



Securities. Solutions. Success.

WWAZ	▲	-11.01	▲	-99.31
TVRZ	▲	+92.21	▲	-87.69
TTAW	▲	+87.34	▲	-87.54
CCAD	▲	+231.04	▲	-121.49
HAEW	▼	-74.60	▼	-87.84
JJAS	▲	+94.71	▲	-61.41
RRAP	▼	-77.90	▼	-59.35

ANNUAL REPORT

2021

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CHAIRMAN'S MESSAGE



ZSOLT SELMECZI-KOVÁCS DR.
Chairman

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

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

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

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

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

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

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

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



ZSOLT DEMKÓ-SZEKERES

Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S MESSAGE

In 2020, KELER managed to overcome the obstacles caused by Covid-19, remained stable and was successful professionally. I am pleased that this dynamism characterised 2021 as well, due to which, besides the stable daily business and the provision of service on a high level to the clients, KELER renewed its securities settlement system within the framework of one of the most important IT developments of its history.

The main purpose of the development was to create an effective, modern IT infrastructure built on a new technological basis with a domestic, partly own developer-service provider background, which meets the regulatory demands besides providing secure operation and the conditions of the operation of KELER according to the uniform European standards. By the introduction of the new system the major part of service elements was realised which were made necessary by the requirements of the regulations of the European Union (CSDR, SDR) regulating the central securities depositories and, in connection with them, the settlement discipline, and which define substantially the operation of KELER and the capital market actors.

With the new settlement platform KELER's background activities, master data management and fee calculation processes became renewed just like the reports made for our clients and the reports to authorities.

Our priority was the LEI project as well, which ended successfully last year and due to which KELER started its full LEI issuer and management service to legal persons registered in Hungary by introducing a new Internet-based system.

Besides business developments, the compliance with the regulatory and supervisory requirements means a more and more detailed and frequent data provision obligation for KELER regarding which we primarily implemented the renewal of reports in connection with the task of registration and compulsory reporting necessary for the compliance with CSDR requirements.

Last year KELER experienced an outstanding financial year besides professional success. The large growth of the domestic economy compared to previous expectations played a role in achieving the results. This growth was supported by the economic recovery actions of the government, the introduction of the central bank's measures and the intense vaccination campaign. The favourable domestic, economic, money and capital market processes and the tight cost control made a positive impact on the 2021 results, thus KELER performed exceeding the targets in 2021 as well with its HUF 1.8 billion pre-tax earnings. The volume of the custody securities exceeded HUF 53,680 billion by the end of last year which is a more than 15% expansion compared to the previous year.

The trust in government securities and the activity of investors preferring also alternative investment forms such as listing of investment units had an important role in growth. Besides the record value of the fees received of almost HUF 6.6 billion the interest difference belonging to KELER's main activity and other interest result through the interest increase cycle again almost reached the HUF 900 million level.

During the pandemic the form of client contact changed substantially at many companies; the spread of new client demands and remote working affected almost every sector. In this situation KELER's employees proved their extraordinary commitment in 2021 as well – we effectively managed the operative and strategic client contacts, by providing the necessary technological and infrastructural background. We believe that the human relationships and personal interactions in the traditional sense remain essential in the culture of the KELER Group.

I take this opportunity to say thank you to our clients, partners, owners and my colleagues for their continuous support and cooperation in the past year by which they made KELER's renewal possible.

MARKET ENVIRONMENT

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

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

To help the economy recover, central banks have supported lending growth by creating favourable interest rate conditions, asset purchase programmes, loan and guarantee schemes, which have eased liquidity constraints for companies. On the fiscal side, fiscal measures helped market participants. In response to the consolidating economic situation and inflationary pressures, central banks moved towards a tightening monetary policy stance. The Federal Reserve (FED) and the European Central Bank (ECB) have left policy rates unchanged for the time being, but have resumed their asset purchase programmes at a lower pace. With policy rates expected to rise in 2022 and asset purchase programmes to be further reduced, market participants expect further tightening of monetary conditions.

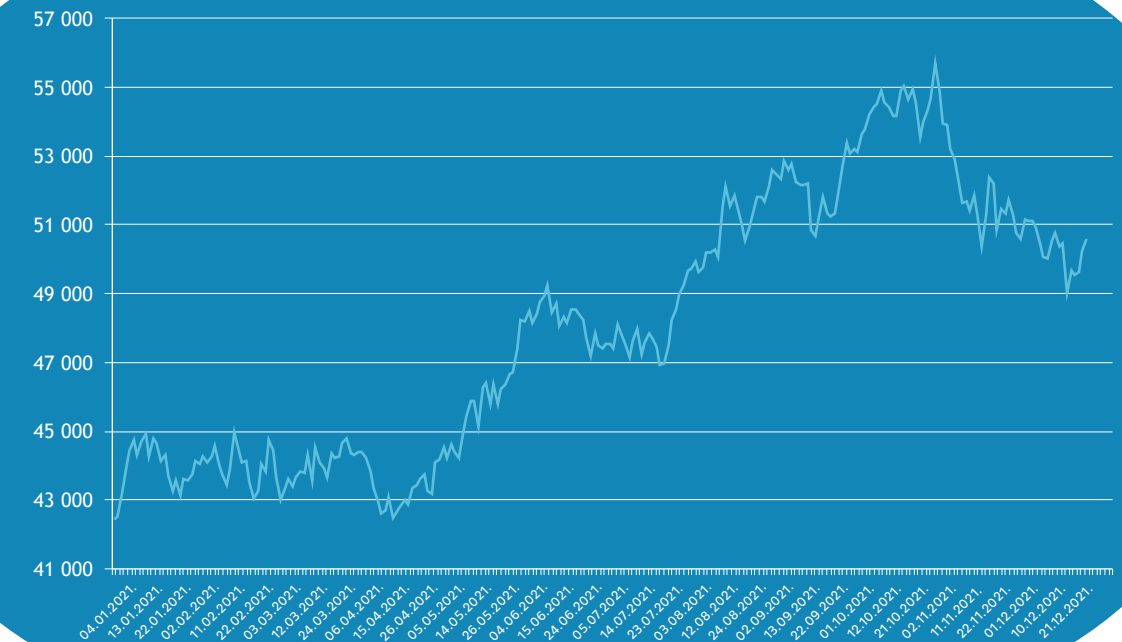
While the FED and the ECB have so far only held out the prospect of raising policy rates, the central banks of the region have already started tightening in the second half of 2021. The central banks of Poland, the Czech Republic, Romania and Hungary have also decided to start rate increasing cycles. In general, emerging market central banks have responded to presumably persistent inflationary pressures by tightening interest rates.

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

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

Like the international stock indexes, the Budapest Stock Exchange (BSE) stock index also showed a significant increase, with the BUX closing the last trading day of 2021 at 50.721 points, up 20%. The BSE's turnover on the stock market fell slightly by around 2.5% year-on-year, from HUF 3 351 billion to HUF 3 266 billion.

Changes of the BUX Index in 2021



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

The Magyar Nemzeti Bank (MNB) started an interest rate increase cycle in June 2021. It raised the base rate from 0.6% to 2.4% in several steps by December. From a financial market perspective, however, the development of the one-week deposit rate was more important than the base rate. In November, the MNB announced the decoupling of the base rate and the one-week deposit rate. The one-week deposit rate, which became the benchmark rate, rose to 4% by the end of the year. The rate of increase in consumer prices was 7.4% at the end of the year. Inflation is still high in the first half of 2022, but is expected to moderate thereafter.

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

REGULATORY ENVIRONMENT

KELER's operations were affected in 2021, in particular, but not exclusively, by the following new legislation or changes in certain legislation, and will continue to be affected by the following:

- Act CXX of 2001 on the Capital Market,
- Regulation (EU) No 909/2014 on improving securities settlement within the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR), and its implementing regulations,
- Act CCXXXVII of 2013 on credit institutions and financial undertakings,
- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR),
- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, GDPR),
- Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009 (SEPA),
- Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR),
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR),
- Act CXXXVIII of 2007 on Investment Firms and Commodity Exchange Service Providers and the Rules Governing the Activities They May Perform,
- Act V of 2013 on the Civil Code,
- Act CXXXIX of 2013 on the National Bank of Hungary,
- Act XVI of 2014 on Collective Investment Schemes and their Managers and amending certain financial laws,
- Act XLIX of 1991 on bankruptcy and liquidation proceedings,
- Act LXXXV of 2009 on the provision of payment services,
- Act XIX of 2014 on the Proclamation of the Agreement between the Government of Hungary and the Government of the United States of America on the Promotion of International Tax Cooperation and the Implementation of the FATCA Regulations, and on the Amendment of Certain Related Acts,
- Act LIII of 2017 on the Prevention and Suppression of Money Laundering and Terrorist Financing,
- Act LII of 2017 on the implementation of financial and property restrictive measures imposed by the European Union and the UN Security Council,
- Act XXXVII of 2014 on the Further Development of the Institutional Framework to Strengthen the Safety of Certain Actors in the Financial Intermediation System (Resolution Act),
- Act V of 2006 on company registration, court proceedings and winding-up,
- Act CXXII of 2009 on the more economical operation of publicly owned companies,

REGULATORY ENVIRONMENT

- Act CXII of 2011 on the Right to Informational Self-Determination and Freedom of Information,
- Act CLXVI of 2012 on the Identification, Designation and Protection of Critical Systems and Installations,
- Act XXXVII of 2013 on Certain Rules of International Administrative Cooperation in Tax and Other Public Charges,
- Act CCXXII of 2015 on the General Rules of Electronic Administration and Trust Services,
- Act LVII of 2018 on the control of foreign investments damaging Hungary's security interests,
- Act XXX of 1997 on Mortgage Credit Institutions and Mortgage Certificates,
- Act XXIII of 2003 on the finality of settlement in payment and securities settlement systems,
- Act LXVII of 2019 on the Promotion of Long-term Shareholder Involvement and the Amendment of Certain Acts for the Purpose of Legislative Harmonisation,
- Government Decree 284/2001 (XII. 26.) on the method and security rules for the production and transmission of dematerialised securities, and on the rules for opening and maintaining securities accounts, central securities accounts and client accounts,
- Government Decree No 67/2014 (III. 13.) on certain issues related to the keeping of the share register of public limited companies,
- Government Decree 285/2001 (XII.26.) on the bond,
- MNB Decree 20/2014 (3.VI.) on the ISIN identifier,
- MNB Decree No 35/2017 (XII. 14.) on the processing of cash flows.

On the basis of reports from market players, AMI-SeCo publishes annually the state of compliance with the international standards it manages. The Corporate Events Compliance Report 2021 on corporate event standards highlights the improvement in compliance in the Hungarian market due to improvements resulting from the SRD requirements, as well as the high compliance rate with the shareholder identification standards.

General Assembly

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

Among the items on the agenda of the General Assembly were:

1. KELER Ltd. Report of the Board of Directors on the Company's assets, business policy and management (the presentation is identical to the "Annual Report for 2020")
2. Prepared in accordance with the IFRS framework under the Act on Accounting of KELER Ltd.
3. Adoption of separate financial statements, decision on the distribution of the profit after tax
 - the Board's proposal to adopt the IFRS accounts
 - Report of the Supervisory Board on the IFRS accounts
 - the Auditor's report on the IFRS accounts
4. Prepared in accordance with the IFRS framework under the Act on Accounting of KELER Ltd.
5. Adoption of the consolidated financial statements
 - the Board's proposal to adopt the IFRS accounts
 - Report of the Supervisory Board on the IFRS accounts
 - the Auditor's report on the IFRS accounts
6. Election of the auditor of KELER Ltd., determination of remuneration
7. KELER Ltd. Amendment of the Articles of Association of KELER
8. KELER Ltd. Re-election and election of the members of the Board of Directors, election of the Chairman of the Board of Directors, determination of their remuneration
9. KELER Ltd. Re-election or election of the members of the Supervisory Board, election of the Chairman of the Supervisory Board, determination of their remuneration
10. Amendment to the member loan agreement granted by KELER Ltd. to KELER CCP Ltd.
11. Other

FINANCIAL MANAGEMENT ACTIVITIES OF KELER

The year 2021 will be looked back on as a turning point in key economic trends over time, not spared by financial extremes.

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

Due to its specific nature, KELER's fee income is increasing in the economic environment of last year, mainly due to the increase in nominal government debt issued in forint,

resulting from the custody of government securities. The portfolio of securities in custody exceeded HUF 53,680 billion at the end of the year, an increase of more than 15% compared with the previous year. The increase is mainly due to the continued confidence in the sale of MÁP Plus and to investors who prefer alternative forms of investment, such as the subscription of units.

In addition to the record fee income of almost HUF 6.6 billion, the interest rate hike cycle brought KELER's core interest margin and other interest income together back to close to HUF 900 million.

Strict cost control throughout the organisation has contributed greatly to sound financial management, resulting in an increase in the main operating expenses of the Depository of just over HUF 40 million on an annual basis. (The rate of increase is only 0.7%.)

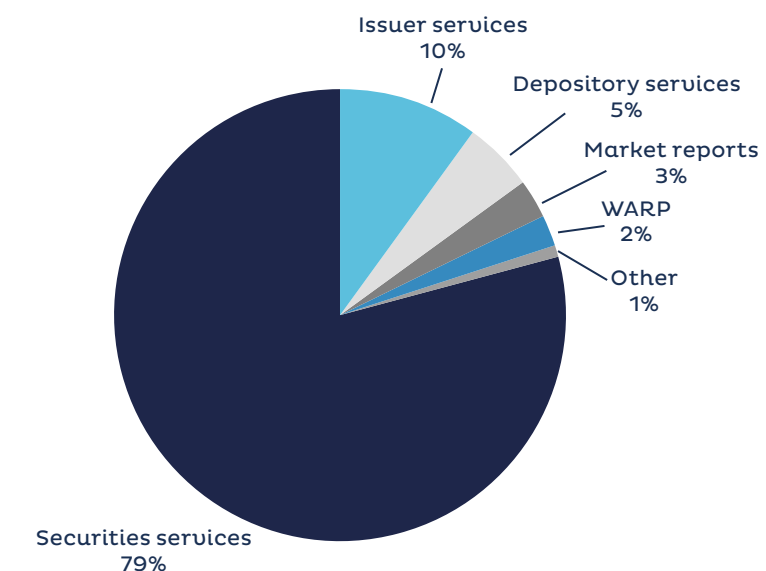
The profit before tax shows a very positive picture, amounting to more than HUF 1.8 billion.

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

KELER Results (in million HUF)

Item	2021. I-XII. KELER	2020. I-XII. KELER
Fees and commission from depository and credit institution	6 600	6 038
Infrastructural revenues	385	346
Interest margin	-1 820	-1 477
Gains on securities, net	-11	-
Anticipated impairment	-3	5
Result from main activity	7 446	7 199
Operating expenses	-6 025	-5 985
Impairment	-	-
Other interest income	417	-
Other revenues, expenditures	13	87
PROFIT BEFORE TAX	1 851	1 301

Fees and commissions from clearing, depository and credit institution activities (2021)

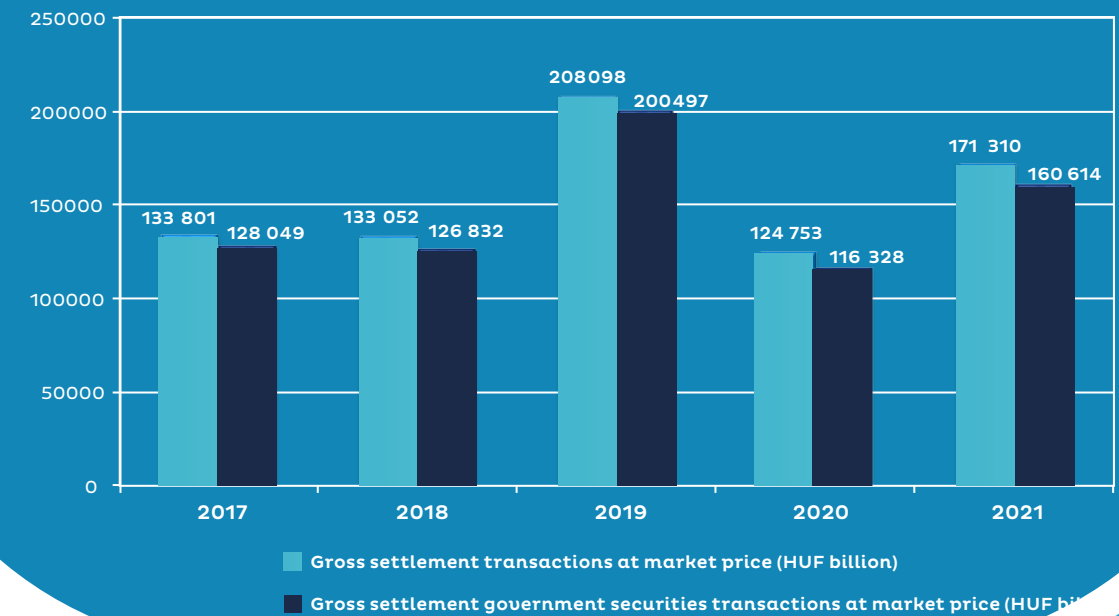


BUSINESS ACTIVITY

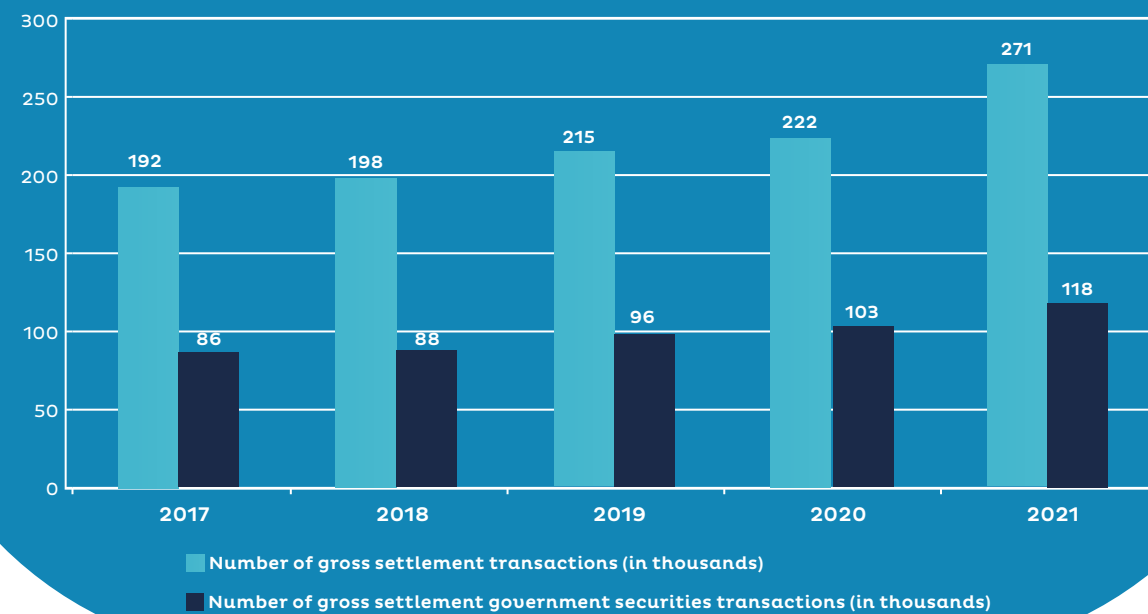
Settlement of securities transactions

The turnover of OTC transactions conducted with the assistance of KELER increased by 37% in 2021 compared to the previous year, which means a total of HUF 171.310 billion. In line with the increase in the value of turnover, the number of transactions also increased significantly, by 22% in the period under review. The trend observed previously remained unchanged compared to 2021, with an increase in the number of gross settled government securities transactions (43.5% of total transactions). These transactions continue to account for more than 93% of the transaction value. The number of gross settled transactions shown in the chart includes DVP repo, BSE auction and fixed-price, and primary transactions.

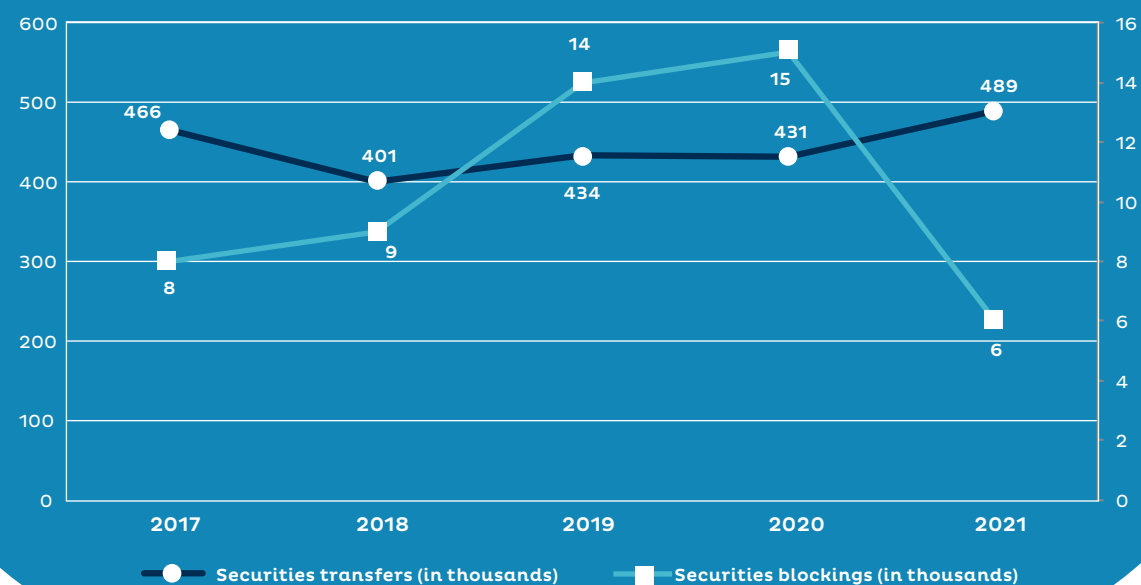
Turnover of gross settlement transactions 2017-2021



Number of transactions with gross settlement 2017 - 2021



Number of other securities transactions 2017 - 2021



International settlements

KELER's international securities service includes the custody of securities, the processing of related transactions and the full management of corporate events. In 2021, the value of the foreign portfolio held in custody by KELER decreased by 7% compared to the previous year. However, due to the

change of business model of one of the market participants, there was a significant decrease of 79% in the number of cross-border transactions, with a significant increase in the volume of domestic transfer and OTC type transactions. Thus, in 2021, the market value of the stock was €1.762 million, while the number of settled cross-border transactions was only 5 thousand.

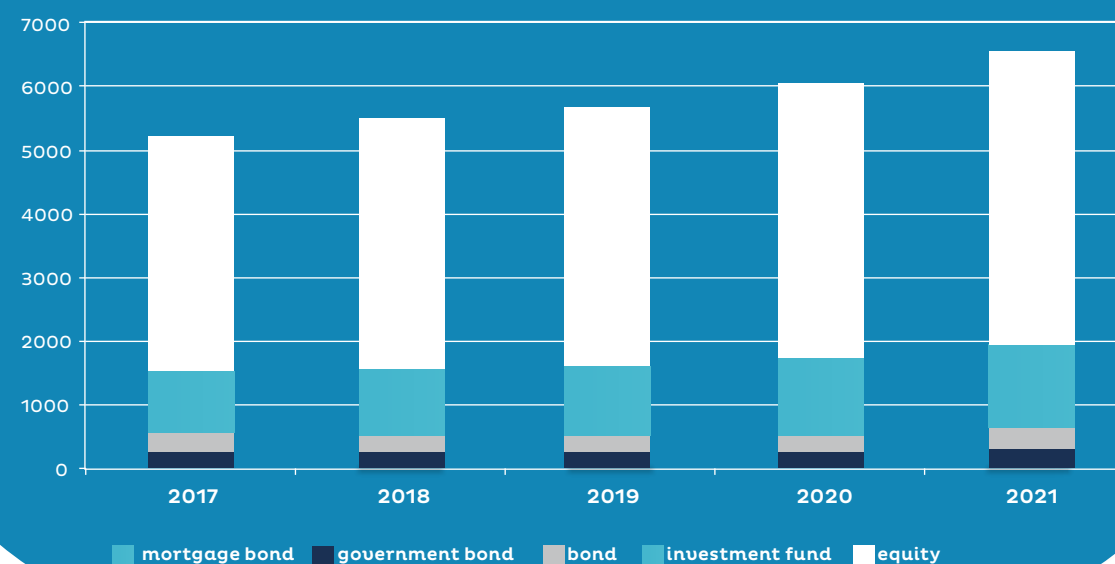
International settlements			
	2020	2021	Change
Transaction numbers (pcs)	25 381	5 291	-79,15%
Stock data (EUR)	1 647 321 028	1 762 285 777	6,98%

Central Depository services

Dematerialised securities series

On 31 December 2021, 6 565 live dematerialised securities series were registered in the securities accounts with KELER, an increase of 8.2% compared to the 6 067 series on 31 December 2020. In addition to the increase in the number of series of government securities, the issuance of new units, bonds and series of shares also increased.

Number of demat securities series by securities 2017 - 2021

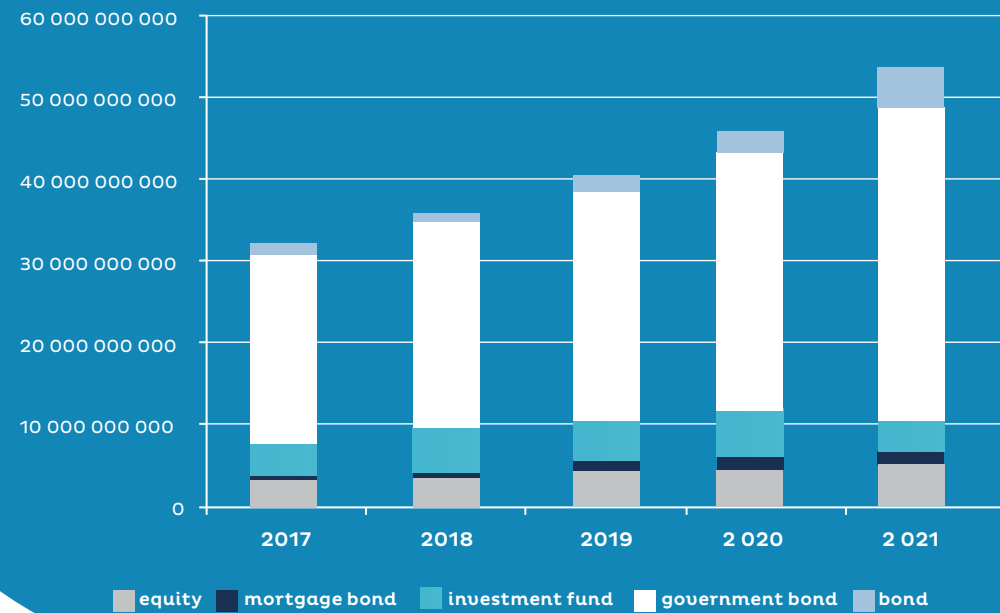


Portfolio of dematerialised securities in central securities accounts

The portfolio of securities kept in the central securities accounts on 31 December 2021, at HUF 53 680 billion, showed a further increase compared to the stock of securities at the end of 2020, at HUF 45 960 billion. In addition to the increase in the number of government securities series registered in the central securities account, the stock of

government securities increased by 10.8%, as a result of new issues of Hungarian Government Securities Plus, the issuance of related interest-bearing securities at origination and the redemption of existing long-term series. The significant increase in the stock of bonds (93.6%) is the result of the continuation of the Growth Bond Programme (NKP), while the increase in the stock of units (22.7%) is due to the reallocations to existing series.

Demat securities volume by securities type (in THHUF) 2017 - 2021



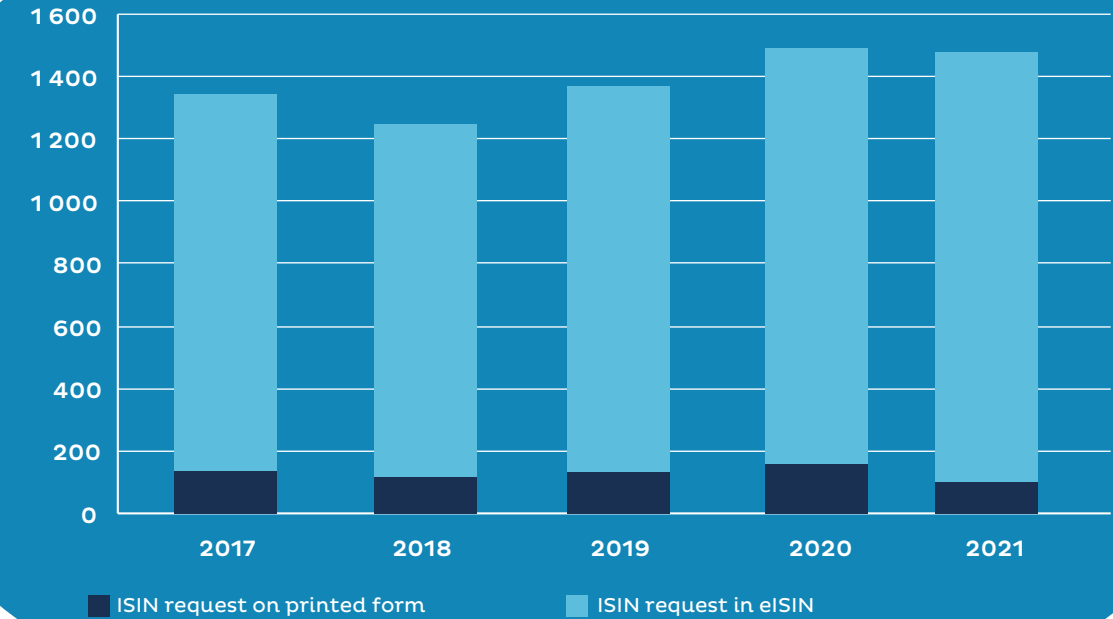
Securities code issuance

In 2021, issuers applied to KELER for 1 573 ISINs, an increase of 5.4% compared to the data for the 2020 financial year (1 493 ISINs).

The number of ISIN applications initiated through the e-ISIN online system was above 90% this year (93.1%).

By the end of 2021, KELER has allocated ISINs to a total of 32 355 securities, of which 15 102 active securities will be in the central securities register by the end of the year. The total number of ISINs registered for active derivative instruments is 14 052.

ISIN applications by channel 2017 - 2021



Investment notes - WARP

The distribution data for open-ended mutual fund units in 2021 show a significant increase compared to the previous year, with the number of distribution instructions increasing by more than 22 percent, setting a new record in terms of volume, with the number of transactions exceeding 1 million (1 003 thousand units) per year. The year-on-year trend has shown a steady upward trend, reaching its highest ever level in December 2021, with 104,000 instructions cleared per month.

In addition to WARP orders, settlements on securities accounts also showed a substantial increase, with cancellations and redemptions up 9.94% year-on-year. With the introduction of the new securities settlement system ("Engine") in December 2021, renewed settlement mechanisms have been introduced, resulting in

settlements being made directly at the individual securities account level instead of the previous netting per main account and related separate transfer orders, thus partly reflecting the higher settlement number from December, but the real impact of this will be visible in the 2022 data.

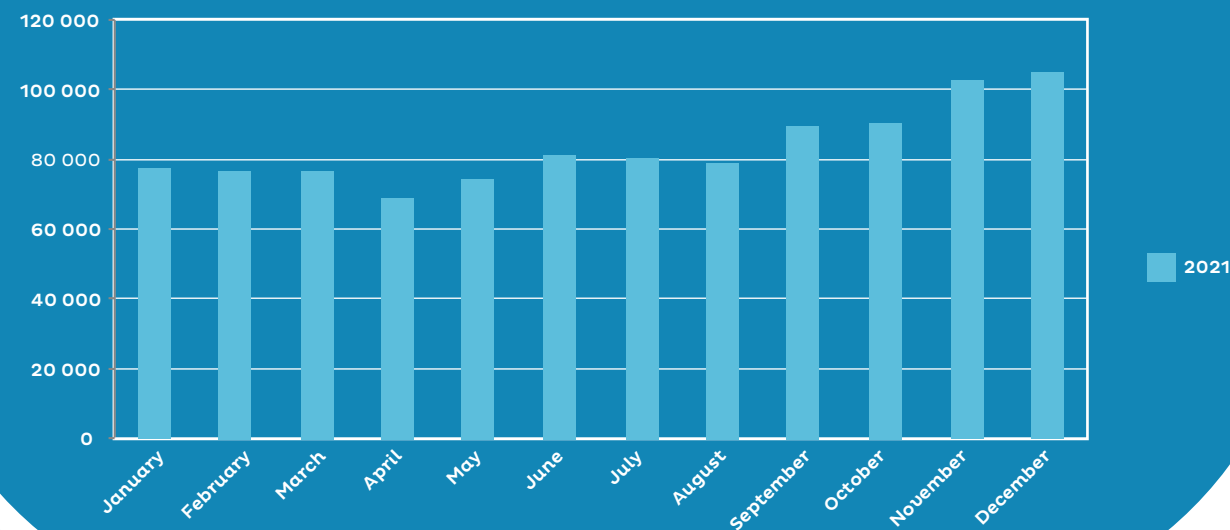
The number of market participants remained unchanged, with 25 distributors and 38 fund managers still in the system at the end of 2021.

The increase in the number of transactions is likely to be due to the more optimistic economic developments compared to the previous year and, consequently, to the increase in the number of securities series tradable in the system: compared to 895 at the end of 2020, the number of ISINs with active status at the end of December 2021 increased to 978, an increase of 9.3%.

There was also a slight increase in the number of distributor relationships and funds distributed: at the end of December 2021, there were 2 156 ISIN distributor

relationships shared between the 25 participants, compared to 2 035 ISINs at the end of 2020, meaning that on average there were around 5 more series of units per distributor (86 ISINs per distributor).

Number of completed WARP instructions (pcs) 2021



The focus of the 2021 system developments was on the alignment with the new settlement system introduced under the KSDP. As of December, the new ISO20022 standard settlement messages are now being exchanged between WARP and Engine, the new SDR mechanisms (hold-release, bilateral pairing and cancellation) for settlement orders submitted via WARP have been supported, and the status management of distribution instructions has been revamped, providing more flexibility to handle all distribution and settlement scenarios.

In addition, the possibility to manage proxy securities and cash accounts has been added as a new business function in WARP, which is expected to result in additional new indirect KELER participants joining the system from 2022.

With the new version, the new fee calculation structure for the distribution and settlement of units has also been renewed since December, allowing much more room for revenue growth as turnover increases.

LEI code issuance

From February 2021, KELER will offer market participants the full possibility to apply for a Legal Entity Identifier (LEI) codes. The number of customers using the service has been outstanding in this first year, thanks to the well thought-out, customer-friendly and stable operation of the system. This included a major fee reduction in 2021 compared to trends in previous years.

The number of LEI codes managed by KELER as LEI code issuer exceeded 4 000 by the end of 2021, and KELER is also responsible for managing nearly 1 100 LEI codes of legal entities not registered in Hungary in its role as intermediary. There has been no change in the customer base using KELER's LEI services, and the feedback from our customers on the LEI system remains positive.

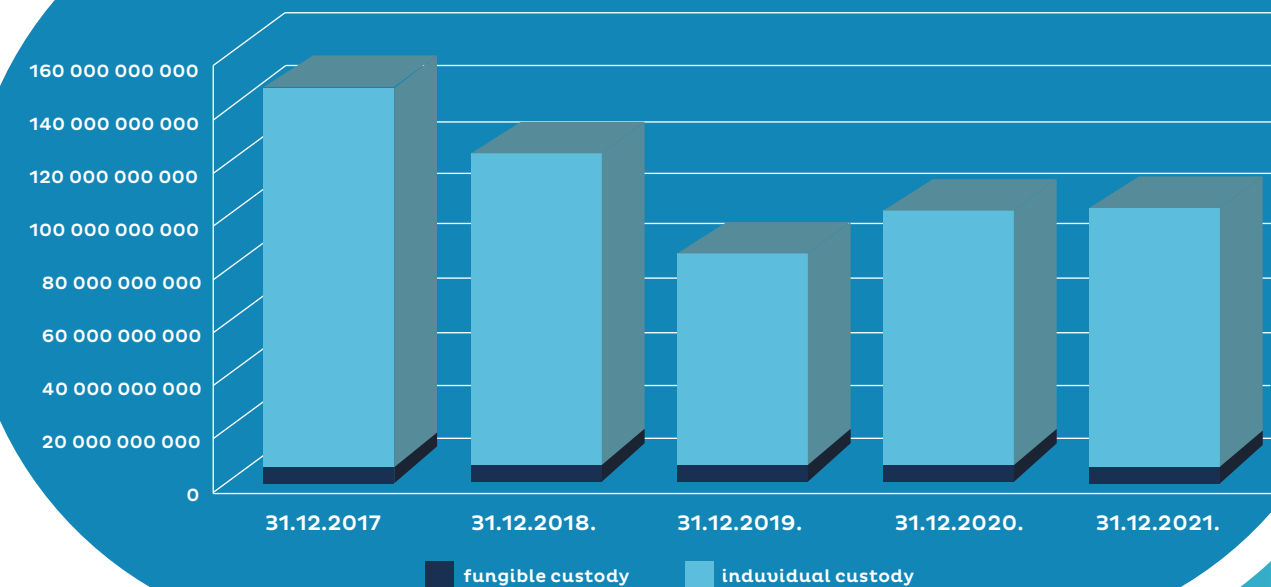
General depository activities

Physical securities safekeeping

In terms of number of units, the depository holdings of printed securities did not change significantly by the end of 2021 compared to last year, but increased by 8% in nominal terms.

The portfolio of securities held in fungible safekeeping in the securities account did not decrease, while the assets of securities held in individual safekeeping decreased by less than 1% (0.07%). As at 31 December 2021, KELER had a total of 300 417 physical securities in depository safekeeping.

Depository of print securities 2017 - 2021

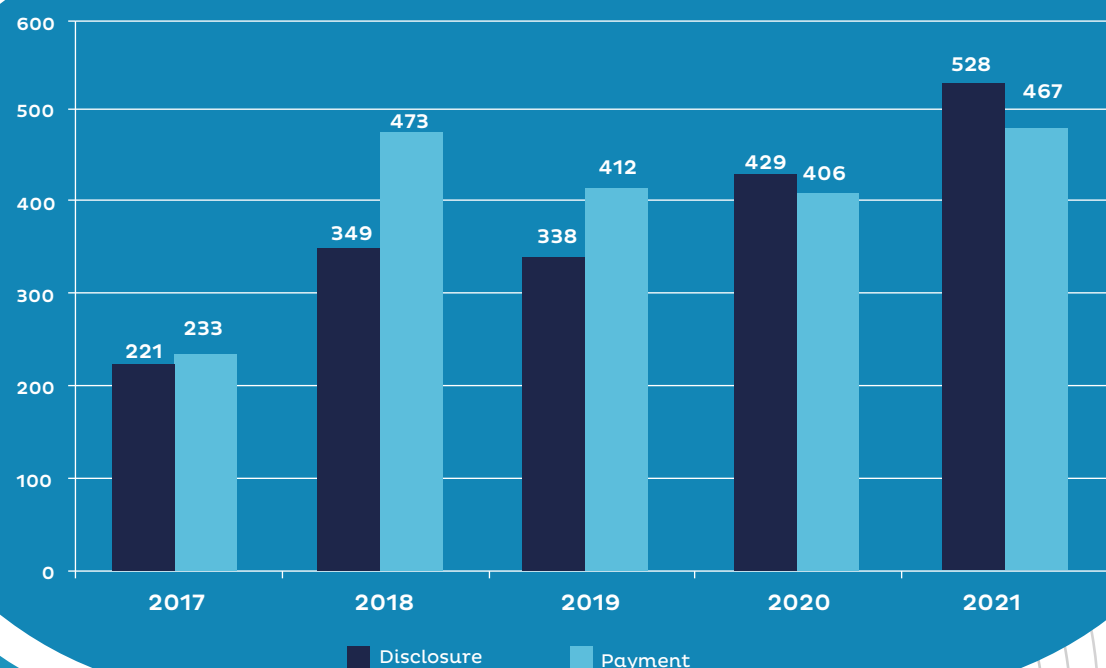


¹ The LEI is a 20-character international identification code used primarily to uniquely identify capital and energy market participants involved in financial transactions worldwide.

Management of corporate actions

KELER's additional activity as a central securities depository includes the provision of share register management, preparation and management of general meetings, as well as the preparation of payment schedules in addition to shareholder compliance and dividend payment services. In order to be listed on the Budapest Stock Exchange, distributors have applied for admission to trading of 188 series of foreign securities from KELER in 2021.

Corporate actions 2017 - 2021



Trade reporting

KELER has been operating its Trade Reporting (TR) service since 2014 and is continuously expanding it with solutions to help meet the reporting obligations imposed by emerging EU legislation.

At present, data can be provided through the KELER TR system in accordance with the EMIR (European Market Infrastructure Regulation - 648/2012/EU), REMIT (Regulation of wholesale Energy Market Integrity and Transparency - 1227/2011/EU), MiFIR (Markets in Financial Instruments Directive - 2014/65/EU) and SFTR (Securities Financing Transaction

Regulation - 2015/2365/EU) regulations. The delivery of trade data to the receiving party (trade repository, EU and national competent authority) is done through a proprietary infrastructure, which allows the use of different services within one platform.

KELER aims to cover as large a segment as possible of EU reporting obligations for capital and energy market counterparties. To this end, it is constantly monitoring changes in the relevant international regulations as well as current market trends.

Some elements of the service package are currently used by around 150 contracted customers, most of whom are foreign operators. The service generated total revenues of more than HUF 190 million in 2021.

PRIORITY PROJECTS AND SERVICE IMPROVEMENTS

KELER Service Development Programme (KSDP)

Within the framework of the KSDP programme, KELER planned to renew its IT infrastructure in line with European industry legislation and standards by implementing several separate but interdependent development phases.

The first part of the programme focused on the implementation of a new securities settlement system in the JAVA framework, interfacing with Target-2-Securities, while maintaining the current basic KELER account management systems. The priority for 2021 was to plan and execute a major year-end go-live exercise to meet the IT and business challenges of user and market testing.

With the launch of the new system in December, the service elements required in particular by the CSDR and the related EU Regulation on the settlement discipline (SDR) have been implemented. In the spirit of harmonisation, domestic securities transactions, like those cleared in European markets, will be settled in a standardised manner and with a common framework and functions, based on industry standard messages to increase clearing efficiency.

At the same time as the new settlement system, KELER also laid the foundations for its new central master data management system, as well as its reporting and fee calculation applications, which are the basis for the renewal of the reports and official reports for its customers.

Following the successful launch on 6 December 2021, the KSDP programme is not yet over, as it will include a fine management system to improve settlement discipline, which will penalise participants who fail to settle with a fine calculated, collected and distributed by the CSD to the participants concerned. The operation of the penalty mechanism will also contribute to the efficiency and security of the settlement system. The system is in the testing phase and is planned to be implemented by KELER in spring 2022, after market testing.

KID system version update

The aim of this project, which started in 2019, was to implement technological and partly functional changes to the server components operated by KELER, which serve, among others, the KID and e-Demat systems used as customer interface. Following the development and deployment of the new functionalities, the testing tasks of the project were carried out in parallel with the testing tasks of the KSDP programme, given that the project's maturation coincided with the maturation of the first phase of the KSDP.

LEI system compliance improvements

The Global Legal Entity Identifier Foundation (GLEIF) has mandated new and modified data quality control improvements in the LEI code issuing process over the past year.

The GLEIF also introduces new requirements for LEI code issuing activities for investment funds and governmental entities, whereby the LEI code issuing LOU must collect additional information about these entities in the LEI code issuing process. It is also a task to establish a system for recording changes in the operation of LEI code-entitled organisations and organisational events in the LEI code issuing system. The implementation of the above needs will require both the modification of existing functions and the development of new processes in the LEI code issuing system.

CAPS (Long-term shareholder engagement incentive - SRD)

Until the 3 September 2020 deadline set by the SRD legislation, the primary objective of the development of the CAPS system was to ensure the fullest possible compliance with the legislation, which was successfully ensured by KELER. The development of certain functionalities beyond compliance was completed in 2021: the SWIFT communication related to the service and the full functionality related to the shareholder identification service provided by KELER as a result of this service became available in CAPS from April 2021, complemented by the automated confirmation of votes service, which was not originally planned.

In November 2021, further improvements to CAPS were required due to changes in the message formats in the current SWIFT Release. For the shareholder identification, KELER has followed the message changes, for the publication of general meetings and company events, KELER has decided to keep its existing message format and distribute it via Closed User Group on SWIFT. As a result, customers have faced only minor changes almost in parallel with the KSDP.

KELER - MNB data corridor

The aim of the data corridor project is that, in a structure agreed with the Magyar Nemzeti Bank, KELER will provide the MNB with its master and transaction data on a daily basis, which they can then analyse by integrating into their own data warehouse. The data structures containing the master data have already been developed and the testing of their delivery started in 2021 and is expected to be completed in 2022. In the second half of the year, KELER, together with the MNB, started the specification of the transaction data fields, which will be finalised before development can start. It is expected that the live data will be delivered in 2023.

Data warehouse consolidation

Meeting regulatory and supervisory requirements requires increasingly accurate and frequent reporting. In order to meet these requirements, KELER has developed its existing data warehouse both technically and in terms of data content in a separate project.

In the course of the project, KELER replaced the previous, custom-developed control, data mapping and data migration solution of the data warehouse with a standard factory technology common in the banking sector. This allows the technical connection of newer systems and databases to the data warehouse to be implemented faster and more efficiently than before. The technology used to generate reports (BI) has also been changed, and technology in line with market trends has been introduced instead of the less widespread solution used previously in Hungary. The project involved adapting existing migrations to the new technology, including the reorganisation of the most intensively used data sets, in particular the securities database.

The above transformation has enabled the development of the record keeping and reporting functions necessary to comply with CSDR requirements, which KELER brought to life in the first quarter of the year. A further benefit of the transformation is that it has built on this base to develop the data markets for the fee calculation and fine functions, which provide the underlying data to be used by the target systems. KELER has also adapted the production of the mandatory reports on this basis for the reports covered by the KSDP, so that the data warehouse now produces the reports directly, without the need to transfer the data to other systems for this purpose, thus simplifying the architecture.

CLIENT RELATIONS

Domestic Client Forums in 2021

NSG session

The T2S National Interest Group (HU-NSG), established in December 2017, held one session in 2021. The 9th session on 22 June 2021 was conducted on-line. At the session, the MNB reported on the AmiSeco meeting, while KELER informed its customers about the AMI-SeCo CEG working group meeting, the status of the KELER Service Development Programme (KSDP) and developments related to the Settlement Discipline (SDR).

Users' Committee

The KELER User Committee held two meetings in 2021, its 6th meeting on 24 March 2021 and its 7th meeting on 4 November 2021.

In the 6th meeting, KELER informed the Commission about the changes related to the CSDR licence, the amendments to the General Business Rules and the Fee Schedules, the availability, the results of the external audits and the status of KELER's main projects (LEI, SRD, KSDP). At the 7th meeting, the Commission adopted the revised Terms of Reference of the User Committee and the changes to the Recovery Plan, and KELER reported to the Commission on the amendments to the General Business Rules and the Fee Schedules, availability, results of external audits, status of the SRD project and the results of the client satisfaction survey.

Domestic client meetings

In April, May and July 2021, KELER held online client forums on the KSDP project. Due to the importance of the project, all participating clients were invited to these events, where KELER informed its clients about the connection to KID and SWIFT, market tests, the schedule of the programme and the sharpening.

In addition to the above, several small, restricted client meetings and consultations were held at senior, middle management and operational level in connection with the KSDP project.

Representation in international professional organisations in 2021

ECSDA

The European Central Securities Depositories Association (ECSDA) is the umbrella organisation of European central securities depositories, currently representing 40 depositories from 36 countries. The aim of the organisation is to provide a common forum for European CSDs to exchange professional ideas and to promote projects of common interest to the CSD industry, in particular with regard to regulatory changes. The organisation actively represents the interests of the CSD community and engages in dialogue with European authorities and other professional organisations in

order to create an efficient and secure infrastructure for European financial markets. The ECSDA held its Annual General Meeting and Board meeting on 23 November 2021, in which KELER participated, and KELER was continuously represented at expert level in the various technical working groups throughout the year. In 2021, the focus was again on SDR compliance and regulatory issues, where the information obtained through the ECSDA was of particular relevance and useful to KELER for its own project.

ANNA

The Association of National Numbering Agencies (ANNA) is a global industry organisation, currently present in nearly 120 countries (with 98 full members and 19 associate members). Its members are national banks, central securities depositories, stock exchanges, data providers and regulatory bodies, all of which play the role of national code issuers in their respective countries. The aim of the organisation is to facilitate, standardise and promote the use of global standard identifiers, in particular ISIN, CFI and FISN. Due to the pandemic, the annual general meeting, at which KELER was represented, was held by proxy vote in 2021.

GLEIF

The Global Legal Entity Identifier Foundation (GLEIF) is the international organisation that oversees and coordinates the LEI code issuers (Local Operating Units - LOUs). Mandated by the Financial Stability Board in June 2014, GLEIF's mission is to promote the adoption and use of the Legal Entity Identifier (LEI). The GLEIF oversees the operations of LEI code-issuing entities (LOUs) to ensure that LOUs provide reliable services and data to legal entities worldwide, thereby supporting sound business decision making.

In December 2020, KELER obtained its LEI code issuer licence, becoming a GLEIF accredited LEI code issuer (LOU). As a result, from 1 February 2021, KELER has successfully started to provide full LEI code issuance and management services to legal entities registered in Hungary.



As every year, in 2021, the primary success factor for the IT area will be to ensure high levels of customer availability. The annual indicator for KELER in 2021 was 99.965%.

Developments

In parallel to the implementation of the KSDP programme, which is a priority for 2021, KELER has met the annual requirements of SWIFT for message communication standard messages, the communication standard changes for Trade Reporting have been adapted, the version changes for the general ledger systems have been implemented along the approved portfolio and the Creditron application supporting the data reporting has been deployed. Internal improvements have been limited to resolving observations from previous audits in addition to the KSDP, which were also brought live in December 2021. Following the successful implementation of the first phase of the compliance monitoring system, the second phase will include the implementation of online screening functionality in 2022.

Steps taken to maintain and improve operational safety

A number of expert colleagues work to ensure maximum compliance with regular internal and external audit inspections. Among these audits, KELER also gives priority to supervisory and oversight audits, as well as the acquisition of HunGuard certification. During the audit that led to the closure certificate, KELER did not receive any high or critical .

findings during the last year. The IT area also successfully completed the internal control audits on data reporting topics.

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

As a result of the review of the business continuity plans, KELER has taken the necessary measures and modified the plans to achieve RTOs in line with the CSDR legislation. With the successful implementation of the disaster recovery tests, it continued to ensure that it could ensure business continuity in the event of a crisis by involving the backup data centre.

The IT area has continued to strive to achieve full compliance in 2021 by further aligning the incident management process with ITIL principles, thus ensuring customer satisfaction.

Preview

In 2022, KELER's main task will be to support the successful completion of the KSDP, in addition to its participation in the MNB Data Corridor project and the implementation of other new developments for regulatory compliance and compliance with the regulatory environment, as well as those requested by the business areas.

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

The IT area is tasked with ensuring that the IT architecture serving business services is always up to date by 2022. This will include the replacement of currently obsolete storage devices. KELER plans to expand the backup environment to meet the increased backup needs, and a new PKI infrastructure reinforced with HSM, but also plans to move the data centre for cost efficiency reasons.

RISK MANAGEMENT

The risk management strategy is based on the current business strategy. KELER has built its risk strategy around conservative and prudent risk management principles. Its methods, processes and built-in controls are designed accordingly. In addition to the Owners and the Board of Directors, there are several committees (e.g. Risk Management Committee, Asset Liability Committee, User Committee) at KELER which are responsible for managing, monitoring or commenting on a specific part of the risks. In addition, the MNB, in the context of its oversight function as central bank overseer and as part of its supervisory function, periodically monitors the functioning of KELER. KELER is essentially a transparent, low-risk infrastructure. The Risk Management Department at KELER is organised under the direct authority of the CEO. The Risk Management Department is headed by the Chief Risk Officer, who also performs the functions of the Chief Risk Officer under the CSDR.

The Risk Management Committee is the body that deals with the risks of KELER in a comprehensive manner. Its purpose is to identify the risks falling within its remit and to make recommendations on how to manage them. It reports to the KELER Board of Directors and to the CEO of KELER on its activities. The Risk Committee may express opinions and make recommendations on the current and future overall risk tolerance and strategy of KELER. The Risk Committee met a total of four times in 2021.

During 2021 all risk management policies of KELER were reviewed. KELER will carry out a full review of its risks as necessary, but at least annually, and will present changes to its risk profile in a detailed report to the Board.

Credit and partner risks

Compared to a classical commercial bank, KELER's investment risks are not complex and decisive. The treasury portfolio consists mainly of Hungarian government securities, supplemented by interbank placements and repo transactions. On the asset side, the size of the risks is dominated by the stake in KELER CCP and the loans to KELER CCP.

In addition to treasury partners (Hungarian credit institutions and branches), KELER's most important partners are foreign securities depositories and foreign exchange settlement institutions.

In 2021, the treasury counterparties, links to the Treasury, account-holding institutions and participations were again rated and a presentation was made to the Assets and Liabilities Committee on the risks that can be assumed from counterparties. There were no material changes in the range of treasury counterparties and the type and size of transactions entered into.

KELER is less active in the foreign exchange market. It only participates in foreign exchange conversion transactions on a client-by-client basis and typically for small amounts.

Counterparty risk is managed and aggregated at the counterparty group level in accordance with the requirements, wherever relevant. Risk management tools include the counterparty limit system based on the counterparty rating system and its daily monitoring by the Risk Management Department. Daily monitoring of country risk limits is also implemented in relation to counterparty risk.

Market risks

The most significant market risk for KELER is the forint yield risk. The daily calculations also include interest rate risks in the trading book and the banking book, as well as KELER's own foreign exchange risk. In addition to the daily monitoring, the Risk Management Department regularly performs yield stress calculations to the extent required by law. The magnitude of the loss calculated using the stress parameters remained below the statutory level throughout the year.

KELER's specialised activities, including the smooth settlement of settlements, require it to have liquid assets that can be mobilised quickly at all times. Partly as a result of this requirement, the range of assets that KELER can hold is already strictly regulated by law. In addition to the legal constraints, KELER selects the financial instruments it holds in order to be able to sell them quickly if necessary and to generate liquidity on the day. Liquidity risk is measured, monitored and managed on a daily basis.

Operational risks

KELER is particularly exposed to operational risks due to its significant role in the money and capital markets. The operational risk management framework operated by KELER's Risk Management Department covers all losses or near-loss events resulting from operational failures.

The Operational Risk Management Framework aims to ensure that KELER is constantly aware of its own risks, monitors, analyses and mitigates them where possible. Accordingly, it collects historical loss data and performs expert estimates.

The body responsible for managing operational risks is the Risk Management Committee, which reviews quarterly the evolution of the indicators predicting operational risks and discusses the events that have occurred, formulating recommendations related to operational risk management, with a view to managing or reducing risks.

Under operational risks, KELER focuses on the following specific sources of risk:

- operational risks associated with the main participants,
- operational risks associated with central securities depository relationships,
- risks related to participants in the system, repositories, market infrastructures connected to KELER,
- risks associated with external service providers.

The identification of operational risks associated with key participants ensures the smooth functioning of the domestic settlement system, while operational risks associated with CSD links serve to ensure the smooth settlement of international transactions. Smooth operations are also supported by an analytical process designed to identify risks related to participants, CSDs and market infrastructures connected to the KELER system.

KELER maintains contacts with a wide range of service providers. The risk of dependency on suppliers and how to manage it is therefore a key and relevant issue for KELER. A significant number of suppliers are IT service providers from whom KELER obtains operational support services for the operation of its systems. KELER measures its dependency on its suppliers, systematically classifies the risks of its suppliers and assesses their performance. The failure or non-compliance of suppliers may affect KELER's core services, including the smooth settlement of settlements. In order to manage these risks, KELER prepares business continuity and recovery plans as well as contingency plans for supplier outages. In its outsourcing activities, KELER shall take into account that outsourcing of activities shall only take place in such a way that the right of management and control remains with KELER, as KELER does not transfer its responsibility to third parties by outsourcing. To that end, it

shall define organisational responsibilities and establish a process to ensure that the partner performs the outsourced activity in compliance with the legal requirements and with due diligence to ensure that KELER provides the services to the standard it has undertaken to provide.

Business, liquidation and reorganization risks

KELER pays particular attention to the management of business risks. Risks are assessed and identified by preparing business plans for the strategy along several hypothetical scenarios.

In addition to the above, KELER has plans and capital requirements to mitigate the risks and losses in the event of liquidation or major restructuring. KELER's recovery plan, taking into account the requirements of the CSDR, sets out in detail the plans for restructuring and liquidation.

BUSINESS PROCESS MANAGEMENT

The Business Process Management has put one of its focuses on the implementation phase of the reform of the business transaction and integration processes behind KELER's securities settlement activities in 2021.

The weaknesses, errors and sub-optimal operational characteristics identified in the previous year's survey, as well as the business processes redesigned to take account of the strategic development objectives in the KSDP, went live during the implementation phase of the KSDP last year.

By reengineering the securities settlement processes and introducing a new settlement system, the business process improvements were implemented while achieving and keeping in mind the objectives representing the process management aspects:

- full automation (receipt of settlement transactions in a standardised format, real-time processing, status management, end-to-end automated communication with external peers (MNB, BSE, T2S) and back-office systems),
- redundancy-free, standardised process flows (use of standard transaction types in a consistent and transparent way between the initiating party, internal systems data flows and feedback reports and background statistics),

- reduced lead times by eliminating manual steps,
- minimising the potential for error by managing internal business in closed business processes,
- Develop BCP solutions to maintain process continuity.

At the same time, the first step in the development of optimised tariff calculation processes was completed within the framework of the KSDP with the introduction of a fee calculation system aimed at standardising KELER's diverse fee calculation processes, based on a detailed assessment and analysis of fee calculation processes carried out in the previous year.

During the testing and implementation phase of the programme, the focus was on business architect and analytical tasks, which were implemented in the Process Management project support function.

HUMAN RESOURCES POLICY

In 2021, KELER's human resources policy continued to focus on day-to-day operations and legal compliance, as well as on ensuring the human resources needs of the company and managing the impact of the coronavirus epidemic from an HR perspective. On 31 December 2021, the number of employees was 186, with 6 members of the KELER Management on 31 December.

HR's priority was to support the difficulties caused by the coronavirus, as well as maintaining the mental health of staff, creating a healthy work-life balance between home and office, organisational development and replacing staff due to staff turnover. The recruitment and integration of professionally qualified staff into KELER's organisation and operations remained a priority.

Further human resources policy challenges in 2021

A key priority was to support the integration of new recruits, motivate and retain existing staff, and ensure adequate human capital for the successful implementation of KELER's projects.

To integrate and inform new entrants and support them in their work, through the complex information days introduced earlier. In addition to the compulsory training, the newcomers were given the opportunity to familiarise themselves with the workings of certain areas of KELER. In 2021, three complex information days were organised online.

In 2021, the satisfaction of KELER Group employees was again surveyed; KELER conducted a complex company diagnosis, which examined the company's efficiency and its impact on the organisational culture from the perspective of managers and employees. The survey examined the impact of the interventions on the organisation, and all reports include Hungarian benchmark data for setting realistic targets. The diagnostic results showed an improvement in all areas compared to the previous year.

Building on the organisational diagnosis, work has started with senior management on organisational development, with the long-term expected outcome being a consensus-based, aligned vision with clear priorities. In addition to the existing strategic directions, the critical tasks needed to achieve these directions have been identified and will also serve as a basis for defining the team-level vision and objectives of the departments.

The past year has also presented the entire KELER Group with a number of challenges. With the coronavirus epidemic set to have a profound impact on 2020 and 2021, the organisation has had to adapt to changing circumstances. To address this situation, online programmes to support staff (the so-called KELER Café) were held, and several small group team building sessions, or team building sessions also partly in the online space, were held throughout the year, following the evolution of the epidemic situation.

The KELER Group has created the conditions for working from home, and during the pandemic the management kept colleagues informed of the current situation and what needed to be done.

Human Resources will continue to be flexible in order to adapt to the needs of each area, to ensure the necessary professional mix and to provide training and retraining for colleagues where necessary.

INTERNAL AUDIT

In 2021, Internal Audit continued its activities on the basis of the annual work plan approved by the Supervisory Board, based on risk assessment and risk analysis, the unscheduled audit requirements and the operating rules of the internal control system in force. In defining its audit tasks, it has made the examination of high-priority activities, processes and the operation of controls which present a risk a key consideration. Internal Audit also performed the mandatory commenting function on new or amended regulatory documents.

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

In the year 2021, 9 IT-bank security and 14 non-IT-related audits were carried out at KELER. Within the audits carried out, there were 1 comprehensive, 13 thematic, 1 follow-up and 8 targeted audits.

The thematic audits covered the following areas

- physical inventory activities,
- remuneration policy,
- LEI code release,
- risk management activities,

- internal assessment process for capital adequacy and liquidity adequacy,
- cash flow processes,
- outsourcing of IT activities,
- management system,
- SWIFT security assessment,
- availability of systems,
- IT security framework.

The overall investigation covered labour processes. In the context of the target audits, the area audited the compliance of deductions, vouchering, management of client funds, client and partner certification, disaster recovery testing, IT incident reporting, and the management of licenses and source code.

The ex-post audit included a follow-up of the audit of the OBA data reporting.

The inspections focused on compliance with the law, internal rules and regulations, the operation of controls and the monitoring of security aspects. The area also paid particular attention to the verification of the implementation of the measures and recommendations deemed necessary on the basis of the weaknesses identified during previous audits.

SECURITY MANAGEMENT

ENVIRONMENT PROTECTION

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

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

- In 2021, the group-level BIA survey and the associated risk analysis will be updated again.
- Last year, the Business Continuity Framework and the associated BCP-DRP plans were reviewed, resulting in the preparation of a group-wide regulation in addition to the existing group-wide strategy.
- As in every year, KELER carried out the testing of the BCP and DRP plans in 2021, but due to the pandemic security measures, the alternative site testing was only carried out for the infrastructure. It is important to underline that KELER Group has successfully managed the pandemic for the last 2 years and has been able to fully operate its business processes without any disruption.

- Security Management continued to test the security awareness of employees on a number of occasions on an ad hoc basis and continued the role-based training started in 2019, complementing the general training and SWIFT and teleworking.
- The area has further strengthened its incident management capability by further expanding the use of the SIEM system, extending the system and adding new log sources.
- Information security controls are reviewed regularly to ensure that they are proportionate to the risks and meet external requirements. As part of this, vulnerability assessments were carried out continuously throughout the year, the depth of which was significantly increased by the introduction of scenarios not previously used. In addition to the internal investigations, several penetration tests have been carried out on the organisation, the results of which have been assessed and the necessary actions taken.
- In the IDM system, a new development has been made in the area of online system connections, the development of which has been completed.
- Security Management completed two major projects in the area of network security, which resulted in a significant increase in the level of protection on the Internet side with the introduction of a new generation of security tools, and a successful project to implement more secure access control on the internal network.
- To strengthen endpoint and network protection, a new generation of protection against zero-day vulnerabilities has also been introduced.
- The area has carried out periodic regulatory reviews as part of its safety regulation and has carried out targeted risk analysis in several areas for compliance purposes.

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

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

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

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

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

Report of KELER Zrt.'s Supervisory Board on the separate financial statement prepared pursuant to the IFRS rules, in accordance with Act C of 2000 on Accounting

In 2021, the Supervisory Board held 7 ordinary meetings and on 2 occasions, decided on matters by means of a resolution outside of a meeting, and it did not have any extraordinary meeting. The Supervisory Board was informed about the agendas discussed at the meetings of the Board of Directors of KELER Zrt. and was represented at those meetings by its Chairman.

On a quarterly basis, the Supervisory Board discussed the reports of KELER's Board of Directors on the management, financial position and business policy of the Company. For the continuous monitoring of the risks influencing the management of KELER Zrt., the Supervisory Board was informed at its meetings by the Internal Audit Organisation of the information supplied quarterly for measuring the operating risks, and received the annual comprehensive risk analysis for information purposes.

The Supervisory Board established that the Company's executive management had duly managed the financial resources entrusted to it. The Supervisory Board reviewed the Company's financial statements for the year prepared under IFRS and the auditor's report. Based on these documents, the Supervisory Board proposes to the General Meeting to approve the separate financial statements of KELER Zrt. for the year 2021, which show a balance sheet total of HUF 121,955 million, where the value of total assets equals that of total liabilities, a pre-tax profit of HUF 1,851 million, an after-tax profit of HUF 1,521 million (profit for the year), and a total overall profit of HUF 1,476 million. The Supervisory Board agrees that KELER Zrt.'s after-tax profit for 2021 (HUF 1,521 million) should be transferred to retained earnings.

In accordance with the previous practice, the 2021 Internal Audit Work Plan was developed as a result of the risk assessment and risk analysis workflows, ensuring that the audits conducted by the Internal Audit Organisation are focused on the activities and processes carrying the highest risks. The Supervisory Board approved the Company's Internal Audit Work Plan and was continuously informed of the implementation thereof at its meetings throughout the year.

In the course of 2021, the Internal Audit Organisation examined the following topics in order to ensure KELER Zrt.'s compliance with the legal regulations, internal rules and requirements of the competent authorities:

1. Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP)
2. Remuneration policy
3. Haircut adequacy
4. Securities inventory, examination of CSD activity
5. Risk management activity
6. Remittance
7. Examination of managing the clients' financial instruments and cash equivalents
8. LEI code issuing
9. Client and partner qualification
10. Cashflow procedures
11. Adequacy and success of the governance system
12. Labour procedures
13. OBA data provision

The Internal Audit Organisation performed the following audits in the fields of IT and security:

1. Examination of IT data provision
2. Annual check of business continuity and alternative site testing
3. Examination of outsourced IT activities
4. Annual SWIFT security evaluation
5. Availability of systems
6. License management, checking the depositing of source codes
7. IT security requirements, framework

The Supervisory Board discussed and approved the completed reports. Internal audit reports and the related action plans contained the deficiencies identified during the audits, the tasks proposed to address them, the designated persons responsible for addressing them, and the deadlines for implementation.

The Supervisory Board of KELER Zrt. has continuously monitored the performance of the measures required as a result of the internal audit reports, based on reports submitted by the Internal Audit Organisation.

The Supervisory Board received continuous information concerning the work of the Compliance Officer.

Based on the internal audit reports and other submissions discussed by it, the Supervisory Board finds that, essentially, KELER Zrt.'s operational processes are properly regulated, its financial management is orderly, and the Board of Directors and management make continuous efforts to maintain safe operation.

The Supervisory Board believes that KELER Zrt. has all the personal and material conditions needed to meet the challenges of the coming years, as it did in the past.

The capital structure and capitalisation of KELER Zrt. are adequate, which provides high security for operators active on the money and capital markets using the Company's services. In addition, we are convinced that KELER Zrt. has the infrastructure necessary for the provision of high-quality services.

Mr Róbert Taczmán

Chairman of the Supervisory Board



KPMG Hungária Kft.
Váci út 31.
H-1134 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
Email: info@kpmg.hu
Internet: kpmg.hu

Independent Auditors' Report on the Summarized Separate Financial Statements

To the shareholders of KELER Központi Értéktár Zrt.

Opinion

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

In our opinion, the accompanying separate statement of financial position and the separate comprehensive income statement and the separate statement of changes in equity, and the separate statement of cash flows presented on pages 40-43 of the 2021 annual report of the Company are consistent, in all material respects, with the separate statement of financial position and the separate comprehensive income statement and the separate statement of changes in equity, and the separate statement of cash flows included in the audited separate financial statements of the Company as at and for the year ended 31 December 2021, in accordance with the summarization criteria as described in the annual report on page 10.

Summarized Separate Financial Statements

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

The Audited Separate Financial Statements and Our Report Thereon

We expressed an unmodified opinion on the audited separate financial statements in our auditor's report dated 17 March 2022. That report also includes the following:

- Communication of key audit matters.
- Other Matter paragraph which states that the separate financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor.



Management's Responsibility for the Summarized Separate Financial Statements

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

Auditors' Responsibility

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

Budapest, 6 September 2022

KPMG Hungária Kft.
Registration number: 000202

Mitták Zoltán
Director, Professional Accountant
Registration number: 007298

SEPARATE STATEMENT OF FINANCIAL POSITION

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

	31.12.2021 .	31.12.2020.
Cash and cash equivalents	38 215	30 443
Mutual deposits	196	129
Financial assets at fair value through profit or loss	61 041	40 408
Debt instruments measured at fair value through other comprehensive income	10 149	9 674
Income tax - Current tax receivable	0	0
Income tax - Deferred tax assets	35	96
Receivables from depository activities	888	836
Receivables from repurchase agreements	0	3 430
Lease receivable	15	21
Other receivables	379	443
Interests	6 546	6 546
Intangible assets	3 866	2 386
Property, plant and equipment	625	852
TOTAL ASSETS	121 955	95 264
Deposits from customers	38 631	36 940
Income Tax - Current tax liability	43	42
Other tax payables	261	174
Deferred tax liability	0	0
Trade payables	285	553
Provisions	294	272
Liability from repurchase agreement	5 075	3 430
Loans	50 160	28 027
Lease liability	218	302
Other payables	357	369
TOTAL LIABILITIES	95 324	70 109
Share capital	4 500	4 500
Retained earnings	21 536	20 167
Statutory reserves	629	477
Reserves of financial instruments measured ad fair value through other comprehensive income	-34	11
TOTAL SHAREHOLDERS' EQUITY	26 631	25 155
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	121 955	95 264

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

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

	01.01.2021. - 31.12.2021.	01.01.2020. - 31.12.2020.
Income from depository activity	6 600	6 038
Income from infrastrucutre	385	346
Interest incomes for items measured at AC	532	1 173
Interest income for items measured at FVTOCI	59	42
	591	1 215
Interest expenses	-116	-405
NET INTEREST INCOME	475	810
Gains on securities, net	-11	0
Expected credit loss (ECL)	-3	5
Income from the principal activity	7 446	7 199
Bank service fees	-213	-300
Personnel expenses	-2 952	-2 651
Depreciation and amortization	-897	-823
Services and support for infrastructure	-862	-775
Professional fees	-268	-550
Telecommunication services	-127	-93
Insurance fees	-16	-12
Materials, supplies	-51	-55
Rental fees	-20	-19
Marketing fees	-4	-3
Education	-7	-12
Taxes and levies	-225	-337
Operational services	-210	-204
Fees and levies paid to regulatory bodies	-127	-112
Legal fees, procedural fees, costs, levies	-24	-22
Other cost of risk	-19	0
Other sundry operational expenses	-3	-17
Operating expenses	-6 025	-5 985
Impairment of non-financial assets	0	0
Other interest income	417	0
Other income and expenses	13	87
Operating income	1 851	1 301
Other financial income and expenses	0	0
Financial income	0	0
INCOME BEFORE INCOME TAX	1 851	1 301
Income taxes	-330	-237
PROFIT OR LOSS FOR THE PERIOD	1 521	1 064
Other comprehensive income, net:	0	0
Remeasurement gains/losses of financial instruments measured at fair value through other comprehensive income	-50	2
Income tax of other comprehensive income	5	0
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-45	2
Of which later to be reclassified to net income:	-45	2
Of which later not to be reclassified to net income:	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1 476	1 066

SEPARATE STATEMENT OF CASH FLOWS

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

CASH FLOW FROM OPERATING ACTIVITIES	01.01.2021. - 31.12.2021.	01.01.2020. - 31.12.2020.
INCOME BEFORE INCOME TAX	1 851	1 301
Interest expense	450	405
Interest income	-1 342	-1 215
	-892	-810
Non-cash items - adjustments		
Depreciation and amortization charged	897	823
Impairment loss / reversal	5	0
Recognition / release of provision	20	24
Unrealized gain on cash and cash equivalents	-14	-24
Impairment of intangible assets	20	0
Gain on disposing property plant and equipment	2	-1
Remeasurement of FVTPL financial assets	11	0
Operating cash-flow before working capital adjustments	1 900	1 313
Changes of the deposits of clients, net (loro accounts)	1 691	-62 298
Changes in trade and other receivables	0	-54
Changes in trade and other payables	-389	-126
Cash proceeds/cash paid from financial instruments	5 077	829
Net increase (-) / decrease (+) in placements with other banks, net of allowance for losses	-67	-33
Interest paid	-401	-404
Taxes paid (-/+)	-264	-203
Cash generated (+) / used (-) in operation	7 547	-60 976
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-98	-100
Acquisition of intangible asset	-1 867	-1 654
Capital contribution	0	0
Cash proceeds from disposal of property plant and equipment	0	4
Cash proceeds from/cash spent on financial asset held for investing purposes	-21 585	-24 073
Proceeds from interest	1 758	1 338
Receivables from settlement day differences	0	0
Cash generated (+) / used (-) from investing activity	-21 792	-24 485
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend payment	0	0
Lease payments	-106	-100
Acquisition of loan	22 104	28 003
Cash generated (+) / used (-) from/in financing activity	21 998	27 903
Net increase (+) / decrease (-) in cash and cash equivalents	7 753	-57 557
Opening cash and cash equivalents	30 443	87 981
Foreign exchange rate difference on cash and equivalents	0	0
Expected credit loss balance on cash and equivalents	0	2
Unrealized gain on cash and cash equivalents	19	22
Closing cash and cash equivalents	38 215	30 443
Net decrease (-) / increase (+) in cash and cash equivalents	7 753	-57 557

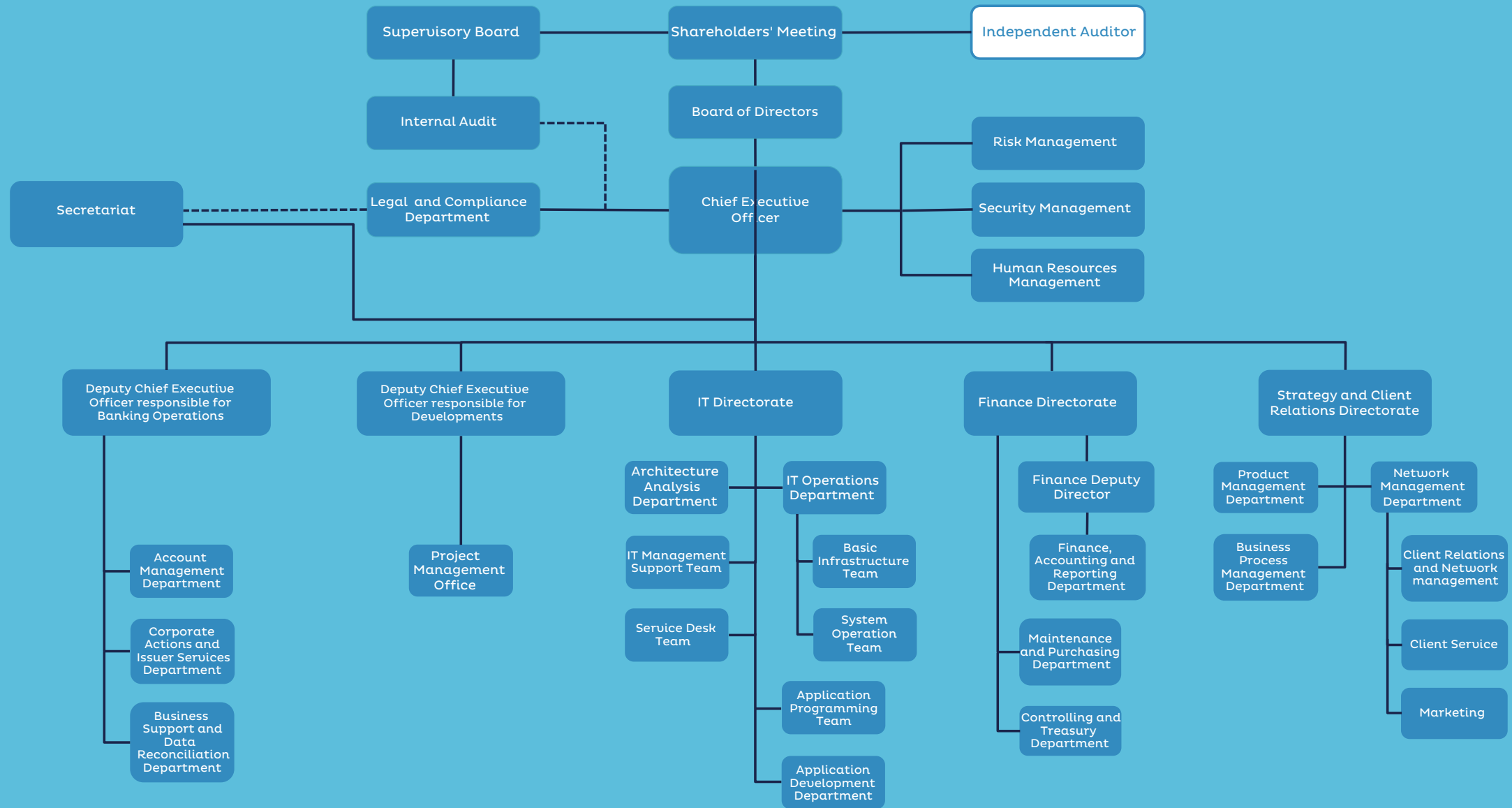
SEPARATE STATEMENT OF CHANGES IN EQUITY

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

	Issued capital	Fair value through other comprehensive income reserve	Retained earnings	Statutory reserve	Sum
Balance on 1st January 2020	4 500	9	19 209	371	24 089
Total comprehensive income	0	2	1 064	0	1 066
Transfer to statutory reserve	0	0	-106	106	0
Balance on 31st December 2020	4 500	11	20 167	477	25 155
Total comprehensive income	0	-45	1 521	0	1 476
Transfer to statutory reserve	0	0	-152	152	0
Balance on 31st December 2021	4 500	-34	21 536	629	26 631

ORGANIZATIONAL STRUCTURE

(AS OF 31 DECEMBER 2021)



MANAGEMENT



Mr. ZSOLT DEMKÓ-SZEKERES
Chief Executive Officer



Mr. LÁSZLÓ BERÉNYI
Deputy Chief Executive Officer
responsible for Developments



Mr. GÁBOR HORVÁTH
Deputy Chief Executive Officer
and Director of Operations



Ms. TÍMEA BARTAL
Director of Strategy
and Client Relations



Mr. RICHÁRD KREUTZER
Director of Finance
(until 8 May 2022)



Mr. JÁNOS TÓTH
Director of IT



MR. ISTVÁN HERCZEGH
Director of Finance
(from 16 May 2022)

GENERAL INFORMATION

Effective between 1 January 2021 and 31 December 2021

Ownership structure

Shareholders	Financial contribution	Ownership ratio
Central Bank of Hungary	2 400 000 000 Ft	53,33 %
Budapest Stock Exchange	2 100 000 000 Ft	46,67 %
Total	4 500 000 000 Ft	100,00 %

BOARD OF DIRECTORS

Chairman:

Mr Zsolt Selmeczi-Kouács dr.

Members of the Board of Directors:

Mr Csaba Kornél Balogh
Mr Zsolt Kuti
Mr Richárd Végh
Mr István Máté-Tóth
Mr Zsolt Demkó-Szekeres
Mr Gábor Horváth

SUPERVISORY BOARD

Chairman:

Mr Róbert Taczmann

Members of the Supervisory Board:

Mr Klára Pintér
Mr Lóránt Varga
Mr Balázs Visontai
Mr Bálint Ádám Gergely

CONTACT

CONTACT

Address: RÁKÓCZI ÚT 70-72., 1074 BUDAPEST, HUNGARY
 Mailing address: H-1426 BUDAPEST, POB 57
 Phone: +36 1 483 6100
 Fax: +36 1 342 3539
 E-mail: KELER@KELER.HU
 Home page: WWW.KELER.HU

CENTRAL CLIENT SERVICE

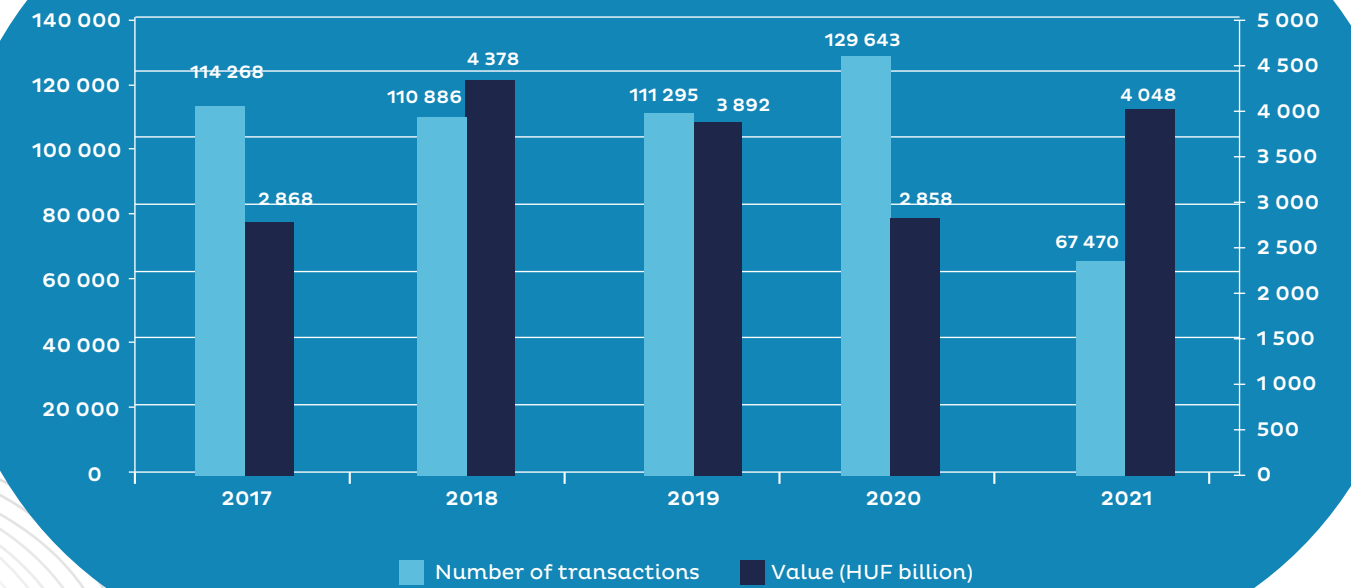
Monday to Friday from 9.00 until 15.00
 Phone: +36 1 483 6240
 +36 30 481 4331
 E-mail: ugyfelszolgalat@keler.hu

SERVICE DESK

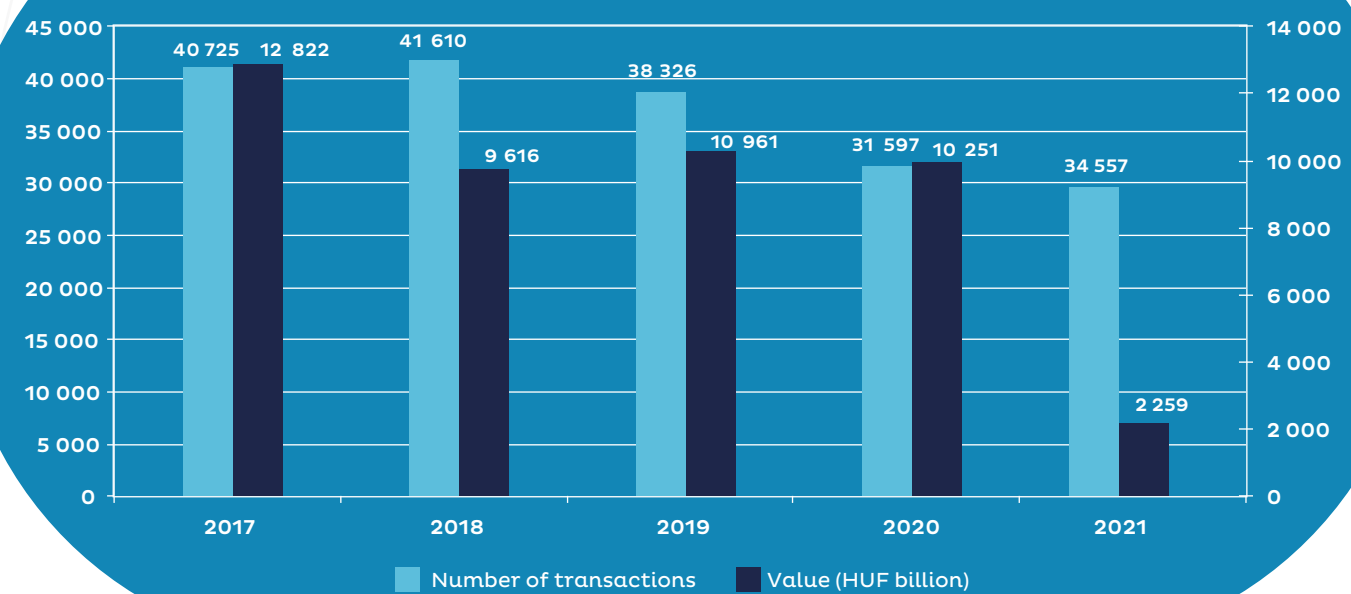
Available from 7.00 until 20.00
 (Monday - Friday)
 Phone: +36 1 483 6228
 Phone: +36 1 483 6120



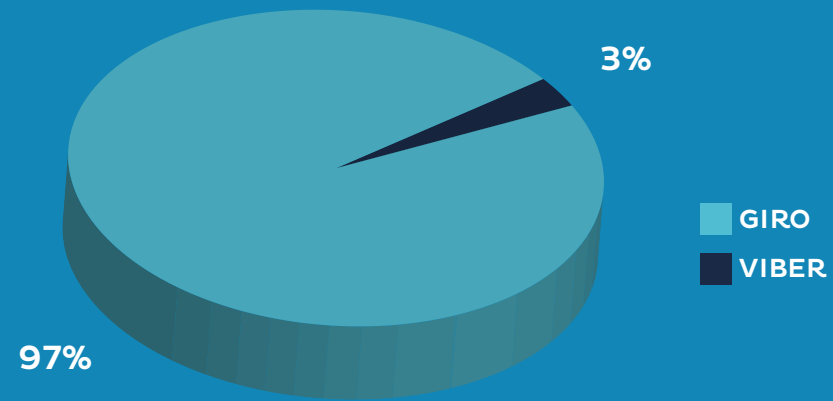
Outgoing and incoming payments from/to client cash accounts with KELER 2017 - 2021



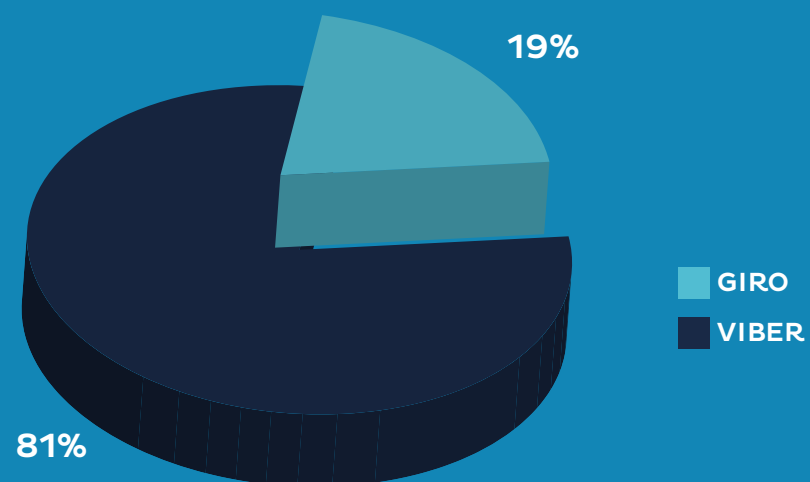
In-house credits and debits on client cash accounts with KELER 2017 - 2021



Number of GIRO and VIBER transactions 2021



GIRO-VIBER payments at value 2021



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RÁKÓCZI ÚT 70-72., 1074 BUDAPEST, HUNGARY

Mailing address: H-1426 BUDAPEST, POB 57

Phone: +36 1 483 6100

Fax: +36 1 342 3539

E-mail: KELER@KELER.HU

Home page: WWW.KELER.HU