactions concluded on the Budapest Stock Exchange (“BSE”), and for the financial performance of gas market, KELER CCP as a general clearing member undertakes guarantee for the financial performance of energy market transactions towards European Commodity Clearing AG. KELER CCP’s direct partners are financial institutions (credit institutions and investment firms), commodities service providers, energy trading license holders and participants of an

organized market. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

KELER CCP has obtained the EMIR license on 4 July 2014 from the Central Bank of Hungary

The upper limit of the of the guarantee payment of KELER KSZF is derived from the equity of the Entity (ie. basic guaranteeing equity and guaranteeing supplementary equity).

NOTE 2: BASIS OF PREPARATION

Basis of measurement

The Entity generally measures its assets and liabilities on historical cost basis, except for cases where a given item should be measured at fair value under IFRS. Latter includes derivatives and available for sale financial assets that are stated at fair value.

Functional currency, presentation currency

These Separate financial statements are presented in Hungarian Forints, which is the primary economic environment in which the Entity operates (functional currency).

All amounts in the financial statements of the Entity are rounded to the nearest thousand ("THUF").

Use of estimates and judgment's

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

In preparing its financial statements, the Entity made critical estimates in connection with the following topics which, as a result, are sources of uncertainty.

- The fair value of the financial instruments are valued at fair value as required by the IFRSs. These fair values are mostly quoted prices or based on quoted prices (Level 1 and Level 2). However, they may change significantly over time leading to significantly different values as expected at the measurement day. Items measured at fair value which is Level 3 measurement is especially judgmental, since the input date was determined based on information not directly observable. The information regarding the level of measurement of the items is provided in Note 37.
- The management's judgment in calculating the expected credit loss (ECL) of financial assets is an important decision. These estimations are done by risk management experts using widely accepted principles and assumptions. Due to the nature of these estimations the actual credit loss may differ from the expected amount.
- The useful lives, the residual values and the recoverable amounts of intangible assets and property, plant and equipment are all based on estimates. Changes in these estimates may significantly change reported figures.
- The Entity has a right-of-use asset where the underlying asset is the office building The value of this asset was arrived to by discounting back the future cash flows from the lease agreement. For this computation the incremental interest rate was estimated. This

was a material estimation since it affects both the value of the ROU and the lease liability value.

- Certain items of the Entity's assets can be tested for impairment at CGU level only. Identifying CGUs requires complex professional judgment. When determining the recoverable value of CGUs, the Entity's management relies on certain forecasts that are uncertain by nature. Current estimation suggests that the entity as whole qualifies as a CGU.
- The Entity applies estimates and judgments to determine the value of the Customer relationship asset (recognized as an intangible). The recoverable amount of this asset is reviewed annually. This estimation is a significant judgment and source of uncertainty (See Note 12).
- Deferred tax assets and liabilities depend on the legal environment. Changes in the legal environment may result in a significant change in the value of such items.
- The Entity recognized a financial guarantee liability that was measured at fair value. The value depends on the predictions and expectations about the future. The nature of the estimation makes this a material judgement.

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency transactions

Transactions in foreign currencies are translated to Hungarian Forint at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated to Hungarian Forint at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Hungarian Forint at foreign exchange rates effective at the dates the values were determined.

From the Entity's perspective the following foreign currencies are relevant:

	2020 closing	2020 average	2019 closing	2019 average
€	365,13	351,17	330,52	325,35

b) Cash and cash equivalents

Cash includes deposits repayable on demand. Cash equivalents are liquid investments with insignificant risk of value change and maturity of three months or less when acquired. Typically certain state bonds and treasury bills may meet the foresaid definition. Cash and cash equivalents are carried at amortized cost in the Separate Statement of Financial Positions.

c) Financial assets and financial liabilities

Classification

Financial assets or financial liabilities at fair value through profit or loss (FVTPL) are financial assets and financial liabilities that are classified as held for trading mainly for the purpose of profit-taking, are derivative instruments or upon initial recognition are designated as at fair value through profit or loss.

The Entity does not have any financial instruments at the end of this period, which is classified to the category FVTPL due to its nature being held for trading.

Debt instruments that meet both SPPI test and the business model of it is hold to collect will be classified at AC category and will be carried at amortized cost. This category include: accounts and other receivables, receivables from foreign clearing houses etc.

Debt instruments meeting the SPPI test with a business model of held to collect and sell will be classified at FVTOCI category

The treasury bills held by the entity are classified to th FVTOCI debt category

The Entity classifies its equity instruments -unless they are held for trading- into FVTOCI, meaning that the asset is measured at fair value at each reporting date (with the cost being considered as fair value in some cases) and the gain/loss is related to other comprehensive income.

The Entity does not holds any instruments at the end of this period.

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

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

Recognition

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

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets expire or the Entity transfers substantially all risks and rewards of ownership of the financial asset (without retaining significant right).

Measurement

Subsequent to initial recognition, all financial assets not falling under AC category and financial liabilities at fair value through profit or loss are measured at fair value. If no quoted market price exists from an active market and fair value cannot be reliably measured, the Entity uses valuation techniques to determine fair value.

Financial assets categorized to the AC category and all financial liabilities other than at fair value through profit or loss, are measured at amortized cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

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

For financial assets in the AC category and financial liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or financial liability is derecognized or impaired, and through the amortization process (as net income).

Income from effective interest on a FVTOCI instrument will be taken to net profit separately from the expected credit loss of this instrument (which is recognized in a different category of net profit). The valuation gain or loss of such a financial asset shall be recognized in other comprehensive income. Gain or loss on disposal (sale or expiration) of FVTOCI financial assets are recognized in net profit, while the previously accumulated other comprehensive income is reclassified to the income statement.

For equity instruments under FVTOCI, the accumulated gain or loss on revaluation will not be reclassified to the net profit once disposed, but it will be transferred directly to retained earnings.

Fair value measurement

The fair value of financial instruments is determined based on the requirements of *IFRS 13 Fair Value Measurement* (“IFRS 13”) and internal policies established in accordance with that

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

Where discounted cash flow techniques are used, estimated future cash flows are based on the Entity’s economic estimates and the discount rate is a market related rate at the end of reporting period for an instrument with similar terms and conditions. Where valuation models are used, inputs are based on market related measures at the end of reporting period.

Level 1: The input for the fair value is the unadjusted quoted price, no other input is used for the valuation.

Level 2: All inputs are directly or indirectly observable but there are inputs other than the quoted price.

Level 3: The fair value of derivatives that are not exchange-traded are estimated at the amount that the Entity would receive upon normal business conditions to terminate the contract at the end of reporting period taking into account current market conditions and the current creditworthiness of the counterparties.

The fair value of the treasury bills of the Entity is classified into Level 2. The fair value is based mainly on observable prices however, when the fair value of these assets cannot be determined based on such quoted prices, instrument are measured based on yields remarkable for similar financial instruments .

Amortized cost measurement

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

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

Impairment of financial assets (expected credit loss)

For financial assets measured at AC or FVTOCI expected credit loss is recognized. The credit loss is the cash shortfall throughout the life of the financial asset. The expected credit loss is determined from multiplying:

- exposure at default (EAD);
- loss given default (ratio) (LGD);
- probability of default (PD) for the relevant period.

When items are recognized the 12-month ECL is considered. This is arrived to using the 12 month PD, reflecting the probability of default happening in the next 12 months. This is referred to as stage 1 ECL. This loss is recognized in net profit, without lowering the carrying amount of the instrument but a contra-active asset is used (allowance). The gross carrying amount of the asset remains unchanged.

If the credit quality of the asset deteriorates the instrument is reclassified into stage 2, where lifetime PD is considered. This is arrived to using the lifetime PD. This loss is recognized in net profit, without lowering the carrying amount of the instrument but a contra-active asset is used (allowance). The gross carrying amount of the asset remains unchanged.

It is assumed that the credit quality of the asset is deteriorated when any of following conditions is met or based on assessment of the management this is occurred.

- the contractual cash flows are more than 30 days past due ('DPD 30 days rule'), excluding that case, when the delay has another reason. Regardless DPD 30 days rule, increase in risk shall be assumed, if based on market information the financial status of the partner is deteriorated, that can cause shortfall if cash flows.

It is assumed that there is significant deterioration in the credit quality if any of the following situations exist:

- severe financial difficulties of the issuer or the borrower;
- breach of the contract, missing repayment of capital or principal repayment;
- renegotiation of the contract or other reliefs due to the financial difficulties of the counterparty;
- it becomes probable that borrower will be subject to liquidation or other similar reorganizational procedure
- disappearance of an active market
- it can be concluded that the contractual cash flows are not going to be collected.

If the credit quality of the asset deteriorates even further – so the asset becomes impaired – the item will be classified into stage 3. In this case the item's carrying amount is lowered directly any previously recognized allowance will be deducted from the carrying amount.

If the quality of the financial asset later improves the asset may be reclassified back from stage 3 to stage 2 and from stage 2 to stage 1.

It is considered that an item is defaulted if the contractual cash flow are 90 days past due, although if market conditions suggest the defaulted status may be concluded earlier.

The entity presumes that the credit quality deteriorates once the contractual cash flows are more than 30 days past due.

The default (impaired status) is a situation when the contractual cash flow is more than 90 days past due (90 DPD rule), unless the reason of the delay may be traced back to a clear reason other than deterioration in the credit quality. The default can be identified before the missing cash flow becoming 90 days past due, if market information suggest that.

The following sings are considered to be deteriorations in the credit quality:

- market data
- change in the economic environment
- independent rating agencies
- comparable data
- conclusions of the risk assessors
- forbearance
- payment behaviour

For certain individually small balance receivables ECL is calculated on a collective basis. For accounts receivables the simplified method is applied, where immediately the lifetime ECL is charged but there is no continuous tracking of the credit quality.

For this purpose the Entity splits the accounts receivables into two portfolios: receivables from the gas activity and other account receivables. The ECL is determined using the following ratios:

Past due	ECL ratio
Less than 90 DPD	1%
Between 90 – 180 DPD	50%
Over 181 DPD	100%

For the gas portfolio:

Past due	ECL ratio
Less than 90 DPD	0,001%
Between 90 – 180 DPD	1%
Between 181 – 365 DPD	25%
Between 366 – 550 DPD	90%
Over 551 DPD	100%

If an expected credit loss is reversed it shall be recognized in net profit (decreasing the expected credit loss expense).

d) Accounting for impairment losses other than financial instruments and identifying CGUs

The Entity tests its assets for impairment each year. Testing consists of two stages. The first stage is to examine whether there are signs indicating that the assets in question are impaired. The following are signs that a given asset is impaired:

- damage;
- decline in income;
- unfavourable changes in market conditions and a decline in demand;
- increase in market interest rates.

Should there be any indication that an asset is impaired, a calculation which allows the recoverable amount of the asset to be determined is performed (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use.

If the value in use of a Entity of assets cannot be determined as it does not generate any cash flows itself (it is not in use), the test is performed with respect to the cash-generating units (CGUs).

First the impairment is determined on the level of the individual asset (if possible).

If the value in use can only be determined with respect to the CGUs and impairment needs to be accounted for, impairment losses are recognized as follows:

- first, damaged assets are impaired;
- second, the goodwill is reduced;
- third, the remaining amount of impairment losses are split among property, plant and equipment (PPE) and intangible assets in the CGU in proportion to their carrying amount prior to impairment.

The value of assets may not drop below their fair value reduced by their individual cost of disposal.

Impairment testing is performed by the Entity at the end of reporting period or when it is clear that impairment needs to be recognized.

The impairment – in case of changes in the circumstances – may be reversed against net profit. The book value after the reversal may not be higher than the book value if no impairment loss was recognized previously.

The Entity has concluded that it has a cash-generating unit, the CCP activity (clearing house and central counterparty).

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The rates used by the Entity are 14.5% for fixtures and fittings, 25% for office equipment and computers, 20% for vehicles and 50% for mobile phones.

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

f) Right-of-use-asset (ROU)

The Entity discloses the assets acquired through a lease transaction as a right-of-use asset. The ROUs are subsequently measured using the cost model and the amortization of this asset is mostly based on the contractual period. The ROUs are tested for impairment using the regulation of IAS 36. The ROU is presented together with the asset Company of which the underlying asset belongs to. The ROUs are disclosed separately in the Notes.

g) Intangible assets

Intangibles are stated at cost less accumulated depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. For software 25% depreciation rate is used on a straight-line basis.

Acquired customer relationship is an intangible asset with indefinite useful life, therefore no systematic amortization is charged on them. It represents contracts, concessions, licenses and similar rights in the course of the contribution of the clearing line of business in 2013 from KELER CCP's parent Company (KELER Ltd.). These are subject to yearly impairment test. No impairment charge was required based on the impairment test performed at the end of 2020 reporting period.

The intangible assets include a purchased customer list which was determined to be an indefinite useful life asset, so no systematic amortization was charged for that asset. The asset is tested for impairment annually. The impairment is charged when the relationship with the customer is no longer ongoing.

h) Trading on gas market

Based on the principle of the anonymity of the customers and the suppliers on the Balancing Platform, Trading Platform, CEEGEX and HUDEX the transactions are made with the participation of KELER CCP. KELER CCP stands between the counterparties as a technical partner (customer and supplier) during the buying and selling transactions. The inventory of gas held by KELER CCP is always zero at the end of a day. Therefore, buying and selling of the gas is recorded by net method settlement in the statement of comprehensive income while in the balance sheet accounts (receivables-liabilities) it is recorded gross.

i) Trading on energy market

KELER CCP as a general clearing member of European Commodity Clearing AG (ECC) maintains positions and clears the cash side of the trades to its energy market non-clearing Members towards ECC. KELER CCP receives all relevant information from ECC who is acting as central counterparty of all trades of the energy market, and KELER CCP does guarantee all account transfer according the received information between ECC and the energy market non-clearing Members.

j) Sale and repurchase agreements and lending of securities

The sale and repurchase agreement ("repo") do not qualify for derecognition under IFRSs, so these items – which are legally considered sold – remain recognized in the financial statements and a liability is recognized embodying the settlement liability in the future periods. Analogically, reverse (passive) repo transaction not results recognition, instruments acquired under reverse (passive) repo are not recognized in the statement of financial position, but a receivable is recognized (debt instrument) together with the related interest income over the period of the repo agreement. The difference between the purchase and selling price is

recognized as interest by the Group. Repos between the Group entities are eliminated in the consolidated financial statements. The ECL requirements defined by IFRS 9 are applicable for all outstanding receivables from repo deals, considering the credit quality of the underlying security.

The account rules to security lending agreement are similar to repo agreement, i.e. those do not result derecognition. Thus, security lent in the frame of lending deals for customers are not recognized from Consolidated Statement of Financial Position.

k) Treatment of differences due to not identical trading days

In certain cases the trading day on the markets are not identical (ie. some markets do trade on certain days, some markets are closed – especially around the yearend). This situation may lead to certain transactions on the clearing market not accounted for fully (ie. the transaction is settled with the CCP but not settled with the CCP's client on the same day or vice versa). Differences arising from these technical issues are accounted for as receivables and payables. Those items are considered to be AC financial assets and other liabilities carried at amortized cost.

l) Revenue recognition

Fee revenue

KELER CCP receives revenue for its guarantee undertaking and clearing activities, such revenue are recognized when these services are performed.

Interest income

Interest income is recognized in the profit or loss for all interest bearing instruments on an accrual basis using the effective interest method as per IFRS 9.

Trading activity

Sales income is recognized on the trading day when the actual sales (and purchase) happen. See also above for trading on gas and energy market.

The performance obligations (PO) of the Entity are not complex, so all revenue is accounted for in the period when the service was rendered or the goods were sold (cleared).

If the Entity acts as an agent (as defined by IFRS 15) in a transaction the revenue and the relating expense is netted.

Non-refundable fees (received in advance)

The Entity received two non-refundable upfront payments which was invoiced close to signing the contract (AIX and NCLE project). The Entity assessed if these fees are in connection with a future performance obligation or an already completed performance obligation. If it is a completed performance obligation the fee will be taken to income otherwise it will be recognized as a liability.

m) Income taxes

The Entity assess on tax-by-tax basis if the a legally payable tax qualifies for income tax under IAS 12 standard.

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

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

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

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

Other taxes are presented separately from income taxes.

n) Provisions

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

o) Financial guarantee contract liability

The nature of the activity of the Entity requires to cover all the risk that are coming from default events (ie. that KELER CCP must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). Dealing with the statistically uncovered exposure the Entity recognizes a financial guarantee contract liability based on the available collateral and the probability of a loss event regardless how small this probability is.

p) Default fund liability

As an element of the guarantee system, KELER CCP operates several default funds. The purpose of the default fund is to reduce the risk arising from default or failure of cleared and guaranteed transactions made by the Clearing Members. Contributions of the Members are kept in cash. These funds are recognized as liabilities and are measured at amortized cost.

q) Hedging

The Company do not establish accounting policies related to the accounting of hedging transactions. In the case of any hedging, the general relevant rules of IFRS 9 are used. (Currently the Entity did not identify hedge relationships.)

r) Statement of cash flows

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

For the purposes of reporting cash flows, cash and cash equivalents include cash, balances, certain treasury bills and government bonds and placements with the Central Bank of Hungary except those with more than three months maturity from the date of acquisition.

s) Events after end of the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. These events are adjusting and non-adjusting events.

t) Off balance sheet items

KELER CCP is entitled to require collateral from its Clearing Members using its central counterparty services. The form of collateral can be cash (HUF and foreign currency) and securities. As a General Clearing Member of European Commodity Clearing AG (ECC) KELER CCP has to provide collateral for ECC regarding the settlement of its position of non-clearing members of KELER CCP. KELER CCP recognizes as an off balance sheet item the credit line provided by its bankers. The credit lines will be recognized as balance sheet items once the credit line is utilized.

NOTE 4: FINANCIAL RISK MANAGEMENT

The main elements of the Entity's counterparty risk management approach

As central counterparty, the Entity undertakes guarantee for transactions concluded on guaranteed markets. CCP's activity ensures that market participants' guaranteed trades are settled risk free. In order to provide this service, the Entity operates a clearing membership system, with guarantee and margin elements, combined with monitoring and limit functions.

A two-level clearing membership system is operated by KELER CCP on spot and derivative capital markets from 1 January 2009. KELER CCP operates a clearing membership system on Balancing and Trading Platform. Starting from 20 July 2010 KELER CCP as a general clearing member of the ECC is entitled to provide energy market non-clearing membership services to its partners. From 1st January 2013 KELER CCP operates a clearing membership system on Central Eastern European Gas Exchange (CEEGEX) and from 3 January 2018 operates a clearing membership system on HUDEX / Gas segment.

Besides the clearing membership system, KELER CCP operates a multi-level guarantee system on the guaranteed markets. The elements of the guarantee system are: variation margin, individual margins and collective guarantee elements. The guarantee elements can be divided into two groups. The first group of the elements contains individual elements and only belong to cover the clearing members own default risks. On the other hand there are collective guarantee elements, which based on the collective risk taking approach, where all clearing member should take a portion of risk of the overall market.

Individual margins:

- basic financial collateral – for derivative, multinet, gas and energy market settlement,
- additional financial collateral – for derivative, multinet, gas and energy market settlement,
- initial margin – for derivative and multinet settlement,
- turnover margin – for gas market settlement,
- energy market turnover margin – for energy market settlement on spot day-ahead and intraday markets (ECC acting as a central counterparty determines the amounts),
- energy market initial margin– for derivative markets (ECC acting as a central counterparty determines the amounts).

The collective guarantee elements are as follows: default funds for derivative (Collective Guarantee Fund “KGA”), multinet (Exchange Settlement Fund “TEA”) and gas markets (Trading Platform Default Fund “GKGA” and CEEGEX / HUDEX/Gas Collective Guarantee Fund “CHGKGA”) settlement.

In case of capital market partners all collateral collected on margin calls are placed in cash and securities accounts kept by KELER. The collateral placed by the clearing members can be cash, securities placed in KELER with a beneficiary of KELER CCP.

From 1 December 2020, the account management of energy and gas market (non)clearing members required for daily settlements and placement of collaterals is not managed by KELER Zrt., it is managed by three commercial banks dedicated for this purpose. From 1 December 2020, in case of energy and gas market (non)clearing members, the collateral required must be available on their bank accounts at OTP Bank, Budapest Bank or MKB Bank, the collateral placed can only be cash. In case of energy market most of the collaterals are forwarded to ECC and kept on ECC accounts with the beneficiary of ECC AG. In specific case, collateral assets of energy market non-clearing members seated in Serbia are kept with OTP banka Srbija.

A real-time price monitoring system is operated on the cash and derivative markets of BSE. KELER CCP is entitled to execute intraday margin calls, in case price changes exceed certain previously announced limits.

A capital position limit is set for each clearing member on the derivative market and it is calculated on a regular basis. On the spot energy markets cleared by ECC, pre-trade limits are applied where the limits are partially collateralized and calculated based on the internal rating of KELER CCP. On the derivative energy markets cleared by ECC, TMR (Total Margin Requirement) limit is applied, where the total margin requirement of the energy market non-clearing member should not exceed the value of the set limit. In case of limit breach the suspension of the energy market non-clearing member’s trading right is automatic and immediate. The partner has to place additional collateral to cease the limit breach and in that case it can be re-entered to trading.

The financial performance of the clearing members and energy market non-clearing members are continuously monitored.

Further, the Entity constantly monitors the official bankruptcy databases. Partners are rated regularly by the Entity.

In case of any default, the margin element can be used in a given order (“default waterfall”) to fulfill any payment commitment on behalf of the clearing or energy market non-clearing member. Accordingly the rules in the General Business Terms of KELER CCP, the utilization of guarantee element are the follows:

Segregation principle:

Collateral deposited on Client accounts cannot be used in case of default on the own account of the Clearing Member. However, initial margin and collateral deposited by the Clearing Member can be fully used also in case of default by the Client.

Default waterfall:

a. In case of default on own account:

- balance of own bank account in the currency of settlement of the Clearing Member in case of a credit institution, debit to the bank account kept with CBH through VIBER
- own initial margin and financial collaterals of the Clearing Member
- free balance of bank accounts of Clearing Member kept in currencies other than the currency of settlement
- disposable securities of Clearing Member, if available
- default fund contribution by the Clearing Member
- dedicated own resources of KELER CCP allocated to the given markets
- the default fund
- use of derivative/spot market own initial margin of the Clearing Member in case of derivative/spot positions of the Clearing Member being fully terminated. Following this the basic financial collateral related to the clearing right concerned and the default fund contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP

b. In case of default by the Principal:

- balance of the bank account of the Principal in the currency of settlement (HUF/foreign currency)
- balance of the bank account of the Clearing Member in the currency of settlement (HUF/foreign currency)
- free balance of the bank account of the Principal in currencies other than the currency of settlement
- free balance of the bank account of the Clearing Member in currencies other than the currency of settlement
- basic financial collateral of the Clearing Member, additional financial collateral of the Clearing Member provided with respect to the clearing member function
- own, disposable securities of the Clearing Member, if available
- default fund contribution by the Clearing Member
- initial margin and supplementary collateral and additional financial collaterals of the Principals
- initial margin, supplementary collateral and additional financial collateral of Non-clearing Member with individual account
- dedicated own resources of KELER CCP allocated to the given markets
- the default fund
- the own initial margin of the Clearing Member in the case of full termination of spot/derivative positions of the Clearing Member. Following this the basic financial collateral related to the clearing right concerned and the default fund contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP

AIK Energy Austria GmbH (hereinafter AIK Austria) was a non-performer on 15th and 16th September 2020, since it could not settle the price of the balancing gas on the platform used for trading amounting to the value of 728 130,45 EUR for the deadline. The clearing right of the member was immediately suspended due to the non-performance. To settle the missing amount was covered by using the contribution provided by AIK Austria, the skin in the game fund from

the Gas Market Collective Guarantee Fund (GKGA) and partially the fund contribution from other unrelated parties. AIK Austria settled all liabilities from aforementioned deal by 25th September 2020, so the Gas Market Collective Guarantee Fund was fully recovered.

In the year 2020, KELER CCP and the default funds had not suffered any losses on the guarantee activities.

Foreign currency risk management

The Entity operates not only domestically. In connection with the energy market settlement, the Entity is exposed to foreign exchange risk which is monitored continuously by the Entity.

As at 31 December 2020, KELER CCP contributed to the energy market settlement (via contribution to ECC's default fund) by 5,300,000 EUR as a deposit (4,300,000 EUR in 2019). This sum stems from own funds.

1% weakening in the currency rate of EUR results in a 19 352 THUF loss (14 212 THUF in 2019), while the strengthening of EUR would result in the same amount of profit.

KELER CCP currently do not use any risk-management tool to deal with the fluctuation in foreign exchange rates.

Maturity analysis of assets and liabilities and liquidity risk

The main purpose of liquidity activity is to ensure KELER CCP's continuous solvency and thereby originate the secure liquidity of capital and energy market transactions.

KELER CCP has zero coupon government securities with less than a year maturity. Most of KELERs' liquid security assets are deposited and held at KELER, its cash and their equivalents are held at retail banks. Due to the strict regulation applicable according to the investment policy, KELER CCP represents a very low credit and liquidity risk.

To provide further liquidity, KELER KSZF obtained credit lines.

As a general clearing member of ECC, KELER CCP has to comply with margin and default fund requirements. On the international market ECC operates as central counterparty and also has a low credit risk.

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(All amounts in THUF)

As on 31 December 2020	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	43 696 616	0	0	0	0	43 696 616
Debt instruments measured at fair value through other comprehensive income	0	4 990 030	0	0	0	4 990 030
Trade receivables relating to gas market	439 468	0	0	0	0	439 468
Trade receivables relating to central counterparty and other service	178 975	0	0	0	0	178 975
Other receivables	137 938	1 125	1 789	0	0	140 852
Receivables from foreign clearing houses	22 789 869	0	0	0	0	22 789 869
Intangible assets	0	0	0	0	670 133	670 133
Property, plant and equipment	0	0	0	0	33 479	33 479
Income Tax - Deferred tax assets	0	4 227	0	0	0	4 227
TOTAL ASSETS	67 242 866	4 995 382	1 789	0	703 612	72 943 649
Trade payables	302 119	0	0	0	0	302 119
Trade payable from gas market activity	441 961	0	0	0	0	441 961
Other payables	121 624	0	0	8 714	0	130 338
Income Tax - Current tax liability	0	11 377	0	0	0	11 377
Default Fund liabilities	4 940 939	0	0	0	0	4 940 939
Financial guarantee contract liability	8 119	0	0	0	0	8 119
Collateral held from energy market participants	43 151 716	0	0	0	0	43 151 716
Collateral held from gas market participants	14 824 450	0	0	0	0	14 824 450
Lease liability	0	8 487	18 860	0	0	27 347
TOTAL LIABILITIES	63 790 928	19 864	18 860	8 714	0	63 838 366
Accumulated balance of the positon	3 451 938	8 427 456	8 410 385	8 401 671	9 105 283	
Covered by the equity					9 105 283	

When the maturity of an item is not determinable the Entity classifies the asset as being without a maturity, the liability to the within 3 months category.

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As on 31 December 2019	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash and cash equivalents	19 765 012	0	0	0	0	19 765 012
Fair value through other comprehensive income debt instruments	0	3 999 775	0	0	0	3 999 775
Trade receivables relating to gas market	2 485 215	0	0	0	0	2 485 215
Trade receivables relating to central counterparty and other service	222 074	0	0	0	0	222 074
Other receivables	615 821	1 500	3 085	205	0	620 611
Receivables from repurchase agreements	8 942 350	0	0	0	0	8 942 350
Receivables from foreign clearing houses	18 175 567	0	0	0	0	18 175 567
Intangible assets	0	0	0	0	532 146	532 146
Property, plant and equipment	0	0	0	0	41 683	41 683
Deferred tax assets	0	9 877	0	0	0	9 877
TOTAL ASSETS	50 206 039	4 011 152	3 085	205	573 829	54 794 310
Trade payables	346 048	0	0	0	0	346 048
Trade payable from gas market activity	2 465 314	0	0	0	0	2 465 314
Accruals and other liabilities	139 706	0	14 280	12 987	0	166 973
Income tax payable	0	18 693	0	0	0	18 693
Default Fund liabilities	6 950 315	0	0	0	0	6 950 315
Financial guarantee contract liability	5 747	0	0	0	0	5 747
Collateral held from energy market participants	36 231 222	0	0	0	0	36 231 222
Lease liability	0	7 400	24 754	0	0	32 154
TOTAL LIABILITIES	46 138 352	26 093	39 034	12 987	-	46 216 466
Accumulated balance of the position	4 067 687	8 052 746	8 016 797	8 004 016	8 577 844	
Covered by the equity					8 577 844	

Interest rate risk management

The Entity's assets and liabilities have interest rate risk, of which magnitude is in line with the Entity's size. KELER CCP has deposits at ECC. This deposit bears negative interest rate, therefore it leads to interest expense (negative interest income). The interest rate is floating and is fixed at the end of each day. KELER CCP also holds zero coupon government bonds until maturity, where interest is fixed.

Regulation on the investment policy of the Entity

The Entity consists of legal entities where the investment possibilities are strictly regulated due to the nature of the activity.

The Entity may only keep investments that are fulfilling all of the following criteria:

- must have minimal credit and market risk;
- shall not have any possibility of a significant loss on the disposal;
- must be available for same day withdrawal;
- must be issued by a state or guaranteed by the government or a similar institution
- the Entity must have access to a market where these instruments are actively traded and where sale and repurchase deals are available
- the investments may not have any limitations (such as pledges, legal constraints on transfers etc.) attached to them.

NOTE 5: SPECIFIC REGULATION RELEVANT TO THE ENTITY AND IMPOSED CAPITAL MANAGEMENT

KELER CCP is not a credit institution; the Basel requirements, the CRR or the CRD do not apply directly to KELER CCP. However, the requirements of EMIR cover the capital requirements of CCPs also. Central counterparties are required to have shareholders' equity of at least 7.5 million Euros on a permanent basis (Capital requirement II) and the amount of shareholders' equity is required to be proportionate to the risk arising from the central counterparty activity. The ESMA technical standard details the calculation method of capital requirement.

In 2020 no capital increase took place

KELER CCP is required to determine the amount of capital requirement for the following risks (Capital requirement I):

- capital requirement on credit and counterparty risks,
- capital requirement on operational and legal risks;
- capital requirement on market risks (FX rate and securities position risk),
- capital requirement on winding up or restructuring of the activity of the central counterparty,
- capital requirement on business risk

Determination of available capital

The amount of available capital equals the components of shareholders' equity:

- Subscribed Capital
- Issued but not paid Capital (-)
- Capital Reserves
- Retained Earnings
- Committed Reverse
- Evaluation Reserve
- Retained Earnings of the year

And the following items should be deducted:

- Intangible assets
- Contribution to the guarantee fund of other CCPs (ECC Euro guarantee fund contribution)
- contribution to own guarantee fund
- participations in subsidiaries if any

The available capital is required to cover the following elements:

- Minimum required capital
- Dedicated own resources = $(0,25 * \text{MAX}(\text{Capital requirement I., Capital requirement II.}))$
- Other financial resources (remaining amount after deduction of the above two items)

The following table shows KELER CCP capital adequacy at the end of 2018, 2019 and 2020:

<i>data in HUF million</i>	2020	2019	2018
Available capital	6 488	6 584	5 790
Minimum capital requirement	3 012	2 727	2 697
Dedicated own resources	685	620	613
Other financial resources	2 791	3 238	2 480

The Entity is required to comply with these indicators according to national accounts. Therefore the calculation of capital adequacy should be determined in accordance with Hungarian Accounting Rules available values.

NOTE 6: CASH AND CASH EQUIVALENTS

	31.12.2020	31.12.2019
Bank accounts		
In HUF	4 534 431	6 668
In EUR	39 168 086	19 763 472
Closing balance	43 702 517	19 770 140
Demand deposit	24 403 593	19 770 140
Cash receive securities	19 298 924	0
Closing balance	43 702 517	19 770 140
Opening balance of expected credit loss (ECL)	-5 128	-4 998
Changes in the balance of expected credit loss (ECL)	-773	-130
Closing balance of expected credit loss (ECL)	-5 901	-5 128
Closing balance, net of ECL	43 696 616	19 765 012

The bank accounts are demand deposits, available immediately for withdrawal. The interest on the bank account is between -1%-1% for HUF deposits, and -0,6% -0,3% for EUR deposits. These expenses are recorded as interest paid in the statement of incomes.

In the previous period the cash balance of the Entity in HUF currency is maintained at low level due to corresponding regulation from 2017. All available funds are borrowed in the form of a reverse repo at the end of each day. This is not required any more, therefore the cash balance of the entity increased significantly.

The individual guarantees from December 2020 will be held by all energy market clearing and subclearing member on the accounts of KELER CCP. Due to this the balance of foreign currency increased significantly together with the corresponding liability (see Note 18).

The designated deposit balance includes deposits that are received from the clients as contribution to the Default funds (see Note 16) and individual guarantees from 2020. These cash balances may only be used for certain purposes, strictly regulated by EMIR.

All bank balances are subject to ECL. The bank balances are considered to be in the stage 1 category for this purpose. The EAD is the balance at the end of the period and LGD was estimated at 45%, and 12-month PD was estimated between 0,003 – 0,006%. The decrease in the ECL is due to the favorable PD of the large retail banks.

NOTE 7: FAIR VALUE TROUGH OTHER COMPREHENSIVE INCOME DEBT INSTRUMENTS

	31.12.2020	31.12.2019
Treasury bills		
Classified as fair value trough other comprehensive income	4 990 030	3 999 775
	4 990 030	3 999 775
	31.12.2020	31.12.2019
Treasury bills		
Opening balance	4 000 315	2 994 072
Acquisition	5 465 404	6 949 982
Derecognition at maturity	-4 000 315	-5 445 851
Derecognition at maturity	-499 243	-498 866
Impairment loss (3rd stage ECL)	0	0
Interest accrued (Amortization)	12 586	690
Remeasurement (Fair Value Adjustment)	11 955	288
Closing balance on 31 December	4 990 702	4 000 315

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	31.12.2020	31.12.2019
Opening balance of expected credit loss (ECL)	-540	-404
Changes in the balance of expected credit loss (ECL)	-132	-136
Closing balance of expected credit loss (ECL)	<u>-672</u>	<u>-540</u>
Closing balance, net of ECL	<u>4 990 030</u>	<u>3 999 775</u>

The interest of the FVTOCI instruments was taken to the Separate Statement of Comprehensive Income using the effective interest method, and the changes in the fair value from the recognition date until the end of the reporting period was recognized as other comprehensive income (OCI). This OCI will be reclassified to the profit or loss when the underlying financial asset is derecognized.

The fair value of these assets can be determined based on readily available quoted prices published by Hungarian Debt Agency (Level 1). However, when the fair value of these assets cannot be determined based on such quoted prices, instrument are measured based on yields remarkable for similar financial instruments and generally used valuation techniques (Level 2).

The ECL of these instruments are based on the credit quality of these instruments, derived from the classification of the issuer (Hungarian State) also considering the requirements of the so called ‘standard risk management methodology’.

The treasury bills are all classified in the Stage 1 category.

NOTE 8: TRADE RECEIVABLES AND TRADE PAYABLE RELATING TO GAS MARKET

	31.12.2020	31.12.2019
Trade receivables from central counterparty and other services		
Receivable balance	439 472	2 485 240
Accumulated impairment losses	-4	-25
Receivable balance net of impairment (book value)	<u>439 468</u>	<u>2 485 215</u>
	31.12.2020	31.12.2019
Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	-25	-49
Impairment losses recognized in the current period	21	24
Impairment losses derecognized in the current period	0	0
Closing accumulated impairment losses	<u>-4</u>	<u>-25</u>

Accounting policies relating to the trading on the gas market is explained in Note 3. This balance relates to receivables from the participants on the foresaid gas market. These are paid – according to the contract – in less than 5 days.

The receivable from the gas market services are also subject to ECL. Here – due to the nature of the receivable – the Entity uses the simplified method, so immediately the life-time ECL is

recorded without further tracking of the individual credit quality. Due to the collateral behind these transactions the loss ratio is low (see accounting policy for details).

The gas market guarantee system guarantees the settlement of claims.

The balance of the receivable depend on the trading activity on the market that the Entity does not influence.

The liabilities from the gas market embodies the other component of the clearing transaction is, what the CCP needs to pay to the actual seller of the gas. The payables are – by contractual agreement – due on the same day as the corresponding receivable. This value was 441 961 THUF at the end of 2020 and 2 465 314 THUF in 2019. (The large decrease is due to the significant shortening of the settlement period.)

The fair value of these receivables and payables are close to their book value (the payment is done in a short time and no other issues require adjustment).

NOTE 9: TRADE RECEIVABLES RELATING TO CENTRAL COUNTERPARTY AND OTHER SERVICES

	31.12.2020	31.12.2019
Trade receivables from central counterparty and other services		
Receivable balance	181 942	228 276
Accumulated impairment losses	-2 967	-6 202
Receivable balance net of impairment (book value)	178 975	222 074
	31.12.2020	31.12.2019
Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	-6 202	-6 016
Impairment losses recognized in the current period	435	-186
Impairment losses derecognized in the current period	2 800	0
Closing accumulated impairment losses	-2 967	-6 202

These trade receivables include the not yet paid part of the rendered CCP and similar clearing related services. Accounts receivable are stated at the value of the invoiced service.

The impairment loss of the receivables is assessed individually due to the low number of the partners and the materiality of the individual balances. The Entity calculates the loss based on an aging analysis, but on individual level. This analysis builds on historical evidence and is updated frequently.

The derecognized impairment loss is due to the recovery of receivables that were previously identified as impaired and impairment loss was recognized.

The impairment loss or gain of the reversal – if any – is reported on a separate line in Separate Statement of Comprehensive Income, on a net basis.

The trade receivable are also subject to ECL. Here – due to the nature of the receivable – the Entity uses the simplified method, so immediately the life-time ECL is recorded without further tracking of the individual credit quality. The ECL balance of each receivable – if not assessed

individually – is calculated based on loss ratios which is the function of how many days the item is past due (for details see Note 3).

The fair value of these receivables is close to their book value.

	31.12.2020	31.12.2019
Not overdue, not impaired	180 783	224 317
Not overdue, individually impaired	0	0
Overdue by at most 30 days, individually not impaired	0	0
Overdue more than 31 days, but not more than 90 days, individually not impaired	0	0
Overdue more than 91 days, but not more than 180 days, individually not impaired	0	0
Overdue more than 181 days, but not more than 1 year, individually not impaired	0	0
Overdue more 1 year, individually not impaired	1 159	3 959
Overdue, individually impaired	0	0
	181 942	228 276

NOTE 10: OTHER RECEIVABLES, INCOME TAX RECEIVABLE AND REPURCHASE AGREEMENTS

	31.12.2020	31.12.2019
Other receivables		
Loans to employees	4 123	4 790
Interest	40 596	38 666
Tax receivables (other than income taxes)	81 764	556 790
Sundry other receivables	14 369	20 366
	140 852	620 612
Opening balance of expected credit loss (ECL)	-1	-12
Changes in the balance of expected credit loss (ECL)	1	11
Closing balance of expected credit loss (ECL)	0	-1
Closing balance, net of ECL	140 852	620 611

The tax receivables and prepaid expenses are not under the scope of IFRS 9, therefore not ECL was recognized for those balances.

The material items within tax receivables are value added tax receivable, local taxes and sundry other items. All tax balances are related to the Hungarian Tax Authority.

The sundry other receivables include accruals, in-transit items from energy market settling. The fair value of these receivables are close to the book value. If these items are under the scope of IFRS 9 ECL was established.

The other tax receivables consist of the following balances:

	31.12.2020	31.12.2019
Tax receivables (other than income taxes)		
Value added tax	73 817	550 526
Local tax	7 947	6 264
	81 764	556 790

These receivables do not yield interest and they are all payable within one year. They are not impaired nor past due. The fair value of these receivables is the same with the book value.

Receivables from repurchase agreements (repos)

This balance includes the receivables from repurchase agreements still outstanding at the end of the period. Under this agreement KELER CCP purchased high quality debt instruments at the end of the year. Those instruments are sold back to the seller on the next banking day. These instruments are not recognized by KELER CCP, but the amounts paid is considered as loan receivables. The difference between the purchase price and the selling price is recorded as interest income, which was in this period negative. The instruments are considered to be security on the loan.

At the end of 2020 there were no unsettled repo positions.

	31.12.2020	31.12.2019
Repurchase agreement (repo) – closing balance		
Purchase price of the repo	0	8 943 681
Interest accrued	0	-124
	0	8 943 557
Opening balance of expected credit loss (ECL)	-1 207	-1 260
Changes in the balance of expected credit loss (ECL)	1 207	53
Closing balance of expected credit loss (ECL)	0	-1 207
Closing balance, net of ECL	0	8 942 350

The repo receivable is subject to ECL. The receivable was classified in Stage 1 category.

The fair value of the receivable is close to its book value.

NOTE 11: RECEIVABLES FROM FOREIGN CLEARING HOUSES

KELER CCP as a general clearing member of the ECC is entitled to provide energy market non-clearing membership services from 20 July 2010 on the spot power market, and 1 July 2011 on the futures power market and from 2012 on any other markets cleared by ECC without limitation (eg. gas, EUA emission, etc). According to the GCM status clearing members have to comply with specified margin and collective guarantee requirements of ECC.

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The receivable is denominated in euro. In the original currency the receivable from energy market is: 62,424,194 EUR on 31 December 2020 and 54,998,250 EUR on 31 December 2019.

The fair value of this receivable is the carrying amount. This receivable is not impaired.

	31.12.2020	31.12.2019
Receivables from foreign clearing houses	22 792 946	18 178 021
	22 792 946	18 178 021
Opening balance of expected credit loss (ECL)	-2 454	-2 667
Changes in the balance of expected credit loss (ECL)	-623	213
Closing balance of expected credit loss (ECL)	-3 077	-2 454
Closing balance, net of ECL	22 789 869	18 175 567

The clearing receivable is subject to IFRS 9 with respect in ECL. The receivable was classified in Stage 1 category. The full receivable is with one counterparty therefore it embodies risk concentration.

The fair value of the receivable is close to its book value.

NOTE 12: INTANGIBLE ASSETS

For the year ended 31 December 2020:

<u>Cost</u>	Customer relationship	Software	Total
Balance as of 1 January 2020	398 811	809 941	1 208 752
Acquisition	0	236 325	236 325
Advanced received	0	4 589	4 589
Partial disposal	0	-13 538	-13 538
Balance as of 31 December 2020	398 811	1 037 317	1 436 128
<u>Accumulated Amortization</u>			
Balance as of 1 January 2020	1 623	674 983	676 606
Current year amortization	0	85 301	85 301
Disposals	0	-1 591	-1 591
Impairment of intangible assets	5 679	0	5 679
Balance as of 31 December 2020	7 302	758 693	765 995
<u>Net book value</u>			
Balance as of 1 January 2020	397 188	134 958	532 146
Balance as of 31 December 2020	391 509	278 624	670 133

For the year ended 31 December 2019:

<u>Cost</u>	Customer relationship	Software	Total
Balance as of 1 January 2019	398 811	699 202	1 098 013
Acquisition	0	110 739	110 739
Acquisition	0	0	0
Partial disposal	0	0	0
Impairment of intangible assets	0	0	0
Balance as of 31 December 2019	398 811	809 941	1 208 752

Accumulated Amortization

Balance as of 1 January 2019	0	571 574	571 574
Current year amortization	0	81 324	81 324
Disposals	0	-	0
Impairment of intangible assets	1 623	22 085	23 708
Balance as of 31 December 2019	1 623	674 983	676 606

Net book value

Balance as of 1 January 2019	398 811	127 628	526 439
Balance as of 31 December 2019	397 188	134 958	532 146

The acquisition only include purchases.

In the current period the portion of the software asset increased significantly. This increased was due to the new software and improvements of already in use software that backed up the settlement bank model-change. The assets were brought in use on 1st December 2020.

The entity recognized impairment loss in 2020 for the following intangible asset:

- an acquired customer list, since three of the customers included in the list has no further business relationship with KELER CCP

The Company accounted for impairment for the following two assets during 2019:

- a reporting system which could not be used due to the change in the IT environment and the change in the business logics, therefore the reporting system cannot be used further;
- one of the customer on the acquired customer does not have business relation with the Group anymore, therefore the customer list was partially impaired.

All the amortization and derecognition is taken to profit or loss.

Performance of the impairment review test – Customer Relationship

Customer relationship is an intangible asset with indefinite useful life. It represents contracts, concessions, licenses and similar rights in the course of the contribution of the clearing line of business in 2013 from the parent Company, KELER. This item was recognized at fair value when the contribution was made. This item is tested annually for impairment. The recoverable amount was based on a value in use calculation. The value in use calculation utilized projected

cash flows from the next three years derived from this asset together with the terminal value. These values are the latest estimations of the management. The terminal value is based on a decreasing cash flows. The projected cash flows were discounted back using an entity specific discount rate ie. the WACC of KELER CCP. The most important elements of the calculation were:

	2020	2019
Cash flow estimation (pre-tax)	1 276	886
Pre-tax discount rate used	5,9%	6,8%
Value in use	1 238	880
Book value	508	508
Impairment loss	-	-

Based on the results of impairment review test to this asset, no such circumstances have been identified which refer to impairment loss.

Performance of the impairment review test – Software, development

The software products are contributing to the clearing activity. The software are specific to the Entity and were all provided by external supplier. The amortization period is four years on average. There are no current commitment for purchase of intangible assets. There are no pledges or similar items limiting the transfer or use of these assets. Based on the results of impairment review test to intangible assets other than assets related to development process described above, no such circumstances have been identified which refer to impairment loss.

The impairment of the development took place during the year and there were no signs of impairment in the period and it was also proven that the IRIS project will be recoverable.

Impairment of BRM project

This project was finalized in 2017 and the asset was recognized as a separate intangible asset. However the business partner revoked his interest in the service in 2018, therefore the cash-flows from this asset fell to 0, thus the item was fully impaired. The asset is still kept in the book, but with zero value. If the recoverable amount of the asset increases over time, the impairment may be reversed. There were no impairment accounted for in 2020 nor in 2019 (since all impairment were previously charged).

Commitments for the AIX Project

The Entity initiated a project during the period, to provide services for the Kazah market and act as a clearing house. The project is in the approval stage, the developments needed for launching the project is already done in 2019. The received payments are recognized as liabilities.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2020:

<u>Cost</u>	Machinery and equipments	Right -Of Use	Total
Balance as of 1 January 2020	19 783	37 313	57 096
Acquisition	4 929	0	4 929
Disposals (sale)	-2 977	0	-2 977
Balance as of 31 December 2020	21 735	37 313	59 048

**Cumulated Depreciation and
Amortization**

Balance as of 1 January 2020	8 286	7 127	15 413
Current year amortization	4 982	7 127	12 109
Disposals (sale)	-1 953	0	-1 953
Balance as of 31 December 2020	11 315	14 254	25 569

Net book value

Balance as of 1 January 2020	11 497	30 186	41 683
Balance as of 31 December 2020	10 420	23 059	33 479

For the year ended 31 December 2019:

<u>Cost</u>	Machinery and equipments	Right -Of Use	Total
Balance as of 1 January 2019	18 582		18 582
Initial application of IFRS 16	0	37 313	37 313
Acquisition	2 281	0	2 281
Disposals (sale)	-1 080	0	-1 080
Impairment	0	0	0
Balance as of 31 December 2019	19 783	37 313	57 096

**Cumulated Depreciation and
Amortization**

Balance as of 1 January 2019	4 976		4 976
Current year amortization	4 297	7 127	11 424
Disposals (sale)	-987	0	-987
Balance as of 31 December 2019	8 286	7 127	15 413

Net book value

Balance as of 1 January 2019	13 606	0	13 606
Balance as of 31 December 2019	11 497	30 186	41 683

The acquisitions are all purchases. These items contribute to the business activity, all of them are individually low value assets. There are no current commitment to purchase tangible assets. There are no pledges or similar items limiting the transfer or use of these assets.

The ROU asset is recognized due to a lease agreement on the office building. The building is leased from a parent company. The lease period ends in 2024, middle of the year. A lease liability was also recognized (see Note 19.).

The ROU asset is amortized over the legal life of the contract, without any residual value.

NOTE 14: TRADE PAYABLE

Payables from other activities that are not classified to other positions are under trade payables. These amounts are usually due within below 30 days. The trade payables are mainly denominated in HUF and in EUR.

Within the trade payables the material balance is the amount payable to KELER: 195 622 THUF (pervious year: 282 836 THUF).

NOTE 15: ACCRUALS AND OTHER LIABILITIES, INCOME TAXES PAYABLE

	31.12.2020	31.12.2019
Accruals and other liabilities		
Taxes payable (other than income taxes)	34 096	19 359
Accrued interest	6 943	7 299
Accrued expenses	65 959	78 597
Liabilities due to discounts granted	141	138
Advances received from partners	16 193	16 193
Sundry other liabilities	7 006	45 387
	130 338	166 973

The accrued expenses consist of sundry expenses that relate to this period but they were not yet invoiced, incurred. The advances received from clients include amounts received in relation to the AIX project where the development did not yet started. The liabilities due to discounts include items that were granted to clients based on their activity in the previous periods. These discounts are calculated at the end of the period and deducted from the revenues.

Advances received include the payments received in relation to the AIX project (clearing activity on the Kazakh market). These items are recognized in the income statement as revenue, when the related PO is satisfied.

	31.12.2020	31.12.2019
Taxes payable (other than income taxes)		
Personal income tax	9 261	4 858
Social security contributions payable by the entity	11 051	12 967
Social security contribution payable by the employee	11 079	0
Other taxes	2 705	1 534
	34 096	19 359

Current liabilities from income tax

The entity presents its liability from income taxes on a separate position. The following tax types are considered to be income taxes:

- corporate income tax (regulated by Act LXXXI of 1996)

The income tax liability of the Entity is 11 377 THUF (2019: 18 693 THUF).

The fair value of the liabilities are close to their book value.

NOTE 16: DEFAULT FUND LIABILITIES

	31.12.2020	31.12.2019
Liabilities for Default Funds		
Exchange Settlement Fund	1 845 700	2 700 100
Collective Guarantee Fund	1 632 000	2 526 000
Gas Market Collective Guarantee Fund	749 917	1 186 622
CEEGEX/HUDEX Market Collective Guarantee Fund	734 276	558 212
Less own contribution	-20 954	-20 619
	4 940 939	6 950 315

As an element of the guarantee system, KELER CCP operates several default funds. The purpose of the default fund is to reduce the risk arising from default or failure of cleared and guaranteed transactions made by the Clearing Members. Contributions of the Members are kept in cash.

The amount of the above contributions depends on the member's activity on the given market. Therefore these amounts are changing frequently.

The collected amounts are subject to interest. Interest is paid on a regular basis. These liabilities are recognized at amortized cost which is equal to the fair value of the liability.

The Entity - as the provider of these funds – must also contribute to these funds. The own contribution for this fund was removed from the liability and on the other hand no receivable were recognized (the positions were netted).

The fair value of the liabilities are close to their book value.

NOTE 17: FINANCIAL GUARANTEE CONTRACT LIABILITY

The nature of the activity of the Entity requires to cover all the risk that are coming from default events (ie. that the central counterparty must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). To ensure the source of these payments the Entity operates guarantee system with several funds collected from the participants of the markets. These funds are based on calculations which are not designed to provide full coverage (ie. it is impossible to provide 100% guarantee). The Entity set up a separate liability to reflect this commitment. To deal with the statistically uncovered exposure the Entity recognizes a financial guarantee contract liability based on the available collateral and the probability of a loss event regardless how small this probability is.

The changes in the financial guarantee contract ("FGC") is recognized in the profit or loss. The fair value of the FGC was arrived to by using the collateral's fair value, adjusted with haircut, taking into consideration the not yet covered risks.

Changes in the balance of the financial guarantee contract liability are included in the comprehensive income statement.

The FGC balance and change was the following during the period:

	31.12.2020	31.12.2019
Financial guarantee contract liability		
Opening financial guarantee contract liability	5 747	5 427
Changes in the financial guarantee contract liability	2 372	320
Closing financial guarantee contract liability	8 119	5 747

NOTE 18: COLLATERAL HELD FROM ENERGY MARKET PARTICIPANTS

In the mid of 2012 KELER CCP has adopted a new margin settlement system regarding the Energy Market. As a result of the implemented changes; energy market non-clearing members are required to provide the entire daily margin requirement – established by ECC – in Euro toward KELER CCP, which amount is forwarded directly toward ECC by KELER CCP to cover margin requirements occurred in line with the energy market non-clearing members trading activity. Beyond the daily margin requirement, energy market non-clearing members are also obliged to fulfill basic financial collateral in euro toward KELER CCP to meet participation pre-requisites.

Starting from 2020 the entity presents the collateral from gas market participants on a separate position – due to its size. The required collateral was calculated by the risk management.

NOTE 19: LEASE LIABILITY

	31.12.2020	31.12.2019
Lease liability		
Opening balance	32 154	-
Initial application of IFRS 16	0	37 313
Interest on the lease	1 305	1 442
Lease payment	9 256	7 549
Foreign exchange rate loss	3 144	948
Closing balance	27 347	32 154
Lease interest for the future periods	2 306	3 316
Lease payments for the future periods	29 653	35 470
Of which: short term liabilities	8 487	7 400
Of which: long term liabilities	18 860	24 755

The Company calculated the lease liability as the present value of the future cash payments. The cash flows are denominated in Euro, therefore the calculation was also done in euro. The lease payments are linked to and index (inflation). This variable lease payment was taken into consideration when calculating the liability, however the expectation were not factored in the payments, the changes will be treated as a reassessment in the later periods. When calculating the lease liabilities, the rate used was 3,82% (incremental borrowing rate) which was backed up by an external evidence from the bank. When accounting for the lease the Entity uses the Euro amounts which is retranslated and any difference is accounted for as a foreign exchange rate gain or loss.

NOTE 20: DEFERRED TAXES

When calculating deferred taxes, the Entity compares the amounts to be considered for taxation purposes with the carrying value for each asset and liability. If the difference is reversible (i.e. the difference is equalized in the foreseeable future), then a deferred tax liability or asset is recorded in a positive or negative amount as appropriate. Recoverability was separately examined by the Entity when recording each asset.

The need for deferred tax accounting was identified only in the case of corporate tax. When computing taxes, the Entity used a 9% rate upon reversal for all periods.

Deferred tax assets are supported by a tax strategy which confirms that the asset is expected to be recovered based on the information available. The change in deferred taxes was recognized in the profit or loss and for the remeasurement of fair value through other comprehensive instruments included in the other comprehensive income .

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The tax balances and temporary differences for 2020 are as follows:

Asset/liability	Tax base	Book Value	Deductible, taxable difference	Deferred tax through profit or loss	Deferred tax through OCI
Cash and cash equivalents	43 696 616	43 696 616	0	0	0
Debt instruments measured at fair value through other comprehensive income	4 978 075	4 990 030	11 955	0	-1 076
Trade receivables relating to gas market	439 472	439 468	-4	0	0
Trade receivables relating to central counterparty and other service	181 942	178 975	-2 967	267	0
Other receivables	140 852	140 852	0	0	0
Receivables from repurchase agreements	0	0	0	0	0
Receivables from foreign clearing houses	22 792 946	22 789 869	-3 077	277	0
Income tax receivable	714 887	670 133	-44 754	4 028	0
Property, plant and equipment	33 479	33 479	0	0	0
Trade payables	302 119	302 119	0	0	0
Trade payable from gas market activity	441 961	441 961	0	0	0
Accruals and other liabilities	130 338	130 338	0	0	0
Default Fund liabilities	4 940 939	4 940 939	0	0	0
Financial guarantee contract liability	0	8 119	-8 119	731	0
Collateral held from energy market participants	43 151 716	43 151 716	0	0	0
Collateral held from gas market participants	14 824 450	14 824 450	0	0	0
Lease liability	27 347	27 347	0	0	0
			Deferred tax assets	5 303	0
			Deferred tax liability	0	-1 076

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(All amounts in THUF)

The tax balances and temporary differences for 2019 are as follows:

Asset/liability	Tax base	Book Value	Deductible, taxable difference	Deferred tax through profit or loss	Deferred tax through OCI
Cash and cash equivalents	19 765 012	19 765 012	-	-	-
Fair value through other comprehensive income debt instruments	3 999 487	3 999 775	288	-	-26
Trade receivables relating to gas market	2 485 240	2 485 215	-25	2	-
Trade receivables relating to central counterparty and other service	228 276	222 074	-6 202	558	-
Other receivables	620 612	620 611	-1	-	-
Receivables from repurchase agreements	8 943 557	8 942 350	-1 207	109	-
Receivables from foreign clearing houses	18 178 021	18 175 567	-2 454	221	-
Income tax receivable	599 275	532 146	-67 131	6 042	-
Property, plant and equipment	41 683	41 683	-	-	-
Trade payables	346 048	346 048	-	-	-
Trade payable from gas market activity	2 465 314	2 465 314	-	-	-
Accruals and other liabilities	158 399	185 666	-27 267	2 454	-
Default Fund liabilities	6 950 315	6 950 315	-	-	-
Financial guarantee contract liability	0	5 747	-5 747	517	-
Collateral held from energy market participants	36 231 222	36 231 222	-	-	-
Lease liability	32 154	32 154	-	-	-
			Deferred tax assets	9 903	-
			Deferred tax liability	-	-26

The deferred tax balances are not discounted.

NOTE 21: RESERVES

The changes of the reserves of the Entity are explained in the Statement of Changes in the Shareholder's Equity.

The contributed capital of the Entity consists of share capital and share premium.

The contributed share capital is:

	31.12.2020	31.12.2019
Share capital		
KELER (KELER Central Depository Ltd.)	2 618 100	2 618 100
Magyar Nemzeti Bank (Central Bank of Hungary)	2 720	2 720
Budapesti Értéktőzsde (Budapest Stock Exchange)	2 380	2 380
	2 623 200	2 623 200

Which reflects the following ratios:

	31.12.2020	31.12.2019
	in %	in %
Share capital		
KELER (KELER Central Depository Ltd.)	99,81	99,81
Magyar Nemzeti Bank (Central Bank of Hungary)	0,1	0,1
Budapesti Értéktőzsde (Budapest Stock Exchange)	0,09	0,09
	100	100

The contributed capital stayed at same during 2020 and 2019.

All shares rank pari passu in the event of liquidation. The shares are dematerialized.

Fair value through other comprehensive income debt instruments revaluation reserve

The revaluation reserve includes the effect of the remeasurement of the FCVTOCI items. This reserve is reclassified into the net income when the underlying debt instrument is derecognized. Since the full balance of the accumulated equity is in relation to treasury bills expiring within a year, the full balance of the opening equity was reclassified to net income during the period.

NOTE 22: STATEMENT OF FINANCIAL POSITION CATEGORIES BASED ON CURRENT-NON CURRENT DISCTINCTION

The Entity presents it's Stand alone Statement of Financial Position in liquidity order. The reason for that is that the parent company of the Entity (KELER Ltd.) follows this order.

The Balance Sheet based on the current – non-current distinction is the following:

	31.12.2020	31.12.2019
Non current assets	707 839	583 706
Current assets	72 235 810	54 210 604
Short term liabilities	63 802 674	46 158 698
Financed by:		
Long term liabilities	35 692	57 768
Owners' equity (net assets)	9 105 283	8 577 844

The non current assets include the intangible assets, the property plant and equipment and the deferred tax asset.

The long term liabilities include long term portion of the lease, certain employee benefits and the financial guarantee contract liability.

All other items of the balance sheet are current. The Entity defines an item of the balance sheet being current if the due date is within 12 months.

NOTE 23: INCOME FROM CENTRAL COUNTERPARTY SERVICE

The main revenue generating activity of the Entity is the fee income from acting as a central counterparty on several markets. These revenues are allocated to the period when the service is provided.

	2020	2019
Income from central counterparty service		
CCP services of spot market	368 678	281 119
CCP services of derivative market	178 006	192 512
Clearing membership fees	670 050	611 690
CCP services of gas market	223 521	297 517
CCP services of energy market	323 686	326 583
Income from collateral	12 800	0
Fees from trade reporting	7 404	3 735
	1 784 145	1 713 156

NOTE 24: OTHER NON-COUNTERPARTY SERVICES INCOME

The Entity has activities that are either not provided on regular basis or outside of the scope of the core activity. The followings are presented on a separate line from the main activity:

	2020	2019
Other operating income		
Income from risk management services rendered	0	133 000
Other sundry incomes	44 682	63 866
	44 682	196 866

The entity was providing risk management services to the Parent entity in the pervious periods. Starting from 2020 the risk management of the Parent was done internally by the Parent herself, therefore the risk management service contract was discontinued.

NOTE 25: GAS TRADING ACTIVITY

When the Entity acts as the central counterparty of the deals in gas trading legally they are considered to be buyer and seller at the same time. The Entity concluded that it acts as an agent, since they are not possessing the gas during the settlement process, not even for momentarily. Therefore the income from selling the gas itself and the cost of this sale shall not be recognized in the profit or loss but it is netted, therefore it bypasses that statement. (The payables and receivables however are recognized on gross basis – see Note 8.) The fees for acting as a counterparty is recognized as clearing fee (Note 23).

The trading volume is the following:

	2020	2019
Income from gas sold	104 780 180	191 558 028
Cost of sales of gas sold	-104 780 180	-191 558 028
To the income statement, net	-	-

NOTE 26: BANK FEES, COMMISSION AND SIMILAR ITEMS

These fees, commissions charged by other financial institutions for the activities of the Entity. These are mainly settlement fees paid to the KELER Ltd.

NOTE 27: PERSONNEL EXPENSES

	2020	2019
Personnel expenses		
Wages	427 200	355 079
Base wages	382 200	320 079
Premium	45 000	35 000
Social security and other contributions	80 707	75 489
Other cost of personnel	22 102	39 191
	530 009	469 759

All the personal expenses are relating to short term employee benefits – including accumulating paid leaves – except the jubilee bonuses which is a long term employee benefit and other long-term liabilities.

The average number of employees was 25 in 2020 (24 in 2019).

NOTE 28: OTHER OPERATING EXPENSES

	2020	2019
Other expenses		
Charges for infrastructure	439 674	483 362
IT support	80 299	75 082
Expert fees	49 313	38 320
Other administrative services	12 978	15 948
Local business and other taxes	56 619	55 730
Education fees	8 181	16 278
Rental fees	12 490	12 785
Membership fees	4 016	3 054
Levies	1 780	2 455
Legal fees	1 156	5 017
Travel expenses	1 204	6 841
Insurance fees	4 308	4 277
ECC service fees	18 288	19 694
Fines paid	4 300	14 502
Other sundry expenses	60 082	41 099
	754 688	794 444

KELER CCP outsources some of its administrative services to KELER Ltd. (the parent company of KELER CCP), including: supplying of data between KELER and KELER CCP and to third parties as well, IT related and other (finance, accounting, controlling, marketing, PR, HR, compliance, etc.).

IT support services covers the support and update of the software used by the Entity. The elements of this expense is explained by the individual heading.

NOTE 29: IMPAIRMENT LOSS OF FINANCIAL ASSETS

The impairment loss is calculated based on the expected credit loss model as required by IFRS 9. For instruments other than accounts receivable, the general method is used, where the instruments are classified into three stages. At the end of the reporting period all financial assets are in the first stage and the calculation of the impairment loss allowance is the following:

	Balances with banks	Repos	Treasury bills	Loans to employees	Receivables from foreign clearing houses
Opening balance of expected credit loss (ECL)	5 128	1 207	540	1	2 454
Changes in the balance of expected credit loss (ECL)	773	-1 207	132	-1	623
Closing balance of expected credit loss (ECL)	5 901	0	672	0	3 077

The changes in the ECL were recognized in the income statement.

For the calculation the so called ‘standard model’ is used, where pre-set PDs and LGDs are applied for the counterparty, using the TTC (Through The Cycle) approach.

For the accounts receivable the simplified method is used, using the ageing approach. This led to the following amounts:

Account receivables	
Opening balance of expected credit loss (ECL)	2 268
Changes in the balance of expected credit loss (ECL)	-456
Closing balance of expected credit loss (ECL)	1 812

NOTE 30: NET INTEREST INCOME

The interest income and expenses include the following amounts:

	2020	2019
Interest income		
Income from interest on amortized cost instruments - Recharged negative interest	314 383	220 532
Interest on fair value through other comprehensive income debt instruments	13 092	11 296
Sundry interest income	265	82
	327 740	231 910
	2020	2019
Interest expense		
Interest expense on repo deals	-21 037	-12 271
Interest paid on loans received	-1 313	-9 971
Interest paid to bank account	-221 366	-147 653
Interest paid to ECC	-84 851	-68 399
Other interest	-9 138	-1 442
	-337 705	-239 736

The negative interest is for the EUR deposits held at ECC and at KELER Ltd. These negative interests are mainly recharged to the customers of the Entity. Interest on FVTOCI financial assets are for the discount treasury bills.

NOTE 31: OTHER FINANCIAL GAIN/ LOSS

Other financial gains and losses include foreign exchange gains and losses for period, which is explained by movements on the EUR, GBP and USD rates .

NOTE 32: INCOME TAX EXPENSE, CHANGE IN THE INCOME TAX REGIME

Items classified as income taxes in accordance with IAS 12 are listed in Note 10. The rate for the corporate income tax was 9% in Hungary.

A breakdown of the income tax expense is:

	2020	2019
Income Taxes		
Current tax charged to the profit or loss	47 106	42 389
Deferred tax charged to the profit or loss	4 600	2 988
<i>Tax expense</i>	51 706	45 377
Deferred tax charged to other comprehensive income	1 050	-61
<i>Total tax in total comprehensive income</i>	52 756	45 316

The details about the deferred tax is in Note 20.

	2020	2019
Profit before taxes	568 528	487 691
Theoretical corporate tax rate	9%	9%
Corporate income tax calculated using the theoretical tax rate	51 168	43 892
Adjustments increasing the taxable profit multiplied with the theoretical tax rate	11 046	12 665
Adjustments decreasing the taxable profit multiplied with the theoretical tax rate	15 108	14 169
Actual corporate income tax	47 106	42 389
Actual income tax	47 106	42 389
Deferred corporate income tax recognized in profit or loss	4 600	2 988
Actual income tax recognized in profit or loss	51 706	45 377
Actual income tax recognized in other comprehensive income	0	0
Deferred income tax recognized in other comprehensive income	1 050	-61
Income tax in total comprehensive income	52 756	45 316

NOTE 33: OTHER COMPREHENSIVE INCOME

The other comprehensive income includes the revaluation of the fair value through other comprehensive income financial instruments. The other comprehensive income also includes the tax effect of this as well.

This balance is to be reclassified to the profit or loss when the financial instruments are derecognized.

	2020	2019
Other comprehensive income:		
Remeasurement gain on fair value through other comprehensive income debt instruments	11 667	-674
Deferred tax charged to the Other comprehensive income	-1 050	61
	10 617	-613

The other comprehensive income will fully be reclassified to the income statement.

NOTE 34: OFF BALANCE SHEET ITEMS

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	31.12.2020	31.12.2019
Guarantees received		
Cash	9 347 471	66 842 192
In HUF	8 499 487	18 633 521
In foreign currency	847 984	48 208 671
Security	34 175 767	34 114 250
	43 523 238	100 956 442
Specific safeguards		
Cash	1 365 109	18 178 021
In foreign currency	1 365 109	18 178 021
Security	4 910 455	2 939 518
	6 275 564	21 117 539
Line of credit (received)		
From domestic bank (MKB)	728 363	1 100 000
From the parent	5 000 000	6 000 000
From domestic bank (Gránit)	4 000 000	3 800 000
From domestic bank (OTP)	1 825 650	0
From domestic bank (Budapest Bank)	1 095 390	0
From domestic bank (Citi Bank Frankfurt)	365 130	0
	13 014 533	10 900 000

Under specified circumstances these security deposits maybe used by the Entity for given reasons (ie. loss making event).

The Entity received a line of credit from several sources, out of which some is provided by commercial banks which's main purpose is to provide general liquidity (mainly for VAT position) and to maintain the appropriate operation of the settlement banking system. The parent provides two facilities. One of the line of credits provided by the parent is general in purpose providing short term liquidity and will be settled on a daily basis, thus the closing balance on each day is zero (upper limit is 3 billion HUF). The other facility is same in nature, but settled only annually (upper limit is 2 billion HUF).

NOTE 35 RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties (including shareholders) of the KELER CCP in the normal course of the business. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows:

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	2020	2019
Shareholders		
Other operating income	12 760	133 000
Charges for infrastructure	-474 727	-509 553
Fees and commissions expenses	-66 662	-60 244
Interest expenses	-22 038	-21 678
Sundry other items	-21 759	-11 006
	-572 426	-469 481

	2020	2019
Shareholders		
Receivables	566	9 033 829
Bank balances	3 960 835	207 500
Accrued interest receivables	0	124
	3 961 401	9 241 453

Accounts payable	218 089	314 992
	218 089	314 992

Transactions are at arm's length condition. These balances and transactions will be eliminated at Entity level (ie. in the Separate financial statements of the KELER Ltd.), however these balances are not eliminated in these financial statements.

The ultimate parent of the Entity is the Central Bank of Hungary (CBH). CBH is a government-related entity (as defined by IAS 24). This Entity uses the exemption in IAS 24.25 and does not make disclosures regarding balances and transactions with other government related entities. These transactions with other government related entities are immaterial and if they exist they are at arm's length condition.

Members of the key managements are related parties.

Key management (during the period preparing the financial statements) :

Board of Directors

- Dr. Selmeczy-Kovács Zsolt chairman of BoD
- Mátrai Károly, chief executive officer (until: 24th February 2020)
- Nagy Márton, member of BoD (until: 30th June 2020)
- Balogh Csaba Kornél, member of BoD
- Körmöczi Dániel, member of BoD
- Berényi László, member of BoD
- Mónus Attila, member of BoD (until: 24th February 2020)
- Marosi Bence, member of BoD (from: 14th March 2020 to 30 July 2020)
- Kecskésné Pavlics Babett, member of BoD (from 12th March 2020)
- Horváth Dániel, member of BoD (from 27th August 2020)
- Demkó-Szekeres Zsolt (31st July 2020)

Supervisory Board

- Dr. Szalay Rita, chairman of SB (until 27th February 2020)
- Varga-Balázs Attila, chairman of SB (from 27th February 2020)
- Gerendás János, member of SB
- Baksay Gergely, member of SB (until 27th February 2020)
- Bozsik Balázs, member of SB
- Palotai Dániel, member of SB (until 27th February 2020)
- Banai Ádám, member of the SB (from 27th February 2020)

The Board of Directors and the Supervisory Board receives the following remuneration for the Entity:

2020	Board of Directors	Supervisory Board	Total
Salary and similar	103 759	28 054	131 813
Fringe benefits	2 790	-	2 790
Total	106 549	28 054	134 603

These remunerations are all short term employee benefits.

Remunerations above include all type of disbursement paid to members of Board of Directors and Supervisory Board. Other than the above stated remuneration no transactions are made with the foresaid people.

Károly Mátrai resigned from the Board of Directors as of 24th February 2020 and the same day he stepped down as Chief Executive Officer was terminated. His employment will end on 24th May 2020.

Attila Mónus resigned from the Board of Directors as of 24th February 2020.

Dr. Rita Szalay resigned from the Supervisory Board and the same day she stepped down as Chairman of the Supervisory Board.

Gergely Baksay resigned from the Supervisory Board in 2020.

Dániel Palotai resigned from the Supervisory Board in 2020.

Márton Nagy resigned from the Board of Directors as of 30th June 2020.

Bence Marosi resigned from the Board of Directors as of 14th March 2020, and his employment was terminated on 30th July 2020.

NOTE 36: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The Entity is not involved in any interests that should be consolidated in any way (subsidiaries, associates or joint arrangements).

NOTE 37: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Classification of financial instruments

As at 31 December 2020	Financial instruments (measured at fair value through profit or loss)	Receivables measured at amortized cost	Fair value through other comprehensive income debt instruments sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	0	43 696 616	0	0	43 696 616	43 696 616
Debt instruments measured at fair value through other comprehensive income	0	0	4 990 030	0	4 990 030	4 990 030
Trade receivables relating to gas market	0	439 468	0	0	439 468	439 468
Trade receivables relating to central counterparty and other service	0	178 975	0	0	178 975	178 975
Receivables from repurchase agreements	0	0	0	0	0	0
Receivables from foreign clearing houses	0	22 789 869	0	0	22 789 869	22 789 869
Trade payables	0	0	0	302 119	302 119	302 119
Trade payable from gas market activity	0	0	0	441 961	441 961	441 961
Default Fund liabilities	0	0	0	4 940 939	4 940 939	4 940 939
Financial guarantee contract liability	0	0	0	8 119	8 119	8 119
Collateral held from energy market participants	0	0	0	43 151 716	43 151 716	43 151 716
Collateral held from gas market participants	0	0	0	14 824 450	14 824 450	14 824 450

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As at 31 December 2019	Financial instruments (measured at fair value through profit or loss)	Receivables measured at amortized cost	Fair value through other comprehensive income debt instruments sale assets	Other assets or liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	0	19 765 012	0	0	19 765 012	19 765 012
Treasury bills and government bonds	0	0	3 999 775	0	3 999 775	3 999 775
Trade receivables relating to gas market	0	2 485 215	0	0	2 485 215	2 485 215
Trade receivables relating to central counterparty and other service	0	222 074	0	0	222 074	222 074
Receivables from repurchase agreements	0	8 942 350	0	0	8 942 350	8 942 350
Receivables from foreign clearing houses	0	18 175 567	0	0	18 175 567	18 175 567
Trade payables	0	0	0	346 048	346 048	346 048
Trade payable from gas market activity	0	0	0	2 465 314	2 465 314	2 465 314
Default Fund liabilities	0	0	0	6 950 315	6 950 315	6 950 315
Financial guarantee contract liability	0	0	0	5 747	5 747	5 747
Collateral held from energy market participants	0	0	0	36 231 222	36 231 222	36 231 222

No items were classified as fair value through profit or loss (FVTPL)

Assets and liabilities measured at fair value – Fair value hierarchy

As at 31 December 2020	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Treasury bills and government bonds	0	4 990 030	0	4 990 030

As at 31 December 2019	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Treasury bills and government bonds	0	3 999 775	0	3 999 775

Assets and liabilities measured at non-fair value – Fair value hierarchy

As at 31 December 2020	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	43 696 616	0	0	43 696 616
Trade receivables relating to gas market	0	0	439 468	439 468
Trade receivables relating to central counterparty and other service	0	0	178 975	178 975
Receivables from repurchase agreements	0	0	0	0
Receivables from foreign clearing houses	0	0	22 789 869	22 789 869
Trade payables	0	0	302 119	302 119
Trade payable from gas market activity	0	0	441 961	441 961
Default Fund liabilities	0	0	4 940 939	4 940 939
Financial guarantee contract liability	0	0	8 119	8 119
Collateral held from energy market participants	0	0	43 151 716	43 151 716
Collateral held from gas market participants	0	0	14 824 450	14 824 450

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As at 31 December 2019	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	19 765 012	0	0	19 765 012
Trade receivables relating to gas market	0	0	485 215	2 485 215
Trade receivables relating to central counterparty and other service	0	0	222 074	222 074
Receivables from repurchase agreements	0	0	942 350	8 942 350
Receivables from foreign clearing houses	0	0	8 175 567	18 175 567
Trade payables	0	0	346 048	346 048
Trade payable from gas market activity	0	0	2 465 314	2 465 314
Default Fund liabilities	0	0	6 950 315	6 950 315
Financial guarantee contract liability	0	0	5 747	5 747
Collateral held from energy market participants	0	0	36 231 222	36 231 222

Receivables or similar items including counter party risk where the risk factor is not readily determinable are classified under Level 3 measurement.

NOTE 38: RECONCILIATION OF THE EQUITY

The Hungarian Accounting Act para 114/B requires the entity to reconcile the equity under IFRS with the equity defined by the foresaid paragraph.

The equity reconciliation for 31st December 2020 and for 31st December 2019 is:

	31.12.2020	31.12.2019
Equity under IFRSs	9 105 283	8 577 844
Received additional temporary capital	0	0
Given additional temporary capital	0	0
Received grant classified into share premium, if accounted for as deferred income	0	0
Received assets, if deferred income under IFRS	0	0
Introduced capital, if recognized as receivable from owners under IFRS	0	0
Equity reconciled as per Szt. 114/B	9 105 283	8 577 844

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	31.12.2020	31.12.2019
Items of equity as per the reconciliation		
<i>Issued capital under IFRS</i>		
Issued capital as registered by the court of registry	2 623 200	2 623 200
<i>Issued, but unpaid capital</i>	0	0
Issued, but unpaid capital	0	0
<i>Tide-up reserve</i>	0	0
Received additional temporary capital	0	0
Reserve for future development	0	0
Tide-up reserve as per Szt. 114/B	0	0
<i>Retained earnings</i>		
Accumulated profit under IFRS not yet distributed (current and previous years)	2 019 580	1 577 266
Items shared directly to retained earnings under IFRS	0	0
Temporary additional capital granted	0	0
Development reserve not yet used adjusted with deferred taxes	0	0
Accumulated profit for the years before transition with transition adjustments	0	0
Retained earnings as per Szt. 114/B	2 019 580	1 577 266
<i>Profit after taxes</i>		
Profit after taxes as per Szt. 114/A point 9.	516 822	442 314
<i>Revaluation reserve</i>		
Items recognized in other comprehensive income, accumulated	10 881	264
<i>Share premium</i>		
Reconciled equity	9 105 283	8 577 844
less: reconciled issued capital	-2 623 200	-2 623 200
less: reconciled issued, but unpaid capital	0	0
less: reconciled tide up reserve	0	0
less: reconciled retained earnings	-2 019 580	-1 577 266
less: reconciled profit after taxes	-516 822	-442 314
less: reconciled revaluation reserve	-10 881	-264
Share premium as per Szt. 114/B	3 934 800	3 934 800

	31.12.2020	31.12.2019
Reconciled equity		
<i>Reconciled equity as per 114/B</i>		
Issued capital	2 623 200	2 623 200
Issued, but unpaid capital	0	0
Share premium	3 934 800	3 934 800
Retained earnings	2 019 580	1 577 266
Tide-up reserve	0	0
Revaluation reserve	10 881	264
Profit after taxes	516 822	442 314
	9 105 283	8 577 843
Retained earnings (reconciled)	2 019 580	1 577 266
Profit for the current period	516 822	442 314
Less: value increase of investment properties (adjusted with tax effects)	0	0
Retained earnings available for dividend	2 536 402	2 019 580

NOTE 39: STATEMENT OF FINANCIAL POSITION TO EMIR

KELER CCP is under EMIR authorization and so has to comply with all requirements in regulations Regulation (EU) No 648/2012 and 153/2013. A CCP shall keep and indicate separately in its balance sheet an amount of dedicated own resources (so-called skin in the game) for the purpose set out in Article 45(4) of Regulation (EU) No 648/2012. As KELER CCP has established more than one default fund for the different classes of financial instruments it clears, the total dedicated own resources shall be allocated to each of the default funds in proportion to the size of each default fund, to be separately indicated in its balance sheet and used for defaults arising in the different market segments to which the default funds refer to. KELER CCP also has to separate its minimum capital requirement according to Article 16 of Regulation (EU) No 648/2012/EU.

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	31.12.2020	31.12.2019
Cash and cash equivalents	43 696 616	19 765 012
Debt instruments measured at fair value through other comprehensive income	4 990 030	3 999 775
Trade receivables relating to gas market	439 468	2 485 215
Trade receivables relating to central counterparty and other service	178 975	222 074
Other receivables	140 852	620 611
Receivables from repurchase agreements	0	8 942 350
Receivables from foreign clearing houses	22 789 869	18 175 567
Intangible assets	670 133	532 146
Property, plant and equipment	33 479	41 683
Income Tax - Deferred tax assets	4 227	9 877
TOTAL ASSETS	<u>72 943 649</u>	<u>54 794 310</u>
Trade payables	302 119	346 048
Trade payable from gas market activity	441 961	2 465 314
Other payables	130 338	166 973
Income Tax - Current tax liability	11 377	18 693
Default Fund liabilities	4 940 939	6 950 315
Financial guarantee contract liability	8 119	5 747
Collateral held from energy market participants	43 151 716	36 231 222
Collateral held from gas market participants	14 824 450	0
Lease liability	27 347	32 154
TOTAL LIABILITIES	<u>63 838 366</u>	<u>46 216 466</u>
CCP Capital requirement acc. to EMIR	3 033 938	2 721 015
Skin in the game default Exchange Fund	253 022	244 573
Skin in the game default Collective Guarantee Fund	225 522	229 406
Skin in the game default Gas Market Collective Guarantee Fund	111 220	94 690
Skin in the game default CEEGEX Market Collective Guarantee Fund	99 767	49 743
Other Financial resources	5 381 814	5 238 417
TOTAL SHAREHOLDERS' EQUITY	<u>9 105 283</u>	<u>8 577 844</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>72 943 649</u>	<u>54 794 310</u>

NOTE 40: CHANGES IN ACCOUNTING POLICIES

The Entity did not change its' accounting policies during 2020. .

NOTE 41: NEW AND REVISED STANDARDS

The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2020.

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”** – Interest rate Benchmark Reform - adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 “Leases”** – Covid 19-Related Rent Concessions adopted by EU on 9 October 2020 (effective for annual periods beginning on or after 1 June 2020),
- **Amendments to IFRS 3 “Business Combinations”** – adopted by EU on 21 April 2020 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2** adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021)
- **Amendments to IFRS 4 “Insurance Contracts” deferral of IFRS 9** adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- **IFRS 17 “Insurance Contracts” including amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 3 “Business Combinations”; IAS 16 “Property, Plant and Equipment”; IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Annual Improvements** (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments** (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application

NOTE 42: DISCLOSURES FOR THE STAND ALONE FINANCIAL STATEMENT REQUIRED BY IAS 27

The Entity is a fully consolidated subsidiary of KELER Ltd. Those consolidated financial statements are published and deposited according to the relevant Hungarian legislation.

The Entity does not have any subsidiaries, associates or joint arrangements.

NOTE 43: SUBSEQUENT EVENTS

There are no significant subsequent event identified which requires disclosure.

NOTE 44: EFFECTS OF THE COVID19 PANDEMIC

The corona virus pandemic changed the social and economic environment substantially in 2020. The entity monitors the possible effects of the circumstances closely. In 2020 the Entity did not identify any material fallback in the revenue due to the pandemic. The operation of the Company was more or less undisturbed; however employees were mainly working remotely.

The management of the entity believes that there are no signs that would contradict the going concern assumption and there are no material effects expected for the 2021 business year.

NOTE 45: DIVIDEND

The AGM on 28th May 2020 did not declare a dividend for the business year of 2019, all net profit was transferred to retained earnings.

NOTE 46: APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 3 May 2021. The financial statements are approved by the Annual General Meeting.

Budapest, 03 May 2021.

Babett Pavlics
Chief Executive Officer

Tamás Horváth
Chief Operating Officer