KELER CENTRAL DEPOSITORY LTD.

Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union

for the year ended 31 December 2023

CONTENTS

Explanation of the abbreviations used in the financial statements:

AC	Financial asset measured at amortized cost
ARO	Asset retirement obligation
CBH	Central Bank of Hungary
CCP	Central Counterparty (may mean: clearing house)
CGU	Cash-generating unit
DKJ	Treasury Bills issued by the Hungarian State
EAD	Exposure At Default
ECC	European Commodity Clearing
ECL	Expected Credit Loss
EMIR	European Market Infrastructure Regulation
EPS	Earnings per share
CRR	Capital Requirement 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 asset)
IAS	International Accounting Standards
IFRIC/SIC	Interpretations of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards
LGD	Loss Given at Default
LR	Loans and receivables (financial asset)
MÁK	Government Bonds issued by the Hungarian State
MHUF	Million Hungarian forints
PD	Probability of Default
PO	Performance Obligation
ROU	Right of use asset
SPPI	Cash Flow test of ’Solely Payments of Principal and Interest’
WACC	Weighted average cost of capital

For the year ended 31 December 2023 (All amounts in million HUF, unless stated otherwise)

		12.31.2023	12.31. 2022
Cash and cash equivalents		98 441	225 262
Mutual deposits	5	1 129	326
Financial assets measured at amortized cost	6	60 447	59 210
Debt instruments measured at fair value through other comprehensive income	6	2 934	13 528
Income tax - Current tax receivable	9	56	0
Income tax - Deferred tax assets	18	36	62
Receivables from clearing on gas market	7	2 109	2 404
Trade receivables from clearing and depository operations	8	1 121	915
Receivables from foreign clearing houses	10	58 286	122 138
Other receivables	9	12 039	15 132
Receivables from repurchase agreements	16	118 785	25 687
Intangible assets	11	3 801	3 630
Property, plant and equipment	12	518	653
TOTAL ASSETS		**359 702**	**468 947**
Deposits from customers	13	39 691	35 505
Liabilities for Guarantee Funds	14	4 582	7 801
Liabilities from financial guarantees	22	21	26
Collateral held from energy market participants	14	148 002	227 756
Collateral held from gas market participants	14	56 840	80 357
Income Tax - Current tax liability	17	852	473
Other tax payables	17	226	296
Trade payable from gas market activity	7	2 125	2 590
Trade payables	15	799	465
Liabilities from repurchase agreements	16	361	14 928
Loans	21	60 379	63 080
Lease liability	19	97	197
Provisions	20	283	416
Other payables	22	814	681
TOTAL LIABILITIES		**315 072**	**434 571**
Share capital	23	4 500	4 500
Retained earnings		38 790	29 184
Statutory reserves	24	1 312	800
Reserves of financial instruments measured at fair value through other comprehensive income	25	28	-108
Equity attributable to owners of the parent company		**44 630**	**34 376**
Non-controlling interest		0	0
TOTAL SHAREHOLDERS' EQUITY		**44 630**	**34 376**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**359 702**	**468 947**

		2023	*2022*
Income from clearing,and depository activity	***27***	***11 601***	***12 770***
Interest incomes for items measured at AC	28	9 870	4 608
Interest income for items measured at FVTOCI	28	1 306	1 057
Interest income total		*11 176*	*5 665*
Interest expenses	28	-1 524	-3 081
Net interest income		***9 652***	***2 584***
Gains on securities, net	29	0	-5
Expected credit loss (ECL)	35	12	7
Income from the principal activity		***21 264***	***15 316***
Bank service fees	31	-321	-300
Personnel expenses	32	-4 242	-3 821
Depreciation and amortization	33	-1 387	-1 509
Services and support for infrastructure	33	-1 103	-1 164
Professional fees	33	-244	-527
Telecommunication services	33	-230	-210
Insurance fees	33	-25	-21
Materials, supplies	33	-115	-75
Rental fees	33	-31	-20
Marketing fees	33	-4	-6
Education	33	-34	-40
Taxes and levies on operating income	33	-802	-1 055
Operational services	33	-495	-770
Fees and levies paid to regulatory bodies	33	-65	-211
Legal fees, procedural fees, costs, levies	33	-35	-27
Other cost of risk	33	123	-100
Other sundry operational expenses	33	-9	8
Consolidation difference arising from non deductible VAT	33	-116	-89
Operating expenses		***-9 132***	***-9 937***
Impairment of non-financial assets	11	0	-5
Other interest income, net	34	263	312
Other income	34	128	91
Other expense	34	-90	-40
Operating income		***12 432***	***5 777***

		2023	***2022***
Other financial income and expenses, net (foreign exchange diff.)	34	4	207
Financial income, net		***4***	***207***
PROFIT BEFORE INCOME TAX		***12 436***	***5 985***
Income taxes	36	-1 458	-744
PROFIT FOR THE PERIOD		***10 978***	***5 240***
Other comprehensive income, net of income tax:			
Net change in fair value of financial instruments measured at fair value through other comprehensive income	37	150	-31
Income tax on other comprehensive income	37	-13	3
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		***136***	***-28***
Items that are to be reclassified subsequently to profit or loss:		136	-28
Items that are not to be reclassified subsequently to profit or loss:		0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		***11 114***	***5 212***

The total amount of profit or loss for the period and other comprehensive income for the period is attributable to the shareholders of Parent Company.

	Share capital	Reserve of financial instruments measured at fair value trough other comprehensive income	Retained earnings	Statutory reserve	**Equity attributed to the owners of the parent company**	**Non controlling interest**	**Total**
Balance on 1st January 2022	**4 500**	**-80**	**24 115**	**629**	**29 164**	**0**	**29 164**
Profit for the period	0	0	5 240	0	5 240	0	5 240
Other comprehensive income	0	-28	0	0	-28	0	-28
Mandatory transfer to statutory reserve	0	0	-171	171	0	0	0
Balance on 1st January 2023	**4 500**	**-108**	**29 184**	**800**	**34 376**	**0**	**34 376**
Profit for the period	0	0	10 978	0	10 978	0	10 978
Other comprehensive income	0	136	0	0	136	0	136
Mandatory transfer to statutory reserve	0	0	-512	512	0	0	0
Dividend paid	0	0	-860	0	-860	0	-1 720
Balance on 31st December 2023	**4 500**	**28**	**38 790**	**1 312**	**44 630**	**0**	**44 630**

		01.01. 2023-12.31. 2023	01.01. 2022-12.31.2022
CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT BEFORE INCOME TAX		**12 436**	**5 984**
Interest expense		2 002	3 496
Interest income		-11 964	-6 392
		-9 962	*-2 896*
Non-cash items			
Depreciation and amortization charged	33	1 387	1 509
Impairment loss / reversal		-7	-7
Recognition (+) / release (-) of provision	20	-133	101
Unrealized gain on cash and cash equivalents and items not affecting operating cash-flows		-749	31
Expected credit loss on cash and equivalentss and items not affecting operating cash-flows		-12	-6
Impairment of intangible assets and reverse (-) of impairment	11	-2	5
Loss on disposing property plant and equipment		0	4
Realized (gain) or loss on sale of securities	29	0	5
Operating cash-flow before working capital adjustments		**2 958**	**4 730**
Changes in collaterals from customers	14	-106 496	-43 603
Changes in the net balance of gas market transactions, net	8	-170	303
Changes of the deposits of customers, net (loro accounts)	13	4 186	-3 126
Changes in the receivables from balance with other clearing houses	10	63 860	34 524
Changes in trade and other receivables	8,9	-256	-14 280
Changes in trade and other payables	15,2	3 651	-29 093
Cash proceeds/cash paid from financial instruments (repo)	16	-105 961	20 387
Increase (-) / decrease (+) in mutual deposits, net of expected credit losses	5	-804	-130
Interest paid		-2 025	-2 934
Taxes paid (-/+)		-1 175	-323
Cash generated from (+) / used in (-)operation		**-142 230**	**-33 544**

		01.01. 2023-12.31. 2023	01.01. 2022-12.31.2022
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (paid)		-221	-320
Acquisition of intangible asset (paid)		-1 196	-664
Proceeds from Securities held for investing purposes	6	49 868	68 768
Cash used for Securities held for investing purposes	6	-40 932	-63 625
Proceeds from interest		10 455	5 164
Cash generated from (+) / used in (-)investing activity		**17 975**	**9 323**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend payment		-861	0
Lease payments	19	-123	-124
Loans received	21	15 780	38 761
Repayment of loans	21	-18 130	-26 270
Cash generated from (+) / used in (-)financing activity		**-3 333**	**12 367**
Net increase (+) / decrease (-) in cash and cash equivalents*		**-127 589**	**-11 855**
Opening cash and cash equivalents	5	225 262	237 021
Expected credit loss on cash and cash equivalents		18	1
Foreign exchange rate difference on cash and equivalents		749	95
Closing cash and cash equivalents	5	98 441	225 262
Net decrease (-) / increase (+) in cash and cash equivalents		**-127 589**	**-11 855**

NOTE 1: GENERAL

Statement of IFRS compliance

The consolidated financial statements of KELER Central Depository Ltd. (hereinafter referred as "KELER" or "Company" or "Parent Company") and its' consolidated subsidiary, KELER CCP Central Contracting Party Ltd. (the Company and its consolidated subsidiary together are referred to as the 'Group') are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary. The management declares that the Group fully complied with the provisions of International Financial Reporting Standards and International Accounring Standards and the related Interpretations (IFRSs/IASs and IFRICs/SICs) ("EU IFRS" or "IFRS") as endorsed by the European Union applicable in the current period. The management made this declaration in full awareness of its responsibility.

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

These financial statements are also the consolidated financial statements of the Group, which are also deposited after the approval of the owners.

These financial statements were prepared using the accrual basis of accounting.

Presentation of the Group (legal form on entities, seat)

The KELER Central Depository Ltd. is a limited liability company. The official address of the company: H-1074 Budapest, Rákóczi str. 70-72.

The KELER Központi Értéktár Zrt. is a depository and a specialized credit institution regulated by the 909/2014/EU regulation of the council improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 and the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. The overseeing institution allowed the list of activities under the CSDR regime with its ruling No. H-EN-III-613/2020.

KELER's owners**:**

National Bank of Hungary	53.33%
Budapest Stock Exchange	46.67%

There is no change in the ownership during the period.

KELER KSZF Central Counterparty Ltd. ("KELER CCP"), as a subsidiary of KELER was founded by KELER, National Bank of Hungary ("CBH" or "MNB") and Budapest Stock Exchange ("BSE") in 2008. For further information on the ownership structure see Note 23.

Seat of the Company: H-1074 Budapest, Rákóczi str. 70-72.

KELER CCP's owners on 31 December 2023 and 2022:

KELER	99.85%
CBH	0.07%
BSE	0.08%

The ultimate parent of the Group is CBH, the shareholder of CBH is the Hungarian state.

KELER CCP is a central counterparty business association pursuant to the requirements of the Act CXX of 2001 on Capital Market ("Act on Capital Market") and Regulation (EU) No. 648/2012 of the European Parliament and of the Council (of 4 July 2012) on OTC derivatives, central counterparties and trade repositories, operating and guaranteeing the settlement of stock exchange and over-the-counter transactions. KELER CCP as central counterparty undertakes guarantee for transactions concluded on the Budapest Stock Exchange and for the financial performance of the gas market (Daily natural gas and capacity trading market) transactions. KELER CCP as general clearing member undertakes guarantee for the financial performance of power market transactions towards European Commodity Clearing AG. KELER CCP's direct partners are commodities service, securities service providers, financial institutions, participants of an organized market, or organizations performing clearing house activity. KELER CCP's activity ensures that market participants' guaranteed trades are settled risk free.

KELER CCP acquired the EMIR license (04.07.2014) - described in regulation 648/2012/EU - from the Central Bank of Hungary.

The upper limit of the guarantee payment of KELER CCP is derived from the equity of the KELER CCP (i.e. basic guaranteeing equity and supplementary guaranteeing equity).

One of the shareholders of the Company (Central Bank of Hungary) regularly enters into transactions with the Group. These transactions are not regarded as shareholder transactions since they are done on regular business terms same as if they were done with independent parties. The ultimate parent of the Group classified as a government entity in accordance with *IAS 24 Related Party Disclosures*. The Group applies the disclosure exemption granted in IAS 24.25.

Disclosures on related party are in Note 40.

Changes in the group structure

The group structure did not change during the period.

The controlling governmental party of the Group is the Central Bank of Hungary. The Group does not enter in material transaction with other governmental entities and has no material outstanding balance at the end of this reporting period.

The preparation of the consolidated financial statements under IFRS is only allowed if it is prepared by a licensed professional. The person responsible for preparing the financial statements is: Lepres Orsolya, registered auditor (registration number: 005400), with IFRS accountant specialization.

Audit of the Group's financial statements is compulsory. Audit fee for the current year financial statements was 42 538 thousand Hungarian Forints. The auditor did not provide any other services for the Group.

NOTE 2: BASIS OF PREPARATION

a) Basis of measurement

The Group 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 one includes derivatives and debt instruments measured at fair value through other comprehensive income that are measured at fair value.

b) Functional currency, presentation currency

Items included in the consolidated financial statements are measured using Hungarian Forint, which is the currency of the primary economic environment in which the Group operates ('the functional currency').

These consolidated financial statements are presented in Hungarian Forints rounded to the nearest million ("MHUF").

c) Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS 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 Group made critical estimates in connection with the following topics, which, as a result, are sources of uncertainty.

- The fair value of the financial instruments is estimated 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, are 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 presented in Note 41.

- Certain items of the Group's assets can be tested for impairment primarily at cash generating unit (CGU) level only, it is only possible for certain individual assets to measure recoverable value directly (e.g. core system). Identifying CGUs requires complex professional judgment. In addition, when determining the recoverable value of CGUs, the Group's management is forced to rely on forecasts for the future which are uncertain by nature. The Group identified two CGUs which correspond to the legal entities (KELER CD, and CCP).

- When measuring provisions, due to their nature, it is necessary to utilize significant assumptions, which influence the value of these items and their effects on net profit. Due to this professional judgment significant estimates are attached to the provisions.

- The Group recognized a financial guarantee liability that is 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. (See Note 22)

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

<u>NOTE 3:</u> SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

Subsidiaries

The Group consists of the Parent Company and the subsidiaries. The Group includes all entities which are directly or indirectly controlled by the Parent Company.

Since the financial year beginning on 1 January 2014, control is defined in accordance with *IFRS 10 Consolidated Financial Statements* (“IFRS 10”). According to this standard, an investor has control over an investee if it has rights to the variable positive returns generated by the investee and bears the consequences of negative returns and has the ability to direct operations and, as a result, to affect those returns through its decisions (power). This ability to power of operation arises from rights.

Control is primarily obtained through equity ownership, agreements with other shareholders. KELER obtained control over all of the entities included in these consolidated financial statements by virtue of equity ownership.

Associates and joint arrangements

The Group does not have associates or joint arrangements during this reporting period.

Transactions eliminated during consolidation

Intercompany balances and transactions, and any unrealized gains and losses arising from intercompany transactions are eliminated in the course of consolidation.

b) Foreign currency transactions

Transactions in foreign currencies are translated to Hungarian forint at the foreign exchange rate effective 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 officially published by National Bank of Hungary and effective at that date. Foreign exchange differences arising on translation are recognized in the Consolidated Statement of Comprehensive Income. 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 Group's perspective the following foreign currencies are relevant:

	2023 closing	2023 average	2022 closing	2022 average
CHF	412,28	393,12	406,93	390,30
EUR	382,78	381,95	400,25	391,33
GBP	440,19	439,17	451,98	458,78
USD	346,44	353,25	375,68	373,12

c) Cash and cash equivalents, mutual deposits

Cash includes deposits repayable on demand. Cash equivalents include liquid investments (including the CBH overnight deposits) with maturity of three months or less when acquired at that there is insignificant risk of value change. Typically certain state bonds and treasury bills may meet the foresaid definition. Cash and cash equivalents are carried at amortized cost in the Consolidated Statements of Financial Position.

d) Financial assets and financial liabilities

Classification

Financial assets and 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 or are derivative instruments.
(Note: The Group did not have any financial instruments during the current period which are classified to the category FVTPL due to its nature being held for trading.)

Debt instruments that meet both SPPI test (i.e. cash flows from those are solely payments of principal and interest) and the business model of held to collect the cash flows (business model test) will be classified o financial assets measured at amortized costs (AC category) and will be carried at amortized cost. This category includes the state bonds (MÁK) held by the Group, balances of trade and other receivables, receivables from foreign clearing houses and cash balances.
Debt instruments that meet the SPPI test, but based on the business model the purpose is collect the cash flows from holding the instruments or sell those are classified at FVTOCI category.

The Group classifies the held equity instruments – excluded instruments held for trading purposes – into the FVTOCI category, that are measured at fair value throught other comprehensive income at each reporting date.

Other liabilities contain all financial liabilities that were not classified as at fair value through profit or loss.
(Note: Other liabilities contain interbank takings and loans from other banks, deposits from customers, liabilities relating to clearing and depository activities and liabilities from repo deal open as at the end of reporting period contracted with unconsolidated entities.)

Recognition

Financial assets and liabilities are recognized in the financial statements of the Group on the settlement date, except for derivative assets, which are recognized on the trade date. Financial assets and financial liabilities are initially measured at fair value, plus) transaction costs for an asset and less transaction costs for a liability that are directly attributable to its acquisition or issue in case of all financial instruments that are not measured subsequently at fair value through profit or loss.

Derecognition

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

Measurement

Subsequent to initial recognition, all financial assets and financial liabilities measured at fair value through profit or loss, and financial assets measured through other comprehensive income are measure at fair value. If no quoted market price exists from an active market and fair value cannot be reliably measured, the Group uses valuation techniques to determine fair value.

Financial assets classified to AC and all financial liabilities other than financial liabilities measured 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 (in case of assets increasing, in case of liabilities decreasing the carrying amount) and amortized based on the effective interest rate of the instrument.

The debt instruments – except for items measured at fair value through profit or loss – are measured at an amount decreased by the accumulated impairment loss recorded based on expected credit losses. The part of the accumulated impairment loss recorded based on expected credit losses attributable to the current year is credited or debited to the profit or loss.

Gains and losses on financial assets or financial liabilities measured at fair value through profit or loss are recorded in Consolidated Statement of Comprehensive income, as gains on securities (as an element of current year profit or loss, on a net basis)

Income (amortization) calculated using the effective interest method on a FVTOCI debt instrument is recognized in profit or loss, separately from the impairment losses and reversal recorded based on expected credit losses (which is recognized in a different category of net profit) of the instrument. Gains or losses on disposal of instruments are recognized in profit or loss**.**
The adjustments from fair value measurement of such a financial asset shall be recognized in other comprehensive income that is accumulated on a separate reserve within the equity. In the case of disposal (i.e. sale or expiration), the previously accumulated other comprehensive income is reclassified to the profit or loss.

In the case of disposal FVTOCI instruments other than debt instruments, the previously accumulated other comprehensive income cannot be reclassified to the profit or loss, that is transferred to retained earning within the equity.

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**.**
Generally, the fair value is

- The 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 Group'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 Group would receive upon normal business conditions to terminate the contract at the end of reporting period considering current market conditions and the current creditworthiness of the counterparties.

The fair value of the treasury bills and government bonds is considered by the Group as Level 2. This fair value is based mainly on observable prices, however, various adjustment technics need to be used in determining the fair value of these assets (e.g. yield curves, comparison to similar instruments).

Measurement of amortized cost

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 for financial assets.

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 Group estimates cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses.

Impairment of financial assets (expected credit losses)

For financial assets measured at AC or FVTOCI, impairment losses are recognized based on expected credit losses. ECL can be determined as 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 occurring in the next 12-months (referred as ‘Stage 1’). This loss is considered without decreasing the gross carrying amount of the instrument, but a contra-active asset is used (allowance). The gross carrying amount (i.e. calculated without ECL) of the asset remains unchanged.

If the credit quality of the asset significantly deteriorates, the instrument is reclassified into Stage 2, where impairment loss is calculated based on expected credit losses determined in accordance with probability of default during the whole lifetime of the instrument. Impairment is recorded in profit or loss, without decreasing the gross carrying amount.

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 has 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 of the 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 in cash flows.

It is assumed that there is a 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 interest;
- 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 credit impaired – the item will be classified into Stage 3, in that case the item’s carrying amount is directly decreased by any previously recognized accumulated impairment loss.

It is considered that an item is ‘in default’if the contractual cash flow are 90 days past due (‘DPD 90 days rule’) excluding that case, when the delay has another reason. Regardless of the DPD 90 days rule, default can be determined if market conditions suggest the defaulted status may be concluded earlier.

The following signs are deteriorations in the credit quality and to be impaired:

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

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.

An asset is non-performing if the contractual cash flows are at least more than 90 days past due. An asset is also non-performing if based on market data or on individual assessment the conclusion can be reached that the asset is nonperforming. The Group assumes the deterioration of the credit quality if the contractual cash flows are more than 30 days past due unless it can be demonstrated that the delay is for reasons other than deterioration in the credit quality (i.e. administrative mistake).

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

For this purpose, the Group splits the accounts receivables into two portfolios: trade receivables from the gas activity and other trade receivables.

The ECL is determined using the following ratios:

Past due	**ECL ratio**
Less than 90 DPD	1%
Between 91 – 180 DPD	50%
Over 181 DPD	100%, or individual measurement

For the gas portfolio:

Past due	**ECL ratio**
Less than 90 DPD	0,001%
Between 91 – 180 DPD	1%
Between 181 – 365 DPD	25%
Between 366 – 550 DPD	90%, or individual measurement
Over 551 DPD	100%, or individual measurement

If ECL decreased, reversal of impairment loss shall be recognized in profit or loss (decreasing the expected credit loss expense).

e) Impairments of non-financial assets and identifying CGUs

The Group tests its significant 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 group 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).

Firstly, 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:

- firstly, damaged assets are impaired;
- secondly, goodwill is reduced;
- thirdly, 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 Group at the year-end or when there is a triggering event for impairment.

The impairment – in case of changes in the circumstances – may be reversed against profit or loss for the period (except goodwill). The carrying amount after the reversal may not be higher than the carrying amount if no impairment loss had beens recognized previously.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is calculated using the straight-line method at rates calculated to write off the cost of the asset over its expected useful life.

Property, Plant and Equipment	**Depreciation**
Rented property	In accordance with rental contract
Electronic networks, wires	8%
Computing devices	25%
Tablets	33%
Photocopiers, faxes, telephones	25%
Mobile phones	50%
Vehicles	20%
Office machines	33%
Furniture	14,5%

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 statement of comprehensive income as expense as incurred.

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

The Group presents the assets acquired through a lease transaction as a right-of-use asset (“ROU”). The ROUs are subsequently measured using the cost model and the amortization of these assets is mostly based on the contractual period. The ROUs are tested for impairment using the provisions of IAS 36. The ROU is presented together with the asset group which the underlying asset belongs to. The ROUs are disclosed separately in the Notes.

The Parent subleases some of the items to the subsidiary. This sublease is eliminated on consolidation.

In those cashes when there is an optional period in the contract, the lease term will only include this period if there is evidence that the optional period (or a part of it) will be called.

To reach to a conclusion if the evidence is convincing the following will be considered:

- the price of the optional period compared to the market price;
- significant leasehold improvements;
- the asset is special, it is hard to have it replaced;
- the cost of terminating the lease is significant.

Simply the fact that it is more convenient to continue a previously existing lease will not provide convincing evidence.

h) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairments, if any. Amortization is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected useful life.
For software and rights 25% depreciation rate is used on a straight-line basis, except certain special items (i.e. core banking system) where the rate is 10%.

The Group does not amortize those intangible assets that are not yet ready to use.

When the Group develops software to support the activities it determines the eligibility of the capitalization according to the following criteria:

- the project is technically feasible
- there is an intention to complete the project
- the Group is able to use the asset (or sell it)
- the software will generate future economic benefits
- the resources needed to complete the projects are available
- the cost of the project is identifiable.

These criteria are also taken into consideration when the software is developed by external party, but it is coordinated by the Group.

For own developments, the cost of labour is estimated at the actual wages, social contribution paid by the Group are also taken into account.

If the Group acquires intangible assets with indefinite useful life the asset will be subject to annual impairment testing.

The intangible assets include a purchased customer list which was determined to be an indefinite useful life asset, so no systematic amortization is 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.

i) Trading on gas market

Based on the principle of the anonymity of the customers and the suppliers on the daily natural gas and capacity trading market, 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 Consolidated Statement of Comprehensive Income while in the accounts in Consolidated Statement of Financial Positions (receivables-liabilities) it is recorded gross. (Transactions in the current year are disclosed in Note 30.) Due to the operating logics of KELER CCP, it is not responsible for the physical delivery of the goods, only responsible for the amount payable.

j) 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 non-clearing members towards ECC. KELER CCP receives all relevant information from ECC that is acting as central counterparty of all trades of the power market, and KELER CCP guaranty all transactions occurred between ECC and the non-clearing members based on the received information.

k) Sale and repurchase agreements and lending of securities

The underlying securities for sale and repurchase agreements ("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 do not result in 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, which is accrued by using the effective interest method during the repo period. Repos between the Group entities are eliminated in the consolidated financial statements. The ECL requirements defined by IFRS 9 are applicable to all outstanding receivables from repo deals, considering the credit quality of the underlying security.
The accounting rules to security lending agreement are similar to repo agreement, i.e. those do no result in derecognition. Thus, security lent in the course of lending deals to customers are no derecognized from the Consolidated Statement of Financial Position. (the Group as a lender)

In case of security borrowing transactions, the instruments borrowed are not recognized in the Consolidated Statement of Financial Position, as the Group has no control over the instruments. These securities are presented as "Securities owned by third parties" in Note 39 Off Balance sheet items (the Group as a borrower).

l) Revenue recognition

- **Fee revenue**

The Group realizes revenue from its guarantee, clearing and depository service providing activities (including clearing on the gas and electricity market), such revenue is recognized when these services are performed.

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

If the Group acts as an agent (as defined by *IFRS 15 Revenue from Contracts with Customers* ("IFRS 15")) in a transaction, the revenue and the related expense are presented on a net basis. Such transactions are sales from trading on gas markets.

Income from fines is not presented as sales revenue, but presented as other income.

- **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 under IFRS 9.

- **Trading activity**

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

The Group's typical performance obligations (PO) are not complex, so the Group accounts for revenue in the period when the services are rendered or products are transferred. When the Group acts as an agent – as defined in IFRS 15 Revenues from customer contracts – the related revenues and costs are presented on a net basis. Latter transactions are sales from trading on gas markets.

- **Non-refundable fees (received in advance)**

The Group received two non-refundable upfront payments which were invoiced close to signing the contract. The Group 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 recognized as income otherwise it will be recognized as a liability.

m) Income taxes

The Group assess on tax-by-tax basis if a legally payable tax qualifies for income tax under IAS 12 Income Taxes ("IAS 12") standard. Deferred taxes arises currently only in relation to corporate income tax.

Income tax in the Consolidated Statement of Comprehensive Income for the year comprises current and deferred taxes. 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, and if an item affects equity directly, the income tax is recognized directly in equity.

Deferred income tax is recognized, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax is measured 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.

The Group considers all taxes that are charged to any level of profit or loss to be income taxes and other taxes are presented separately from income taxes.

From the perspective of the Group the following taxes are income taxes: corporate income tax, local business tax and innovation contribution.

n) Provisions

A provision is recognized when the Group 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.

The Group identified an asset retirement obligation (ARO) in connection with the ROU. The ARO is identified, since when the Group moves out from the building, the area will need to be restored to its original condition. The estimated amount of this liability was recognized as a provision. The discount on this provision is unwinded and debited to financial expense.

If a provision is expressed in foreign currency, the provisions of IAS 21 will be applied to deal with any foreign exchange gain or loss that shall be recognized in finance income or cost.

o) Financial guarantee contract liability

The nature of the activity of the Group requires covering all the risk that is coming from default events (i.e. that KELER CCP must settle the transaction even if one of the parties of the clearing agreement is unable to pay or settle). To deal with the statistically uncovered exposure the Group 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) Guarantee fund liability

As an element of the guarantee system, KELER CCP operates several collective guarantee funds. The purpose of the guarantee 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) Statutory reserves

The statutory reserves are items which are recognized through as a transfer from other elements of the equity based on local legislation due to specific activity. The recognition or the release of such items does not affect the other comprehensive income.

i. General reserve

In accordance with Section 83 of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, a general reserve equal to 10% of the net after tax profit is required to be made in the Hungarian statutory financial statements. The recognized general reserve is directly transferred from the retained earnings.

ii. General risk reserve

Under Section 87 of formerly effective Act CXII of 1996 on Credit Institutions and Financial Enterprises, a general risk reserve of maximum 1.25% of the risk-weighted assets was made until 31 December 2013. This statutory reserve was recognized through as a transfer from retained earnings. Since 1 January 2014, there is no legal right to record such type of reserve and formerly recorded reserves can be used to cover unexpected credit losses only.

r) Hedging

The Group does not establish separate accounting policy to the accounting of hedge relationships, any potential hedge relationship is treated in accordance with general rules of IFRS 9.
(Note: the Group has no hedge relationship currently)

s) Statement of cash flows

Information about the cash flows of the Group is useful in providing users of financial statements with a basis to assess the ability of the Group to generate cash and cash equivalents and the needs of the Group to utilize 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 National Bank of Hungary, except those with more than three months maturity from the date of acquisition.
Changes of items of net current assets are presented on net basis in the statement of cash flows.

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, foreign exchange, and securities. As clearing member of European Commodity Clearing AG (ECC) KELER CCP has to provide collateral for ECC regarding the settlement of power market position of power market non-clearing members of KELER CCP.

KELER discloses the not yet utilized part of credit lines as off-balance sheet items. These items will become recognized elements of the financial statements when they became utilized.
Furthermore, the deposited physical securities are considered to be off balance sheet items, and the state securities recorded as a result of securities borrowing transactions.

NOTE 4: FINANCIAL RISK MANAGEMENT

a) Introduction and overview

KELER is subject to the provisions of CSDR[1] as a central securities depository, which besides core services, provides non-banking and banking-type ancillary services, therefore it shall comply with the Act CXX of 2001 on the Capital Market (Tpt.) and with the Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.) as well.

KELER's risk management principles are approved by the Board of Directors.

The risk management tasks were performed by the Risk Management Department directly subordinated to the CEO, therefore risk management function is separated from the business departments.

KELER deliberately assumes certain risks in connection with the services it provides. Risk management is an integral part of KELER's core business, aligned with its special tasks among financial institutions and the legal possibilities. Accordingly, the purpose of risk management is not only to minimize risks, but to ensure that the risks inherent in KELER's activities are properly identified, measured, managed and kept within specific limits in order to ensure that the level of risks assumed does not endanger continuous operations.
In relation to risk assessment, the basic principle is that KELER always has a stable capital position, its risks are clear, transparent and adequately covered, and that the supervisory conditions, regulations and recommendations are also taken into account when taking risks. KELER's risk-taking cannot endanger the stable supply of critical services and the interests of customers who use them.

[1]Regulation (EU) No 909/2014 of the European Parliament and of the Council of on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 Text with EEA relevance

KELER fully reviews its risks as necessary, but at least annually, and presents changes in its risk profile in a detailed report to the Board of Directors and the Supervisory Board. The annual survey was also carried out in 2023, on the basis of which it can be stated that KELER's risk structure and risk management system are in line with the risk-taking policy and risk appetite, and manage the emerging risks with appropriate methods and to the extent.

KELER is exposed to the following main risk types arising from its operation and strategy:

- investment risks:
    a. credit and counterparty risks,
        i. credit and counterparty risk related to treasury activities
        ii. risks of CSD links[2] and account management institutions
    b. market risks,
        i. Hungarian Forint interest rate risk
        ii. foreign exchange and interest rate and exchange risks
    c. liquidity and funding risk,
- risks from subsidiary
- operational risks.

The exposures of KELER to the above risk types, the objectives, policy and procedures to measure and manage risks, and the calculated a free capital by KELER are discussed below.

As of 2014, KELER CCP operates as a qualifying central counterparty licensed under EMIR; thus, it complies with EU and Hungarian legislation regulating qualifying central counterparties. Hereinafter we refer to the activity of KELER CCP as the central counterparty function.

b) Investment risk

Two subcategories are defined under investment risk:

- credit and counterparty risks,
- market risks.

2 Link between central securities depositories: a mechanism between central securities depositories, within the framework of which one central securities depository becomes a participant in the securities settlement system of another central securities depository in order to simplify the transfer of securities from the participants of the latter central securities depository to the participants of the former central securities depository, or mechanism in the framework of which a central securities depository connects to another central securities depository indirectly, through an intermediary. The scope of the connection between central repositories includes standard connections, uniquely designed connections, indirect connections and interoperable connections.

i. Credit and counterparty risk

Credit risk is the risk of loss impacting profitability and the capital position arising from default (or failure to perform as contracted) by the counterparty, i.e. from default on (on or off the balance sheet) liabilities towards the Group.

Counterparty risk is the potential loss arising from failure by the counterparty to meet contractual obligations before closing the transaction (final settlement of cash flows). As a type of credit risk, this risk typically relates to derivatives, repo and other securities financing transactions.

The various sub-types of credit and counterparty risks are introduced in the following chapters. Off-balance sheet items related risks are considered under credit and counterparty risks.

i. Credit and counterparty risk related to Treasury activity

Central securities depository function

In contrast to a classic commercial bank, in the case of KELER, the investment risks cannot be called complex and decisive. KELER invests its free funds in accordance with the provisions of Article 46 of the CSDR, according to which the most frequently used transaction types are the following:

- buy/sell of fixed rate Hungarian government securities denominated in HUF (Note 6)
- security repo and reverse repo deals (Note 16)
- FX transactions (no deal on balance sheet date)
- O/N, T/N or S/N interbank and CBH deposit placements (Note 5),
- interbank and CBH loans (Note 21).

Minimizing the risks inherent in KELER's treasury activities beyond the regulatory constraints of the partners is comprehensively provided by the partner rating system, the daily monitoring and internal limit system. As part of daily monitoring, KELER Risk Management informs the Assets and Liabilities Committee on limit violations. Regarding the operation of the treasury limit system and possible limitations, KELER's Board of Directors receives regular information in the framework of quarterly measurements performed by KELER Risk Management Department.
The volume of KELER treasury activity decreased in 2023. This was the result of a reduction in customer deposits held at KELER, a conservative investment policy and the introduction of the CBH's interbank liquidity binding tools. In the last quarter of 2023, KELER did not conclude any other interbank transactions, except for market-supporting repo transactions.

Central counterparty function

KELER CCP clearing members include credit institutions and investment firms in the capital market, in the energy markets cleared by the ECC and the gas markets (Balancing

Platform, Trading Platform, CEEGEX, HUDEX gas) power and gas traders are the direct members of KELER CCP. For KELER CCP as central counterparty, counterparty risk is financial (or securities) default by its clearing members and non-clearing members (in the energy market). Besides that, exposures and liabilities related to fees may also arise due to the operation of KELER CCP.

In case of clearing member and energy market non-clearing member default on spot market purchase price, derivative market variation margin, KELER CCP as central counterparty is required to compensate non-defaulting participants in line with the default process, by using collaterals and guarantees, and its shareholders' equity also if needed. Therefore, counterparty risk monitoring and management are of outstanding importance to enable the central counterparty to assess potential exposures and have the appropriate amount of capital and liquid assets to compensate non-defaulting parties.

KELER CCP regularly rates capital market clearing members, gas market clearing members and energy market non-clearing members according to objective (capital, liquidity and profitability indicators) and subjective aspects determined in its internal rating methodology. The internal rating system is used by KELER CCP for the purpose of determining the transactions and collateral to be requested from the client, the ECL is not calculated on this basis (see Note 3). If the rating of counterparty deteriorates significantly, KELER CCP pays special attention to the positions taken and uncovered risk, and based on individual assessment, on the grounds of perceived risk increase, it may impose additional financial collateral on the counterparty concerned. In addition, KELER CCP applies pre-paid, collateralized limits in the prompt gas markets settled by it, as well as pre-trade and post-trade limits in the markets settled by the ECC in both the spot and futures markets, thus limiting the exposures of each counterparty.

The elements of the guarantee system are designed to cover credit risk arising from default by KELER CCP clearing and non-clearing members; no separate capital requirement is made. Due to the operation of the guarantee system, when the collateral requirement of a portfolio is determined, the counterparty risk factor is not quantified. In order to manage the resulting risk of negligible amount, which cannot be examined historically, KELER CCP makes financial reserve in line with the bucket method. The part uncovered by the risk measure confidence level used to calculate collateral instruments and the maximum probability of occurrence were taken into account to determine financial reserve. KELER CCP calculates capital requirement for credit risk from receivables from customers according to CRR on the basis of EMIR regulation.

At the end of the reporting period, KELER CCP had no exposures from default. All clients settled their obligations for payment or variation margin collaterals. In 2023, there were no financial or securities defaults where KELER CCP should have used any individual collateral, dedicated resources, or default fund contributions.

ii. Risk of CSD links[3] and account managing institutions

Central securities depository function

In connection with the trading of foreign securities, KELER has operational relations with CSD links and account management institutions. It is part of KELER's normal operation that the level of cross-border exposures resulting from these relationships show a significant change during the day and/or beyond the day, which is influenced by the trading activities of the clients, over which KELER has only a limited and indirect influence due to its business.

A reliable and stable background and a good reputation are the key criteria when selecting CSD links, indirect relationships and intermediaries. In addition to the usual ratings, the result of the partner questionnaire, if necessary, and the credit rating of the country where the registered office of the institution is located are also taken into account.
The exposures resulting from these relationships should also be examined from the point of view of taking large risks. Taking on a large risk for a client or group of clients is at least ten percent of the basic capital (Articles 387-403 of the CRR). KELER applies the exemption rules according to Article 400 of the CRR to trading exposures to account management institutions. Continuous monitoring of intraday exposures to account management institutions is also carried out.

For the central counterparty function this risk is not relevant.

Central securities depository function

KELER CSD manages and monitors large exposures on a daily basis in line with the provision of CRR. Excessive large exposures are maximized by the limits set based on the available own funds.

iii. Residual risk

Central counterparty function

As part of the guarantee system operated by KELER CCP, the clients of KELER CCP are required to provide collateral. Instead of using the full market value, the collateral portfolio is taken into account after haircuts determined in the valid KELER CCP condition list on accepting securities and foreign currencies. This is a risk management technique to eliminate residual risk. The applicable condition list of KELER CCP

[3] CSD link means an arrangement between CSDs whereby one CSD becomes a participant in the securities settlement system of another CSD in order to facilitate the transfer of securities from the participants of the latter CSD to the participants of the former CSD or an arrangement whereby a CSD accesses another CSD indirectly via an intermediary. CSD links include standard links, customized links, indirect links, and interoperable links

determines the types of eligible collateral also; thus, jointly with the use of haircuts, residual risk is minimized.

The central counterparty does not determine separate capital requirement for residual risks either.

For the central securities depository function this risk is not relevant.

iv. Concentration credit risk

Risk concentration is the risk exposure that intra-risk or inter-risk across various risk types can lead to loss that jeopardizes the usual business operation (usual continuous operation with reasonable profits) of the entity or makes a material change in the risk profile of the entity.

Central counterparty function

Concentration risk related to the central counterparty activity of KELER CCP arises in two ways. On the one hand, due to the concentration of positions taken by KELER CCP clearing members and energy market non-clearing members, on the other hand it is due to the concentration of collaterals.

The market and capital position limit is designed to manage risk concentration related to counterparties towards which KELER CCP as central counterparty undertakes guarantee in exchange settlements. If these limits are exceeded, additional financial collateral can be collected in line with the General Business Rules of KELER CCP due to perceived risk increase to mitigate risks arising from increased concentration.

KELER CCP applies concentration limits in line with ESMA TS 153/2013, among others by individual issuer, asset type, to the concentration of securities in the central counterparty collateral portfolio.

KELER CCP does not determine capital requirement for concentration risks.

For the central securities depository function this risk is not relevant.

v. Country risk

Country risk is the risk of loss generated by an event (economic, political, etc.) occurring in the country, controllable by the country (government) given and uncontrollable by the partner of KELER.

Central counterparty function

The country exposure of KELER CCP increases gradually due to the strategy followed as KELER CCP provides services to foreign counterparties and has multiple connections with international settlements. Some of the foreign counterparties are clearing members that are considered foreign legal entities as they transformed into branches, and for this reason the country risk of the parent company is to be taken into account also. Additionally, foreign clearing members/non-clearing members, partly related to the settlement of the MTS market, are also part of the KELER CCP counterparty group. Several energy market non-clearing members are registered abroad. Related to energy market clearing, KELER CCP has account management relationship with several commercial banks abroad.

In terms of country risk, the largest exposure is towards Germany due to the exposures to ECC and Citi Frankfurt. Germany is a leading EU member state, with safe background. KELER CCP has no material exposure to non-EU member states currently. Risks due to existing country risks are managed in the guarantee system.

KELER CCP does not determine capital requirement for concentration risk.
For the central securities depository function this risk is not relevant.

ii. Market risk

Market risk is the risk that the real value of the future cash flows of a financial instrument will be volatile due to changes in market prices. Market risk reflects the risks associated with interest-bearing assets, shares, indexe, and it may include foreign exchange risk and commodity risks as well.

i. Hungarian forint (HUF) interest rate risk

Central securities depository function

For the management of KELER’s securities, two sub-books were created in the banking book. One sub-book contains held-to-maturity securities and the other contains securities available for sale if intended to.

KELER's business model only includes held-to-maturity securities purchased for the purpose of cash-flow collection and securities purchased for liquidity management that can be easily sold if necessary. Active trading for the purpose of profit making does not take place due to KELER's conservative investment strategy and its central, infrastructural role. The harmonization of the assets and liabilities from risk perspective are done using the following principles.

KELER has HUF 49.148 billion in 5-year fixed-rate loans from the Central Bank of Hungary (CBH), i.e. it has a loan portfolio with an unchanged interest rate until the end of the term. From the loan, KELER purchased securities with almost the same maturity and fixed interest rate in the total amount of almost HUF 50 billion. The securities were blocked as collateral for the CBH loan. The last cash flows of both the loan and the securities will occur in 2026. In order to secure the loan, KELER pledged securities for CBH as beneficiary. Depending on the change in yields, the pledged securities may lose their acceptance value determined by the CBH. KELER has a securities lending agreement to deal with the negative impact on the acceptance value of the collateral, with the help of which it can obtain additional collateral, if necessary.

HUF deposits held at KELER are placed at CBH (in a demand account or O/N deposit) or are invested in securities purchased from guarantee funds in order to fulfill repo transactions concluded with KELER CCP. KELER typically keeps customer deposits in a sight account with CBH, but these funds can also be invested in CBH O/N deposits, O/N interbank deposits or Hungarian government securities.

At the end of the year, KELER only held Hungarian Treasury bills denominated in Hungarian forint in its salable sub-book. These are presented on the balance sheet line "Debt instruments measured at fair value through other comprehensive income". Approximately 80% of the securities in the portfolio are Hungarian government bonds purchased with the aforementioned CBH loan. Behind the remaining items are KELER's own assets, as well as deposits and deposits from customers.

The held-to-maturity portfolio included deposit transactions, foreign currencies, and held-to-maturity government bonds. Held-to-maturity government securities are presented on the balance sheet line "Financial assets measured at amortized cost".

The following tables illustrate the effect of +100 bp parallel interest rate shift in the yield curve (interest rate sensitivity) of the investment portfolio, which represents the assumed loss for the given time expressed in million Hungarian Forints. The data reflect the interest rate sensitivity of the asset side, the interest rate sensitivity of liabilities with the same maturity was not included in the calculation below:

Non-trading book – available for sale	**2023**	**2022**
December	10	19

Non-trading book – held to maturity	**2023**	**2022**
December	977	1 119

In addition to daily interest rate sensitivity calculation, daily value at risk (VaR) for the trading and non-trading book portfolio is calculated daily. VaR calculation is based on 99% confidence level and 1 day relative change.

Non-trading book – available for sale	**2023**	**2022**
December	2	22

Non-trading book – held to maturity	**2023**	**2022**
December	232	656

ii. Foreign exchange interest rate and exchange rate risk

Central securities depository function

Only the own FX positions (FX account balances) represent FX risk for KELER. Among the foreign exchange assets of the clients placed on KELER accounts for trading purposes, the available-for-sale free stock is also invested in the same currency on at current accounts, so they do not bear foreign exchange risk for KELER. Foreign exchange deposits are placed on separate deposit accounts. The primary purpose of the own foreign currency assets held by KELER is to make sure that the international settlement services provided by KELER are secure and seamless and to ensure the related FX conversion service. The net amount of the portfolio that can be held at the end-of-day is limited in each currency, thus the amount of risk that can be taken is limited also. The value of the portfolio was 175 MHUF at year end, out of which 60% is represented by the following currencies: CHF, GBP, EUR and USD. FX risk is measured by historic analyses and daily VaR calculation.

KELER does not consider the impact of the net currency position to be significant, which does not reach 2% of the regulatory capital. Accordingly, no capital requirement was defined within the framework of the 1st pillar. The table below shows KELER's portfolio and the related VaR values for each currency as of December 31, 2023.

Currency	**Net currency position HUF**	**Net currency position in foreign exchange**	**VaR – annual HUF**
AUD	10 137 250	43 000	184 460
BGN	92 152	471	1 285
CAD	12 549 120	48 000	227 895
CHF	14 429 800	35 000	238 859
CZK	13 018 680	841 000	165 379
DKK	14 223 950	277 000	198 837
EUR	57 417 000	150 000	800 778
GBP	14 086 080	32 000	224 395
HKD	81 507	1 838	1 670
JPY	6 550 276	2 683 000	144 658
NOK	2 451 600	72 000	46 879
PLN	1 848 840	21 000	25 342
SEK	9 073 500	263 000	149 205
TRY	35 160	3 000	910
USD	19 400 640	56 000	397 053

Central counterparty function

In the case of KELER CCP, there are several approaches to discuss market risk.
One approach is that in case of a potential default related to the operation of the central counterparty counterparty risk converts into market risk, upon default by the member, KELER CCP has to fund, temporarily or finally, cash/securities or derivative market variation margin with the sales proceeds of existing collaterals or with own resources if the former are not sufficient.

KELER CCP analyzes regularly the market risk of collaterals, i.e. the terms of eligibility: in line with the requirements of EMIR, it analyzes monthly that the haircuts applied on eligible instruments are appropriate, if found inappropriate, haircuts are amended, and KELER CCP quarterly consults the Risk Committee on haircut levels. The group of eligible collaterals is in line with the requirements of EMIR.

Additionally, prudent margining is designed to cover the market risk of cleared instruments; the appropriateness of margining is monitored continuously.

Market risk can arise at KELER CCP as a part of own resources, that is the minimum capital requirement under EMIR (7.5 million EUR), is invested in Hungarian government securities, treasury bills that are held until maturity, thus market risk is not material related to these instruments.

As an ECC clearing member, KELER CCP provides guarantee undertaking to its non-clearing members in spot and futures energy market clearing. The entire amount of collective guarantee fund contribution payable to ECC is to be made in euro. Consequently, KELER CCP can have a material FX portfolio that is the ECC guarantee fund contribution; however, it does not give rise to real FX rate risk in daily operation, it is not converted to HUF. The contribution to the ECC guarantee fund is deducted when the available capital is calculated.

In gas market trading, both the currency of the exposures and the currency of the collateral is Euro, so there is no currency risk on the asset-liability side. In the case of capital market trading, the trading and settlement currency of some assets is EUR or USD, their turnover was negligible in 2023, in case of default of these assets, KELER CCP would generate the necessary foreign currency amount by selling the placed collateral. The foreign currency exposure is taken into account when determining the basic collateral parameter of the asset, in addition to the risk of the basic product, the risk measure is also calculated for the exchange rate risk.

In addition to the cleared markets, KELER CCP holds a small amount of its own stock in some currencies (EUR, GBP, USD), the value of which was HUF 158 million on the closing date.

In addition to the above, in a special case, the KELER CCP may be exposed to a currency risk in the case of a cross-currency repo transaction. This type of transaction has been executed daily since September 2023 to ensure full compliance with the law. The customer account balances in Euro held at one of the commercial banks are transferred daily in special repurchase agreements, for which KELER CCP receives HUF government securities in return. In these overnight repo transactions, the EUR is converted into HUF at the daily CBH mid-rate, from which KELER CCP receives government securities, and at the expiration part of the repo, the HUF is exchanged into EUR at the same mid-rate, which KELER CCP receives back. In other words, KELER CCP would be exposed to currency risk only if the commercial bank holding the repo becomes insolvent, and KELER CCP would hold Hungarian government securities in HUF against the EUR collateral claim owed to customers. This currency risk is quantified in the calculation of the capital requirement; in case of a 1% movement of EUR/HUF, the capital requirement would increase by 15.71%.

KELER CCP determines capital requirement for market risk.

iii. Liquidity and funding risks

Liquidity is the ability of the entity to fund and meet the increase in assets, expiring liabilities without material unplanned risks.

Central securities depository function

The special activity of KELER, in particular seamless settlement requires liquid assets that can be mobilized quickly at all times. Partly due to the former requirement, the assets the central securities depository can keep are strictly regulated by legislation (see Article 46 of CSDR). In addition to legal restrictions, KELER endeavors to select financial instruments that can be sold quickly under normal market conditions if needed and can be used to create intra-day liquidity also.

The liquidity risk limits are monitored daily, the reports are discussed by the Assets and Liabilities Committee. Additionally, a comprehensive report is prepared at least once a year for the KELER Board of Directors.

Central counterparty function

There are two major functions related to which KELER CCP needs liquidity: on the one hand liquidity is needed for guarantee undertaking, the main activity of KELER CCP – typically, KELER CCP is able to provide this liquidity with shareholder’s equity. On the other hand, a variable amount of liquid assets is required for the daily operation of KELER CCP. One part of it is represented by the transfer price payable to KELER; the larger part consists of financial liabilities arising from ECC clearing membership. Liquidity needs related to guarantee undertaking may arise several times during a day, in line with market settlement times.

Regarding default related liquidity risk management, EMIR requires the capability to cover the liquidity need uncovered by individual collateral related to the two members with the largest exposures in the market.

The liquidity need expected on the following day is analyzed and forecasted daily. It is assessed monthly, retrospectively, whether KELER CCP was able to meet the requirement of EMIR to cover the liquidity need arising from the risk of the two largest members uncovered by individual collateral.

KELER CCP does not determine capital requirement for liquidity risk.

The presentation of contractual cash flows of financial assets and financial liabilities by maturity categories can be found in Note 26.

c) Operational risks

Central securities depository function

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risks (CRR, Article 4, section 52).

KELER focuses on the following special source of risks under operational risk:

- operational risks associated with key participants,
- operational risks related to central depository links,
- risks related to system participants, central securities depositories and market infrastructures connected to KELER,
- risks associated with external service providers,
- IT risks affecting business processes.

Operational risk measurement and management is based on a loss database that is supplemented by expert estimates and the collection of key risk indicators. In order to increase the efficiency of risk management activities, all organizational units must be involved in the collection of operational risk events, the regular assessment, evaluation and reduction of risks. This way it can be ensured that the operational risk management system covers the whole operation and activity.

Operational risks are regularly identified and quantified based on the self-assessment interviews with the organizational units.

The regular analysis and reporting to Management of loss events ensures risk monitoring and is the basis of taking risk management measures.

Operational risk according to Article 4, point 52 of the CRR is not relevant for the CCP function.

d) Settlement risk

Settlement risk is the risk that a settlement executed through a payment system is performed in a way other than expected. Settlement risk may include credit and liquidity risk elements also.

Central counterparty function

In line with the investment policy of KELER CCP, the amount of minimum capital requirement is invested in short-term government securities that are held until maturity. The portfolio includes a few securities; settlement risk upon trade settlement is negligible.

In the case of KELER CCP, no capital requirement is established for credit risk arising from settlement risk.

For central securities depository function this risk is not relevant.

e) Capital management (Regulated institutions' capital management)

From a prudential point of view, KELER and KELER CCP are not subject to consolidated supervision, therefore internal risk management and capital adequacy are not determined at a consolidated level either. Data on capital management can be found in individual reports.

NOTE 5: CASH AND CASH EQUIVALENTS, MUTUAL FUNDS

Cash and cash equivalents include general deposits and interbank balances.

	12.31.2023	12.31.2022
Due from banks and balances with CBH		
Within one year		
In HUF	27 012	12 144
In foreign currency	46 248	191 204
Cash equivalents	3 445	992
	76 705	**204 340**
Opening balance of expected credit loss (ECL)	-28	-29
Changes in the balance of expected credit loss (ECL)	18	2
Closing balance of expected credit loss (ECL)	**-10**	**-27**
Closing balance, net of ECL	**76 695**	**204 313**

	12.31.2023	12.31.2022
Placements with other banks, receivables after expected credit loss		
Within one year		
In HUF	22	515
In foreign currency	21 727	20 437
	21 749	**20 952**
Opening balance of expected credit loss (ECL)	-3	-3
Changes in the balance of expected credit loss (ECL)	0	0
Closing balance of expected credit loss (ECL)	**-3**	**-3**
Closing balance, net of ECL	**21 746**	**20 949**
Cash and cash equivalents	**98 441**	**225 262**

The decrease in the value of bank deposits is explained by the decrease in the amount of collaterals received on consolidated level, along with an increase in receivables from repurchase agreements.

Cash equivalents include a certain treasury bill that had a maturity of less than 90 days when acquired on December 31, 2023 and 2022.

The bank accounts are demand deposits, available immediately for withdrawal. The interest on the bank account is between 4.81%-13.40% for HUF deposits [-2.40%-13.0% in 2022], -0.35%-3% for foreign currency deposits [-0.25%-5.6%in 2022]. Amount paid because of negative interest rates are recorded as interest paid in the profit or loss.

Following the CBH regulation the compulsory reserve balance was approximately 1 387 million HUF and 1 171 million HUF in 2023 and 2022, respectively. This reserve was kept in short term CBH deposits.

The year-end balance of the CBH deposits were 27 004 million HUF and 12 135 million HUF at the end of 2023 and 2022, respectively.

For cash and cash equivalents, impairment based on expected credit loss shall be recognized. All items in this group belong to stage 1 for ECL purposes. For the calculation 45% LGD is used and the 12-month PD is measured between 0,003% and 0,6% which already considered the forward looking information at the date of the calculation.

Mutual deposits	**12.31.2023**	**12.31.2022**
Deposit held at Six SIS Bank	1 129	326
Opening ECL balance	0	0
Current year ECL	0	0
Closing ECL balance	**0**	**0**
Closing balance, net of ECL	**1 129**	**326**

The mutual funds are recognized as a separate balance sheet position. These balances are deposited in foreign financial institutions, which financial institution deposits the amount at KELER on a loro account. On the mutual fund position the Group discloses forint deposits from SIX SIS Bank solely.

The conditions of these deposits are basically identical with those applicable for the other cash and cash equivalents. The expected credit loss shall be calculated in the same way as it is calculated for cash balances, the PD of SIX SIS Bank is 0,03%.

NOTE 6: STATE SECURITIES

	12.31.2023	12.31.2022
Financial assets		
Financial assets measured at amortized cost	60 447	59 210
Financial assets measured at fair value through other comprehensive income	2 934	13 528
	63 381	**72 738**

Financial assets measured at amortized cost	12.31.2023	12.31.2022
Hungarian government bonds		
Opening balance	**59 218**	**61 049**
Acquisition	2 537	2 023
Derecognition at maturity	-908	-3 284
Effective interest for the period	1 081	1 050
Proceeds from interest	-1 473	-1 620
Gross value of debt instruments	**60 455**	**59 218**
Opening balance of expected credit loss (ECL)	-8	-8
Changes in the balance of expected credit loss (ECL)	0	0
Closing balance of expected credit loss (ECL)	**-8**	**-8**
Closing balance, net of ECL	**60 447**	**59 210**

Name of security	12.31.2023	12.31.2022
A231124A07	0	904
A240626B15	2 914	2 869
A241024C18	562	0
A250624B14	16 979	17 566
A260422E20	26 246	26 173
A271027A16	11 307	11 282
A281022A11	98	98
A251126C19	2 349	326
	60 455	59 218

The Hungarian government bonds yield is between 6,70% and 12,20%. All of the above purchases are representing debt instruments maturing in five years.

Financial assets measured at fair value trough other comprehensive income	**12.31.2023**	**12.31.2022**
Opening balance	13 582	17 134
Opening accumulated revaluation	-53	-39
	13 529	17 095
Acquisition	38 396	61 527
Derecognition at maturity	-49 135	-65 357
	-18	-33
Interest accrued (Amortization)	135	417
Remeasurement (Fair Value Adjustment)	28	-121
	2 935	**13 528**
Opening balance of expected credit loss (ECL)	-2	-1
Changes in the balance of expected credit loss (ECL)	1	-1
Closing balance of expected credit loss (ECL)	**-1**	**-2**
Closing balance, net of ECL	**2 934**	**13 526**
Of which treasury bill	2 935	12 396
Of which government bond	0	1 132
Name of security		
D230125	0	981
D230222	0	6 106
D230419	0	1 905
D230517	0	2 465
D230628	0	939
A230823C20	0	1 132
D240124	1 494	0
D240821	1 441	0
	2 935	**13 528**

The discount treasury bills are purchased with the yields between 9.22% and 11.99% in 2023.

Market value of AC assets at end of period:

	12.31.2023	**12.31.2022**
Fair value of financial assets measured at cost (AC)	55 742	46 110

The difference between the carrying amount and the fair value is driven by the significant change in the market interest in 2022 and 2023. The difference shall only be realized if those securities were sold before they mature and derecognition.

There are no adjustments from remeasurement in case of AC securities in the consolidated financial statements (except for accumulated impairment loss based on ECL)

The fair value of these assets can be determined based on the 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 quoted for similar financial instruments and adjusted using generally applied 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 Entities internal model assigns loss rates for both the short- and long-term periods using benchmarks. Using these values, the expected credit loss is booked for the different assets.. In respect of ECL, both treasury bills and government bonds are all classified in the Stage 1 category.

NOTE 7: TRADE RECEIVABLES AND TRADE PAYABLE RELATING TO GAS MARKET

	12.31.2023	12.31.2022
Trade receivables from gas market		
Receivable balance	2 109	2 404
Accumulated impairment losses	0	0
Receivable balance net of impairment (carrying amount)	**2 109**	**2 404**

Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	0	0
Impairment losses recognized in the current period	0	0
Impairment losses derecognized in the current period	0	0
Closing accumulated impairment losses	**0**	**0**

Accounting policies relating to the trading on the gas market is presented 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 5 than days.

The receivable from the gas market services are also subject to ECL. Here – due to the nature of the receivable – the Group 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 this receivable depends on the trading activity on the market that the entity does not influence.

The other "party" of the clearing transaction is the payable amount that arises from the liabilities from the gas market. The payables are – by contractual agreement – due on the same day as the corresponding receivable. This amount at the end of 2023 was 2 125 MHUF, at the end 2022 it was 2 590 MHUF.

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

NOTE 8: TRADE RECEIVABLES FROM CLEARING AND DEPOSITORY OPERATION

Receivables relating to clearing and depository activities	**12.31.2023**	**12.31.2022**
Depository receivables	920	777
Clearing receivables	232	174
Accumulated impairment losses (collective)	-31	-36
Accumulated impairment losses (individual)	0	0
Receivable balance net of impairment (carrying amount)	1 121	915

	12.31.2023	**12.31.2022**
Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	-36	-44
Impairment losses recognized in the current period, collective	5	8
Impairment losses recognized in the current period, individual	0	0
Impairment losses derecognized in the current period	0	0
Closing accumulated impairment losses	-31	-36

	12.31.2023	**12.31.2022**
Receivables		
Not overdue, not impaired	1 107	861
Overdue by at most 30 days, individually not impaired	23	62
Overdue by at most 90 days, individually not impaired	2	3
Overdue more than 91 days, but not more than 180 days, individually not impaired	0	2
Overdue more than 181 days, individually not impaired	2	3
Overdue more 1 year, individually not impaired	18	20
	1 152	**951**

These trade receivables include the not yet paid part of the rendered CCP, Depository and similar services. The balances are stated at invoiced amounts since they become payable in a short time.

The individually significant balance from these receivables is the balance due from OTP Bank, with the amount 110 MHUF (2022: 86 MHUF).

The expected credit loss on the receivables is assessed by the Group based on simplified manner thus immediately the life-time ECL is recorded without further tracking of the individual credit quality. The impairment loss based on ECL – if it not assessed individually – shall be determined based on provision matrix (see details in Notes 3.)

The derecognized impairment loss is due to the recovery of receivables that were previously identified as impaired and impairment loss was recognized, but the impairment loss in the same value is no longer necessary.

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

The fair value of these receivables do not show significant difference from the amortized cost as carrying amounts (due to them being short term), thus carrying amount shows the best estimation of the fair value.

NOTE 9: OTHER RECEIVABLES, TAX RECEIVABLE

	12.31.2023	**12.31.2022**
Other receivables		
Accrued expenses	329	320
Interest accruals	232	278
Tax receivables	11 321	14 451
Advances to suppliers	0	1
Loans to employees	134	41
Sundry other receivables	26	41
	12 042	**15 132**
Opening balance of expected credit loss (ECL)	0	1
Changes in the balance of expected credit loss (ECL)	3	-1
Closing balance of expected credit loss (ECL)	3	0
Closing balance, net of ECL	**12 039**	**15 132**

Loans to employees are considered to be financial instruments which are measured at amortized cost (2023: million 134 HUF, 2022: 41 million HUF).

Prepaid expenses and tax receivables are not subject to IFRS 9, thus calculation of ECL is not required, however ECL was calculated for financial assets under other receivables.

The accruals include hardware maintenance fees paid in advance and unused software update and license fees as material amounts.

Other accruals include cost items that have been prepaid for several years of support, but their performance period is comprised of the following reporting periods and some prepaid operating cost items.

The other tax receivables consist of the following balances:

	12.31.2023	**12.31.2022**
Tax receivables (other than income taxes)		
Value Added Tax (VAT)	11 321	14 451
	11 321	**14 451**

All tax balances are related to the Hungarian Tax Authority.

These receivables do not yield interest and they are all to be received within one year. They are not impaired or past due.

The entity has no influence on the balance of VAT receivables, since this balance depends on weather the entity has export or import position at the end of December which depends on the actual market demand.

NOTE 10: RECEIVABLES FROM FOREIGN CLEARING HOUSES

KELER CCP as a general clearing member of the ECC is entitled to provide power market non-clearing membership services from 1 July 2010 on the spot power market, and from 1 July 2011 on the futures power market. Therefore KELER CCP may assume certain liabilities in line with this activity. According to the GCM status clearing members have to comply with specified margin and collective guarantee requirements of ECC

The receivable is denominated in euro. In the original currency the receivable from power market is: EUR 152 291 822 on 31 December 2023 (EUR 305 195 367 on 31 December 2022).

The clearing receivable is subject to ECL. The receivable was classified in Stage 1 category. The full receivable is with one counterparty therefore it represents risk concentration.
The fair value of these receivables do not show significant difference from the amortized cost as carrying amounts, thus carrying amount shows the best estimation of the fair value.

	12.31.2023	**12.31.2022**
Receivables from foreign clearing houses		
Receivables from contributions	53 585	110 547
Receivables from guarantee funds	4 708	11 607
	58 293	**122 154**

	12.31.2023	**12.31.2022**
Opening balance of expected credit loss (ECL)	-16	-21
Changes in the balance of expected credit loss (ECL)	9	5
Closing balance of expected credit loss (ECL)	**-7**	**-16**
Closing balance, net of ECL	**58 286**	**122 138**

The receivables from guarantee funds come from the fact that the clearing members of KELER CCP are contributing to the guarantee fund which is handled and recorded by ECC. The full balance is requested to be paid by the clients of KELER CCP (see Note 14.).

The decrease in contributions on power and gas markets and receivables from guarantee funds was due to the decrease in market prices all over the world. High demand in 2022 drew an extreme need for contributions, which was decreased in 2023 by both the foreign clearing house (ECC) and KELER CCP. Therefore, cash and cash equivalents also decreased by the end of 2023. In addition, the strengthening of HUF (domestic currency) by 17 HUF/EUR also caused that while EURO amounts were valued at a rate of 400.25 as at 31 December 2022, they were measured at 382.78 rate as at 31 December 2023.

NOTE 11: INTANGIBLE ASSETS

Intangible assets	**Rights**	**Intellectual property**	**Intangible assets under development**	**Total**
Cost				
Balance as on 1 January 2023	**171**	**14 545**	**27**	**14 743**
Additions	0	1 007	285	**1 292**
Own performance	0	102	0	**102**
Put into use	0	0	-200	**-200**
Derecognition, scrap	0	-204	0	**-204**
Disposals	0	0	0	**0**
Balance as on 31 December 2023	**171**	**15 450**	**112**	**15 733**
Accumulated amortization and Impairment				
Balance as on 1 January 2023	**165**	**10 948**	**0**	**11 113**
Current year amortization	0	1 027	0	**1 027**
Impairment of intangible assets	0	0	0	**0**
Derecognition, scrap	0	-207	0	**-207**
Disposals	0	0	0	**0**
Balance as on 31 December 2023	**165**	**11 767**	**0**	**11 933**
Net ccarrying amount				
Balance as on 1 January 2023	**6**	**3 597**	**27**	**3 630**
Balance as on 31 December 2023	**6**	**3 683**	**112**	**3 801**

Intangible assets	**Rights**	**Intellectual property**	**Intangible assets under developments**	**Total**
Cost				
Balance as on 1 January 2022	**171**	**13 323**	**613**	**14 107**
Additions	0	1 326	154	**1 480**
Own performance		74	5	**79**
Put into use	0	0	-742	**-742**
Derecognition, scrap	0	-178	-3	**-181**
Disposals	0	0	0	**0**
Balance as on 31 December 2022	**171**	**14 545**	**27**	**14 743**

Accumulated amortization and Impairment				
Balance as on 1 January 2022	**160**	**9 838**	**0**	**9 998**
Current year amortization	0	1 138	0	**1 138**
Impairment of intangible assets	5	0	0	**5**
Derecognition, scrap	0	-28	0	**-28**
Disposals	0	0	0	**0**
Balance as on 31 December 2022	**165**	**10 948**	**0**	**11 113**
Net carrying amount				
Balance as on 1 January 2022	**11**	**3 485**	**613**	**4 109**
Balance as on 31 December 2022	**6**	**3 597**	**27**	**3 630**

The increase in the balance includes new purchases and the development of the new core system of the Group, together with several development of currently used system.

A material item under intangible assets is the "Motor" settlement system (483 MHUF) which was the result of the KELER core system development programme.

In 2023, the most significant item was the acquisition and extension of IBM Cloud Park licenses in the value of 556 MHUF. Furthermore, there were individually smaller value developments in KELER's operative systems that were already in use.
The value of LEI code issuance system was derecognized, since this activity was discontinued in 2023.

The Group started the development of "ALMA" risk management system in 2021, which was put into operation in 2023 in the value of 248 MHUF. There are no further liabilities connected to this system.

Impairment test – intangible assets

The Group tested the market value of the softwares. The impairment test performed did not identify signs of impairment, no impairment recognition was necessary.

The entity recognized no impairment loss in 2023 for intangible assets.

The entity recognized impairment loss in 2022 for the following intangible asset:

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

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Buildings and improvements	Right Of Use asset	Machinery and equipment	Work in progress	Total
Cost					
Balance as on 1 January 2023	**127**	**508**	**2 502**	**2**	**3 139**
Purchases	0	0	230	0	**230**
Commencement of lease	0	0	0	0	**0**
Sale	0	-16	-261	0	**-277**
Balance as on 31 December 2023	**127**	**492**	**2 471**	**2**	**3 092**
Accumulated Depreciation					
Balance as on 1 January 2023	**101**	**349**	**2 036**	**0**	**2 486**
Current year's depreciation	6	81	275	0	**362**
Sale	0	-16	-258	0	**-274**
Balance as on 31 December 2023	**107**	**414**	**2 053**	**0**	**2 574**
Net carrying amount					
Balance as on 1 January 2023	**26**	**159**	**466**	**2**	**653**
Balance as on 31 December 2023	**20**	**78**	**418**	**2**	**518**

Property, plant and equipment	Buildings and improvements	Right Of Use asset	Machinery and equipment	Work in progress	Total
Cost					
Balance as on 1 January 2022	**127**	**453**	**2 194**	**1**	**2 775**
Purchases	0	0	321	1	**322**
Commencement of lease	0	55	0	0	**55**
Proceeds from advances	0	0	0	0	**0**
Sale	0	0	-13	0	**-13**
Balance as on 31 December 2022	**127**	**508**	**2 502**	**2**	**3 139**
Accumulated Depreciation					
Balance as on 1 January 2022	**95**	**258**	**1 769**	**0**	**2 122**
Current year's depreciation	6	91	280	0	**377**
Sale	0	0	-13	0	**-13**
Balance as on 31 December 2022	**101**	**349**	**2 036**	**0**	**2 486**
Net carrying amount					
Balance as on 1 January 2022	**32**	**195**	**425**	**1**	**653**
Balance as on 31 December 2022	**26**	**159**	**466**	**2**	**653**

The above items contribute to the business activity. The buildings and improvements include improvements on leasehold property (the headquarter office of Group).

The majority of the machinery and equipment are computers, servers and similar IT equipment that are customized for the activity of the Group. A smaller portion of this position is fixtures and fittings for the administrative activity.

The majority of purchases during this period were for information technology. The most significant purchase was for laptops at a value of 139 MHUF, while office workstations supporting infrastructure were renewed for 17 MHUF. A number of smaller developments with lower individual values were made to expand storage capacity.

The ROU asset is recognized due to a lease agreement on the office building. The building is leased from an external party. The lease period ends – due to a contract modification – in 2024, at the end of the year. A lease liability was also recognized (see Note 19.). The ROU was initially measured on the value of the discounted cash flows derived from this contract. For discounting the incremental interest rate of 6,27% was used (previously: 3,82%).

The ROU is depreciated on a straight-line basis with no residual value over the period of the contract. The depreciation expense is taken to the net profit. The office lease contact ends at 31 December 2024.

Currently there is no commitment to purchase tangible assets. There are no pledges or similar items limiting the transfer or use of these assets.

NOTE 13: DEPOSITS FROM CUSTOMERS, FINANCIAL GUARANTEE CONTRACT

	12.31.2023	**12.31.2022**
Deposits from customers		
Interest-bearing		
Within one year		
In HUF	17 067	14 955
In foreign currency	21 338	19 819
Non interest-bearing		
Within one year		
In HUF	1 070	324
In foreign currency	216	407
	39 691	**35 505**

These balances include the deposits of the customers. These balances are available for the customers for immediate withdrawal.

The deposits are presented at amortized cost (the fair value of these liabilities is close to their carrying amount).

The Group paid an annual average rate between 4.81% to 13.62% in year 2023 for the HUF interest-bearing deposits (2022: 2.1% to 12.78%), while the deposited amount in foreign exchange received interest of 0.75% to 3% in 2023 (2022: from -1.45% to 0%). The negative "payable interest" was accounted for as interest income by the Group.

This balance also includes the mutual funds.

NOTE 14: GUARANTEE FUND LIABILITIES, GUARANTEES FROM THE CLIENTS ON THE ENERGY MARKET

Guarantee Fund Liabilities

	12.31.2023	**12.31.2022**
Liabilities for Guarantee Funds		
Exchange Settlement Fund	2 162	1 202
Collective Guarantee Fund	1 221	1 614
Gas Market Collective Guarantee Fund	900	4 703
CEEGEX Market Collective Guarantee Fund	299	282
	4 582	**7 801**

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

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

Changes in exchange settlement fund and collective guarantee fund balances derive form the increase in trade volumes.

The decrease in the balance of Gas Market Collective Guarantee Fund comes from the decrease in the amount of the required fund. The extent of required fund is calculated on the basis of the market price, which decreased steadily during the period (price effect). Therefore, the decreasing turnover security ended up in decreasing funding requirement.

The fair value of liabilities is not significantly different from their amortized cost, as carrying amount, thus the best estimate of fair value is the carrying amount.

<u>Guarantees from the participants on the Energy and Gas Market</u>

The 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.

These balances are recognized in euro. The value related to the energy market is 148 002 MHUF (2022: 227 756 MHUF). The value related to the gas market is 56 840 MHUF (2020: 80 357 MHUF).

The required collateral was calculated – based on an accepted methodology – by the risk management

The fair value of the liabilities is close to their carrying amount.

<u>NOTE 15:</u> TRADE PAYABLES

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

Material amounts in trade payables are outstanding amounts for the IT service providers (the largest amounts are: 17, 22, 44, 49 and 427 million HUF).

The book value and the fair value of the trade payables are not materially different.

<u>NOTE 16:</u> REPO ASSETS AND LIABILITIES

Based on IFRS 9 and the relevant accounting policies of the Group the repo deals are not derecognition events, therefore the transferred securities will not be derecognized from the books of KELER Group and the received securities will not be recognized. The Group only accounts for the investing or the financing activity caused by the repo deal. The difference between the given and the received amount was accounted for as interest. The repo asset and liability is measured at amortized cost.

The significant increase in repo balances derives form transferring financial collaterals into repo deals, with a simultaneous decrease in cash balances.

	12.31.2023	**12.31.2022**
Repurchase agreement (repo assets) – closing balance		
Purchase price of the repo	118 802	25 690
Interest accrued	0	0
	118 802	**25 690**
Opening balance of expected credit loss (ECL)	-3	-4
Changes in the balance of expected credit loss (ECL)	-14	1
Closing balance of expected credit loss (ECL)	**-17**	**-3**
Closing balance of expected credit loss (ECL)	**118 785**	**25 687**

	12.31.2023	**12.31.2022**
Repurchase agreement (liabilities)		
Liabilities from repurchase agreements	361	14 928
	361	**14 928**

NOTE 17: INCOME TAX PAYABLE AND OTHER TAXES PAYABLE

	12.31.2023	**12.31.2022**
Taxes payable (other than income taxes)		
Personal income tax	61	63
Rehabilitation contribution	5	4
Health insurance and pension contributions	66	75
Social security contributions	56	57
Value added Tax	34	38
Other taxes	4	59
	226	**296**

The Group considers corporate income tax, local tax and innovation contribution as income taxes. These items are separately disclosed in the balance sheet, separated from other tax liabilities (see Note 9.) Current income tax liability at the end of 2023 is 852 MHUF; at the end of 2022 year: 473 MHUF

The tax liability balances are all payable to the Hungarian Tax Authority except the bank oversight fee that is payable to the Central Bank of Hungary.

NOTE 18: DEFERRED TAXES, RECONCILIATION OF THEORETICAL AND ACTUAL TAX

The tax balances and temporary differences for 2023 are as follows:

Balance	Tax base	Carrying Amount	Deduc-tible taxable diffe-rence	Defer-red tax through profit or loss	Deferred tax through OCI
Cash and cash equivalents	98 441	98 441	0	0	0
Receivables relating to clearing and depository activities	1 125	1 121	-4	-1	0
Debt instruments measured at amortized cost	2 907	2 934	27	0	2
Receivables from foreign clearing houses	58 294	58 286	-8	-1	0
Property, plant and equipment	511	518	7	1	0
Intangible assets	3 801	3 801	0	0	0
Other payables	725	814	-89	-9	0
Provisions for onerous contract	0	283	-283	-26	0
Liabilities from financial guarantee	0	21	-21	-2	0
Deferred tax assets				**38**	**0**
Deferred tax liability				**0**	**-2**
After using tax losses	**Total deferred tax assets**			**36**	

The tax balances and temporary differences for 2022 are as follows:

Balance	Tax base	Carrying Amount	Deduc-tible, taxable differ-ence	Deferre d tax through profit or loss	Deferred tax through OCI
Receivables relating to clearing and depository activities	919	915	-4	1	0
Debt instruments measured at amortized cost	13 650	13 528	-122	0	-11
Receivables from foreign clearing houses	122 154	122 138	-16	-1	0
Property, plant and equipment	645	653	8	1	0
Intangible assets	3781	3759	-22	-2	0
Other payables	592	681	-89	-10	0
Provisions for onerous contract	0	416	-416	-38	0
Liabilities from financial guarantee	0	26	-26	-2	0
Deferred tax assets				**51**	**11**
Deferred tax liability				**0**	**0**
Total deferred tax assets				**62**	

Deferred tax balances are not discounted.

Movements in deferred tax balances:

	Recognized in profit or loss	Recognized in other comprehensive income	Total deferred tax asset
Balance as on 1 January 2022	**-41**	**-8**	**-49**
Current year changes	-10	-3	-13
Balance as on1 January 2023	**-51**	**-11**	**-62**
Current year changes	13	13	26
Balance as on 31 December 2023	**-38**	**2**	**-36**

NOTE 19: LEASE LIABILITY

The Group 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 an 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 later periods.

When calculating the lease liabilities, the rate used was 6.27% (incremental borrowing rate) which was backed up by an external evidence from the bank.

When accounting for the lease, the Group uses the Euro amounts which are retranslated and any difference is accounted for as a foreign exchange rate gain or loss.

Lease liability	**12.31.2023**	**12.31.2022**
Opening balance	197	218
Commencement of a new lease	0	54
Interest payment on the lease	12	22
Lease payment	-113	-115
Foreign exchange rate loss	1	18
Closing balance	**97**	**197**
Lease to be paid	6	18
Lease payments until maturity	**103**	**215**
Of which: short term liabilities	97	95
Of which: long term liabilities	0	102

NOTE 20: PROVISIONS

The Group reported provision for three issues. On one hand there is a ROU which requires dismantling at the end of its useful life, on the other hand it may be required to make an indemnification payment due to a client transaction, thirdly a provision for legal cases.

	12.31.2023	12.31.2022
Provisions		
Opening balance	416	294
Addition of provision	0	100
Foreign exchange difference	-12	21
Unwinding of the discount	1	1
Provisions used	-20	0
Provisions released	-102	0
	283	**416**
Of which:		
Long term	30	29
Short term	253	387

Provision balances are derived from the following issues:

	31.12.2023	Increase	Decrease	31.12.2022
Provisions recognized				
Indemnification payment	254	0	-12	266
Asset retirement obligation (ARO)	29	1	-3	31
Legal cases	0	0	-119	119
	283	**1**	**-134**	**416**

Due to the nature of indemnification payment no further disclosers are made, these disclosures are postponed until the case is resolved.

The asset retirement obligation includes the cost of the recovery of the rented premises at a discounted amount.

NOTE 21: LOANS

Loans	**12.31.2023**	**12.31.2022**
Long term loans	49 200	49 200
Short term loans	11 179	13 880
	60 379	**63 080**
	12.31.2023	**12.31.2022**
Opening	63 080	50 160
Loans taken out	15 780	38 761
Foreign exchange difference	0	83
Repayment	-18 130	-26 270
Effective interest	466	733
Paid interest	-817	-387
Closing amortized cost	**60 379**	**63 080**
of which long term (all principal)	49 148	49 148
of which short term (all principal)	11 179	13 531
of which short term (all accrued interest)	52	401

The long term loans include the loans taken from CBH (called five year maturity, secured with financial assets, fixed rate loan). The loans were taken trough a tender. The loans bear a fixed interest rate, but the individual loans are carrying different interest. The effective interest rate of the loan is basically the same as the nominal interest, since there were no material transaction costs and other item influencing the effective interest.

In 2022 KELER CCP received a credit line from CBH, primarily for financing VAT payables. Note 38 discloses information on the amount of credit line. During 2023 the CBH credit line was closed, and new credit lines with commercial banks have been set up (OTP, Gránit, KH Bank, ERTSE Bank, MBH Bank). At the end of 2023 the amount of loans drawn was 11 179 MHUF.

Conditions of loans received by KELER Ltd.:

Type	Bank	Currency	Dates taken	Maturity	Balance	Fixed interest (p.a.)
Loan covered by securities	CBH	HUF	2020.04.08	5 year	2 500	0,90%
Loan covered by securities	CBH	HUF	2020.09.09	5 year	2 636	0,60%
Loan covered by securities	CBH	HUF	2020.09.16	5 year	1 360	0,60%
Loan covered by securities	CBH	HUF	2020.09.30	5 year	1 666	0,60%
Loan covered by securities	CBH	HUF	2020.10.07	5 year	1 611	0,75%
Loan covered by securities	CBH	HUF	2020.10.14	5 year	1 705	0,75%
Loan covered by securities	CBH	HUF	2020.11.11	5 year	2 857	0,75%
Loan covered by securities	CBH	HUF	2020.11.18	5 year	2 500	0,75%
Loan covered by securities	CBH	HUF	2020.11.25	5 year	2 857	0,75%
Loan covered by securities	CBH	HUF	2020.12.02	5 year	1 780	0,75%
Loan covered by securities	CBH	HUF	2020.12.09	5 year	2 230	0,75%
Loan covered by securities	CBH	HUF	2020.12.16	5 year	2 071	0,75%
Loan covered by securities	CBH	HUF	2020.12.23	5 year	2 230	0,75%
Loan covered by securities	CBH	HUF	2021.01.13	5 year	3 000	0,75%
Loan covered by securities	CBH	HUF	2021.01.20	5 year	2 500	0,75%
Loan covered by securities	CBH	HUF	2021.01.27	5 year	2 000	0,75%
Loan covered by securities	CBH	HUF	2021.02.03	5 year	1 538	0,75%
Loan covered by securities	CBH	HUF	2021.02.24	5 year	588	0,75%
Loan covered by securities	CBH	HUF	2021.03.03	5 year	588	0,75%
Loan covered by securities	CBH	HUF	2021.03.10	5 year	555	0,75%
Loan covered by securities	CBH	HUF	2021.03.17	5 year	526	0,75%
Loan covered by securities	CBH	HUF	2021.03.24	5 year	500	0,75%

Type	Bank	Currency	Dates taken	Maturity	Balance	Fixed interest (p.a.)
Loan covered by securities	CBH	HUF	2021.03.31	5 year	555	0,75%
Loan covered by securities	CBH	HUF	2021.04.07	5 year	555	0,75%
Loan covered by securities	CBH	HUF	2021.04.14	5 year	555	0,75%
Loan covered by securities	CBH	HUF	2021.04.21	5 year	500	0,75%
Loan covered by securities	CBH	HUF	2021.04.28	5 year	526	0,75%
Loan covered by securities	CBH	HUF	2021.05.05	5 year	526	0,75%
Loan covered by securities	CBH	HUF	2021.05.12	5 year	555	0,75%
Loan covered by securities	CBH	HUF	2021.05.19	5 year	526	0,75%
Loan covered by securities	CBH	HUF	2021.05.26	5 year	500	0,75%
Loan covered by securities	CBH	HUF	2021.06.02	5 year	500	0,75%
Loan covered by securities	CBH	HUF	2021.06.09	5 year	526	0,75%
Loan covered by securities	CBH	HUF	2021.06.16	5 year	500	0,75%
Loan covered by securities	CBH	HUF	2021.06.23	5 year	500	0,75%
Loan covered by securities	CBH	HUF	2021.06.30	5 year	500	0,90%
Loan covered by securities	CBH	HUF	2021.07.07	5 year	500	0,90%
Loan covered by securities	CBH	HUF	2021.07.14	5 year	500	0,90%
Loan covered by securities	CBH	HUF	2021.07.21	5 year	526	0,90%
Loan covered by securities	CBH	HUF	2021.07.28	5 year	500	0,90%
					49 148	
Interest paid until 31st December 2022:					-374	
Interest paid until 31st December 2023:					-373	

All the above loans are recognized at amortized cost and were taken by the Parent company. Interbank loans drawn by KELER were all repaid in 2023.

NOTE 22: OTHER PAYABLES, FINANCIAL GUARANTEE CONTRACT LIABLITIY

	12.31.2023	12.31.2022
Other payables		
Accrued expenses	531	274
Interest	48	127
Sundry other expenses	235	280
	814	**681**

The accrued expenses consist of sundry expenses that relate to the period but they were not yet invoiced, incurred.

The other liabilities include past obligations from not used paid leaves and accruals from lease incentives, and cash payables in transfer due to clients in the real time settlement system. Cash payables due to clients are financial liabilities, in the value of 58 MHUF in 2023, 48 MHUF in 2022.

The nature of the activity of the Group requires covering all the risks that are coming from default events (i.e. that the central counterparty must settle the transaction even if one of the parties of the clearing agreement is unable to pay or settle). 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 (i.e. it is impossible to provide 100% guarantee). 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 related liability is fully explained by the movements of the guarantee funds.

	12.31.2023	12.31.2022
Financial guarantee contract liability		
Opening financial guarantee contract liability	26	35
Changes in the financial guarantee contract liability	-5	-9
Closing financial guarantee contract liability	**21**	**26**

NOTE 23: SHARE CAPITAL

There was no change in the share capital of the Company compared to the prior year. The share capital consists of 900 shares with nominal (par) value of HUF 5 million per share as on 31 December 2023 (as well as on 31 December 2022). All 900 shares have been authorized, issued and fully paid.

	12.31.2023	**12.31.2022**
Share capital		
Magyar Nemzeti Bank (Central Bank of Hungary)	2 400	2 400
Budapesti Értéktőzsde (Budapest Stock Exchange)	2 100	2 100
	4 500	**4 500**

There are no special rights or limitations attributed to shareholders linked to these shares.

Magyar Nemzeti Bank (Central Bank of Hungary) held 53.33% of the shares directly and 37.96% indirectly as of 31 December 2023 (same at the end of last reporting period).

Budapesti Értéktőzsde (Budapest Stock Exchange) held 46.67% of the shares directly as on 31 December 2023 and 31 December 2022. The CBH's stake in Budapest Stock Exchange was 81.35% in 2023 and 2022.

Non-controlling interest represents the 0.15% share of non-controlling shareholders of Budapest Stock Exchange in KELER CCP in 2023 and 2022.

NOTE 24: STATUTORY RESERVES

	12.31.2023	**12.31.2022**
Statutory Reserves		
General reserve	1 190	678
General risk reserve	122	122
	1 312	**800**

These reserves are recognized due to legislative requirements. Certain regulation requires the Parent Company to transfer from earnings certain amounts to these reserves, so they will not be available for distribution, but only for the cover of operating losses.

NOTE 25: FAIR VALUE TROUGH OTHER COMPREHENSIVE INCOME RESERVE

This reserve accumulates the revaluation of FVTOCI debt instruments. This reserve is reclassified to profit or loss for the period when the asset is derecognized. Since FVTOCI debt instruments only include treasury bills, all the balance of 1st January 2023 was reclassified to profit or loss for the period during the period.

The deferred tax effect of the performed transfer is also reflected in the reserves.

NOTE 26: STATEMENT OF FINANCIAL POSITION CATEGORIES BASED ON CURRENT-NON CURRENT DISTINCTION

The Group presents its Consolidated Statement of Financial Position in liquidity order. The reason for that is that the KELER is a financial institution and as such it is usual to follow this order.

The Consolidated Statement of Financial Position based on the current – non-current distinction is the following:

	12.31.2023	**12.31.2022**
Non current assets	61 445	62 687
Current assets	298 275	406 261
Short term liabilities	265 501	384 774
	94 219	84 175
Financed by:		
Long term liabilities	49 574	49 746
Net assets	44 645	34 428
	94 219	84 175

The non-current assets include the intangible assets, the property, plant, and equipment (including ROU), securities measured at amortized cost and deferred tax asset, and long term other receivables.

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

All other items of the Consolidated Statement of Financial Position are current. The Group defines an item of the Consolidated Statement of Financial Position being current if the due date is within 12 months.

Maturity analysis of assets and liabilities

The Group prepares a maturity analysis to present when the assets and liabilities of the entity are/becom due. This analysis presents the surplus or deficit in items available for settlement. The main considerations on liquidity risk are presented in Note 4.
Maturity analysis is presented in the following tables (assets and liabilities are shown at their carrying amounts):

As on 31 December 2023	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	98 440	0	0	0	0	**98 440**
Mutual deposits	1 129	0	0	0	0	**1 129**
Financial assets measured at amortized cost	0	3 476	56 972	0	0	**60 447**
Debt instruments measured at fair value trough OCI	1 493	1 441	0	0	0	**2 934**
Income tax – current tax receivable	0	56	0	0	0	**56**
Income tax - Deferred tax asset	0	0	36	0	0	**36**
Receivables from clearing on gas market	2 109	0	0	0	0	**2 109**
Receivables from clearing and depository activities	1 121	0	0	0	0	**1 121**
Receivables from foreign clearing houses	58 286	0	0	0	0	**58 286**
Other receivables	11 909	9	54	67	0	**12 039**
Receivables from repurchase agreements	118 785	0	0	0	0	**118 785**
Intangible assets	0	0	0	0	3 801	**3 801**
Property, plant and equipment	0	0	0	0	518	**518**
TOTAL ASSETS	**293 273**	**4 982**	**57 062**	**67**	**4 319**	**359 702**

As on 31 December 2023	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Deposits from customers	-39 691	0	0	0	0	**-39 691**
Liabilities for Guarantee Funds	-4 582	0	0	0	0	**-4 582**
Liabilities from financial guarantees	-21	0	0	0	0	**-21**
Collateral held from energy market participants	-148 002	0	0	0	0	**-148 002**
Collateral held from gas market participants	-56 840	0	0	0	0	**-56 840**
Income tax payable – current tax liability	-852	0	0	0	0	**-852**
Deferred tax liability	0	0	0	0	0	**0**
Other tax payables	-226	0	0	0	0	**-226**
Trade payable from gas market activity	-2 125	0	0	0	0	**-2 125**
Trade payables	-799	0	0	0	0	**-799**
Liabilities from repurchase agreements	-361	0	0	0	0	**-361**
Loans	-11 179	0	-49 200	0	0	**-60 379**
Lease liability	0	-97	0	0	0	**-97**
Provisions	0	0	-283	0	0	**-283**
Other payables	-321	-403	-15	-75	0	**-815**
TOTAL LIABILITIES	**-264 999**	**-500**	**-49 498**	**-75**	**0**	**-315 072**
LIQUIDITY (DEFICIENCY)/EXCESS	**28 273**	**4 482**	**7 564**	**-8**	**4 319**	**44 630**

As on 31 December 2022	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	225 262	0	0	0	0	**225 262**
Mutual deposits	326	0	0	0	0	**326**
Financial assets measured at amortized cost	0	904	57 980	326	0	**59 210**
t Debt instruments measured at fair value trough OCI	7 088	6 440	0	0	0	**13 528**
Income tax – current tax receivable	0	0	0	0	0	**0**
Income tax - Deferred tax asset	0	0	62	0	0	**62**
Receivables from clearing on gas market	2 404	0	0	0	0	**2 404**
Trade receivables from clearing and depository activities	915	0	0	0	0	**915**
Receivables from foreign clearing houses	122 138	0	0	0	0	**122 138**
Other receivables	15 079	17	22	14	0	**15 132**
Receivables from repurchase agreements	25 687	0	0	0	0	**25 687**
Intangible assets	0	0	0	0	3 630	**3 630**
Property, plant and equipment	0	0	0	0	653	**653**
TOTAL ASSETS	**398 899**	**7 361**	**58 064**	**340**	**4 283**	**468 947**

As on 31 December 2022	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Deposits from customers	-35 505	0	0	0	0	**-35 505**
Liabilities for Guarantee Funds	-7 801	0	0	0	0	**-7 801**
Éiabilities from financial guarantees	-26	0	0	0	0	**-26**
Collateral held from energy market participants	-227 756	0	0	0	0	**-227 756**
Collateral held from gas market participants	-80 357	0	0	0	0	**-80 357**
Income tax payable	-473	0	0	0	0	**-473**
Deferred tax liability	0	0	0	0	0	**0**
Other tax payables	-296	0	0	0	0	**-296**
Trade payable from gas market activity	-2 590	0	0	0	0	**-2 590**
Trade payables	-465	0	0	0	0	**-465**
Liabilities from repurchase agreements	-14 928	0	0	0	0	**-14 928**
Loans	-7 531	-6 401	-49 148	0	0	**-63 080**
Lease liability	-96	0	-101	0	0	**-197**
Provisions for onerous contract	0	0	-416	0	0	**-416**
Other payables	-267	-334	-8	-72	0	**-681**
TOTAL LIABILITIES	**-378 091**	**-6 735**	**-49 673**	**-72**	**0**	**-434 571**
LIQUIDITY (DEFICIENCY)/EXCESS	**20 808**	**626**	**8 391**	**268**	**4 283**	**34 376**

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

Maturity analysis is presented in the following tables (assets and liabilities are shown on cash flow basis):

- For short term assets and liabilities – due to their nature – there are no significant differences between the carrying amount and nominal value of contractual cash-flows.
- For long term state securities and long term loans the split according to contractual cash-flows (capital and interest payments) is the following:

As on 31 December 2023	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	No maturity	Total	Items in fin. statements	Items not included in fin. st.
Cash and cash equivalents	98 441	0	0	0	0	**98 440**	**98 440**	**0**
Mutual deposits	1 129	0	0	0	0	**1 129**	**1 129**	**0**
Financial assets measured at amortized cost	0	5 045	57 758	0	0	**62 803**	**60 447**	**2 355**
Financial assets measured at fair value trough OCI	1 500	1 500	0	0	0	**3 000**	**2 934**	**66**
Receivables from clearing on gas market	2 109	0	0	0	0	**2 109**	**2 109**	**0**
Receivables from clearing and depository act.	1 121	0	0	0	0	**1 121**	**1 121**	**0**
Receivables from foreign clearing houses	58 286	0	0	0	0	**58 286**	**58 286**	**0**
Other receivables	11 911	14	76	86	0	**12 087**	**12 039**	**48**
Receivables from repurchase agreements	118 785	0	0	0	0	**118 785**	**118 785**	**0**
TOTAL FINANCIAL ASSETS	**293 282**	**6 559**	**57 834**	**86**	**0**	**357 761**	**355 291**	**2 469**
Deposits from customers	-39 691	0	0	0	0	**-39 691**	**-39 691**	**0**
Liabilities for Guarantee Funds	-4 582	0	0	0	0	**-4 582**	**-4 582**	**0**
Financial guarantee contract liability	-21	0	0	0	0	**-21**	**-21**	**0**
Collateral held from energy market participants	-148 002	0	0	0	0	**-148 002**	**-148 002**	**0**
Collateral held from gas market participants	-56 840	0	0	0	0	**-56 840**	**-56 840**	**0**
Trade payable from gas market activity	-2 125	0	0	0	0	**-2 125**	**-2 125**	**0**
Trade payables	-799	0	0	0	0	**-799**	**-799**	**0**
Liabilities from repurchase agreements	-361	0	0	0	0	**-361**	**-361**	**0**
Loans	-11 272	-281	-49 616	0	0	**-61 169**	**-60 379**	**-790**
Lease liability	0	-103	0	0	0	**-102**	**-96**	**-6**
Other payables	-324	-403	-15	-75	0	**-816**	**-813**	**-3**
TOTAL FINANCIAL LIABILITIES	**-264 017**	**-787**	**-49 631**	**-75**	**0**	**-314 510**	**-313 711**	**-799**
LIQUIDITY (DEFICIENCY)/EXCESS	**29 265**	**5 772**	**8 203**	**11**	**0**	**43 251**	**41 580**	**1 670**

The more detailed liquidity categories of cash flows form securities:

As on 31 December 2023	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years maturity	5-6 years maturity	6-7 years maturity	7-8 years maturity	8-9 years maturity	9-10 years maturity	Sum
Financial assets measured at amortized cost	5 045	43 477	11 574	256	2 450	0	0	0	0	0	**62 803**
Debt instruments measured at fair value	3 000	0	0	0	0	0	0	0	0	0	**3 000**

As on 31 December 2022	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years maturity	5-6 years maturity	6-7 years maturity	7-8 years maturity	8-9 years maturity	9-10 years maturity	Sum
Financial assets measured at amortized cost	2 515	4 445	43 477	11 574	256	450	0	0	0	0	**62 718**
Debt instruments measured at fair value	10 170	0	0	0	0	0	0	0	0	0	**10 170**

NOTE 27: INCOME FROM CLEARING AND DEPOSITORY ACTIVITY

	2023	2022
Fee and commission income from depository activity		
Banking services	7 672	6 319
Income from issuer activity	630	592
Income from depository services	605	362
Income from reporting activity	219	211
Code issuance	80	160
Data and information services	1	1
	9 208	**7 645**
Fee and commission income from clearing activity		
CCP services of spot market	334	440
CCP services of derivative market	173	326
Clearing membership fees	853	774
CCP services of gas market	518	283
CCP services of energy market	515	501
Income from collateral	0	2 801
	2 393	**5 125**
Fee and commission income from clearing and depository activity	**11 601**	**12 770**

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

A significant change in the income from the activities of the central counterparty (income from clearing activity) is the income realized on the managed collateral portfolio. In November 2022, when euro interest rates became positive, the charging of the collateral fee ceased, so instead of the collateral fee income, the interest income received from the collateral portfolios appears, but the Group presents it in the financial income category.

NOTE 28: NET INTEREST INCOME

The other revenue generating activity of the Group is to invest free cash to earn interest. Gain from this activity is presented on a net basis.

Net interest income	**2023**	**2022**
Interest income		
Income from interest on securities	398	365
Income from interest on financial instruments measured at fair value trough other comprehensive income	1 306	1 057
Interest income on bank accounts	5 216	2 258
Interest income on client accounts	227	158
Interest from repos	1 718	1 010
Interest on statutory reserves placed at CBH	154	57
Interest from foreign clearing houses	2 157	757
Interest on loans	0	3
Total interest income	**11 176**	**5 665**
Interest expense		
Interest expense on bank accounts	84	587
Interest expense on client accounts	602	862
Lease interest	12	21
Interest on repos	158	331
Interest on loans	655	130
Interest to foreign clearing houses	0	618
Other interest expenses	13	532
Total interest expense	**1 524**	**3 081**
Net interest income	**9 652**	**2 584**

The significant increase in interest income is due to the change in the financial environment, namely the increasing interest rates. The decrease in interest expense was due to the decrease in interest payable on bank balances and customer accounts, as well as the termination of interest payable to foreign clearing houses; the interest payable to settlement banks also decreased. The result of the activity is presented on a net basis.
The increase in interest income was mainly the result of the favorable interest rates on overnight deposits in the first three quarters of the year.

NOTE 29: GAINS AND LOSSES FROM TRADING WITH SECURITIES

This line in the consolidated statement of comprehensive income includes realized gains and losses from trading in treasury bills and government bonds. In neither 2022 nor 2023 did KELER recognize any profit from trading in government bonds.

NOTE 30: GAS TRADING ACTIVITY

When the KELER CCP acts as the central counterparty of the deals in gas trading legally they are buyer and seller at the same time. The Group concluded that it acts as an agent, since they do not possess the gas during the settlement process, not even for momentarily. Therefore, the income from selling the gas itself and the cost of this sale are offset in the Consolidated Statement of Comprehensive Income. (The payables and receivables however are recognized on gross basis – see Note 7.) The fees for acting as a counterparty is recognized as clearing fee (Note 26). The trading is generated by the clearing members and KELER CCP has on direct influence on this.

The trading volume is the following:

	2023	**2022**
Income from gas sold	504 125	1 339 494
Cost of sales of gas sold	-504 125	-1 339 494
Profit or loss effect of the sale, net	**0**	**0**

Since KELER CCP does not qualify for a CCP on the energy market, it does not recognize income and direct expense from this activity on a gross basis.

NOTE 31: BANK FEES, COMMISSION AND SIMILAR ITEMS

Operating expenses	**2023**	**2022**
Banking expenses		
Depository services	25	18
Banking services	231	216
LEI issuance services	22	24
TR service - mediated	29	33
Other mediated services	14	9
	321	**300**

This line item includes fees, commissions charged by other financial institutions (mostly settlement banks) for the activities of the Group.

NOTE 32: PERSONNEL EXPENSES

	2023	**2022**
Personnel expenses		
Wages	3 450	3 121
Base wages	3 046	2 766
Bonuses	404	355
Social security and other contributions	504	456
Other cost of personnel	288	244
	4 242	3 821

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 also includes termination benefits.

The average number of employees was 218 in the period ended 31 December 2023, and 219 in the period ended 31 December 2022.

NOTE 33: EXPERT, TELECOMMUNICATION, IT-SUPPORT FEES AND OTHER OPERATING EXPENSES

The Group classifies its operation expenses according to the type of the cost incurred. Material items (like expert fees, telco fees and IT-support) are disclosed separately on the face of the Consolidated Statement of Comprehensive Income.

Operating expenses	**2023**	**2022**
Banking expenses		
Depository services	25	18
Banking services	231	216
LEI issuance services	22	24
TR service - mediated	29	33
Other mediated services	14	9
	321	**300**
Depreciation and amortization	1 387	1 509
Expenses from maintenance of assets		
Software	926	968
Hardware	161	186
Technical devices	15	10
	1 103	**1 164**
Professional fees		
Professional fees (operational)	93	225
Professional fees (development)	42	218
Audit fees	97	71
Administrative fees	12	13
	244	**527**
Telecommunication services		
Postal services	3	2
Telephone, internet and transmission lines	103	96
Data trafficing (T2S, SWIFT, Reuters)	124	112
	230	**210**
Insurance	**25**	**21**

	2023	2022
Material type expenses		
Utility bills	89	49
Expenses related to vehicles	11	12
Expenses related to buildings	1	1
Expenses related to IT assets	13	12
Other material type expenses	2	1
	115	**75**
Rental fees		
Other rental fees	31	20
	31	**20**
Marketing expenses		
Advertisement	4	6
	4	**6**
Training and education		
Professional trainings	13	17
Conferences	21	23
	34	**40**
Taxes on operation		
Sectorial tax on financial institution	194	140
Surplus profit tax	599	791
Non-deductible VAT	4	2
Local taxes	5	122
	802	**1 055**
Services		
Services related to real estates	198	138
Services related to vehicles	12	9
Services related to transportation and taxi	5	5
Travel expenses, accommodation	10	6
Cost of temporary employment	11	5
Membership fees	61	46
Expenses from other services	200	561
	495	**770**
Levies paid to supervisory institutions		
Levies paid to supervisory institutions	65	211
	65	**211**
Legal and other procedural fees and stamp duties	**35**	**27**

	2023	2022
Other risk related expenses		
Recognition and derecognition of provisions	**-123**	**100**
Other non-financial activity related expenses	**9**	**-8**
Elimination difference due to VAT differences	**116**	**89**

NOTE 34: OTHER INCOME AND EXPENSES, FINANCIAL INCOME AND EXPENSES

Certain sundry incomes and expenses that cannot be classified as operating activities or do not relate to the activity of the Group are presented as other incomes and expenses. These items include gains and losses on disposing property, plant and equipment.

Foreign exchange gains and losses are presented as financial income and expenses together with net interest income of those entities of the Group whose core activity does not include banking services.

Other income and expenses	**2023**	**2022**
Other income	**128**	**91**
Damages paid	-51	0
Fines paid	-21	-3
Foreign exchange losses	-10	-26
Donations paid	-7	-5
Other expense items	-1	-6
Other expenses	**-90**	**-40**

Other interest income includes the interest expense and interest income from securities financed by the loan taken from CBH (see Note 21).

	2023	**2022**
Other interest income		
Interest income on financial assets measured at amortized cost	683	685
Interest paid (CBH loan)	-372	-373
	311	**312**

NOTE 35: 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:

	Cash and cash equivalents	Financial assets measured at amortized cost	Financial assets measured at fair value through OCI	Trade receivables relating to clearing and depository activities
Opening balance of expected credit loss (ECL)	31	8	2	36
Changes in the balance of expected credit loss (ECL)	-18	0	-1	-5
Closing balance of expected credit loss (ECL)	**13**	**8**	**1**	**31**

	Receivables from repurchase agreements	Other receivables	Receivables from foreign clearing houses	**Sum**
Opening balance of expected credit loss (ECL)	1	0	16	**94**
Changes in the balance of expected credit loss (ECL)	15	3	-9	**-15**
Closing balance of expected credit loss (ECL)	**16**	**3**	**7**	**79**

The changes in the ECL are recognized in profit or loss (as a separate line item).

For the calculation, the so called ‘standard model’ is used, where preset PDs and LGDs are applied to the counterparty, using the TTC (Through the Cycle) approach.

For the accounts receivable the simplified method is used, using the ageing approach.

NOTE 36: INCOME TAX EXPENSE

Items classified as income taxes in accordance with IAS 12 are listed in Note 9. The rate of the corporate income tax is 9%, the local tax rate is 2%, and the innovation contribution is 0.3%.

The tax base of latter two is derived from the gross profit (together with the net interest income in case of the Parent company). The effective tax rate was 11.7% in 2023 and 12.43% in 2022.

A breakdown of the income tax expense is:

Income Taxes	**2023**	**2022**
Current corporate income tax	1 087	526
Deferred corporate income tax	12	-10
Local tax	312	198
Innovation contribution	47	30
	1 458	**744**

Calculation of income taxes:

Profit before taxes	**12 436**	**5 985**
Local tax and innovation contribution	359	227
Adjusted profit before taxes	12 077	5 757
Theoretical corporate tax rate	9%	9%
Corporate income tax calculated using the theoretical tax rate	**1 087**	**518**
Adjustments increasing the taxable profit multiplied with the theoretical tax rate	135	149
in it: depreciation	125	137
in it: provisions	0	9
in it: other items	10	3
Adjustments decreasing the taxable profit multiplied with the theoretical tax rate	136	142
in it: depreciation	125	142
in it: provisions	0	0
in it: other items	12	0
Actual corporate income tax	**1 086**	**526**
Base of the local tax	15 598	9 919
Rate of the local tax	2%	2%
Local tax – theoretical tax	**312**	**198**
Tax adjustments	0	0
Local tax (actual):	**312**	**198**
Base of the innovation contribution	15 598	9 919
Rate of the innovation contribution	0,3%	0,3%
Innovation contribution – theoretical tax	**47**	**30**
Tax adjustments	0	0
Innovation contribution (actual)	**47**	**30**
Actual income tax	1 445	754
Deferred corporate income tax recognized in profit or loss	13	-10
Actual income tax recognized in profit or loss	**1 458**	**744**

	2023	**2022**
Actual income tax recognized in other comprehensive income	0	0
Deferred income tax recognized in other comprehensive income	13	-3
Income tax in total comprehensive income	**1 471**	**741**

NOTE 37: OTHER COMPREHENSIVE INCOME

The other comprehensive income includes two elements: the revaluation of the debt instruments measured at fair value through other comprehensive income and the deferred tax effect of it.
The balances are reclassified into profit or loss once the financial instruments are derecognized (expired or sold).

	2023	**2022**
Other comprehensive income		
Net change in fair value of financial instruments measured at fair value through OCI	149	-31
Income tax on other comprehensive income	-13	3
	136	**-28**

The HUF 28 million loss accounted for in other comprehensive income last year had to be charged to profit or loss in 2023. HUF 136 million accounted for this year will be included in the profit or loss of the following years.

NOTE 38: SECURITIES DEPOSITED; OFF BALANCE SHEET ITEMS

Foreign securities means amounts in security accounts of the counterparties. Securities at nominal value:

	31.12.2023	31.12.2022
SECURITIES		
Physical securities		
Physical securities HUF	93 426	106 021
Physical securities CHF	2 280	2 250
Physical securities USD	0	0
	95 706	**108 271**
Dematerialized securities		
Dematerialized securities HUF	64 246 031	57 872 169
Dematerialized securities AUD	2	2
Dematerialized securities CAD	103	111
Dematerialized securities CHF	15 011	14 900
Dematerialized securities CZK	72 112	93 744
Dematerialized securities EUR	5 376 295	4 109 049
Dematerialized securities GBP	1 863	814
Dematerialized securities HKD	2	2
Dematerialized securities ILS	31	3
Dematerialized securities NOK	1	3
Dematerialized securities PLN	67 615	35 197
Dematerialized securities RON	0	0
Dematerialized securities RUB	24	32
Dematerialized securities SEK	6	6
Dematerialized securities THB	1	1
Dematerialized securities USD	745 995	453 088
	70 525 092	**62 579 121**
	70 620 798	**62 687 392**

The deposited, not owned physical securities are presented by type of security, whereas securities traded on the stock exchange and OTC securities are presentedat nominal value.

NOTE 39: OFF BALANCE SHEET ITEMS, CONTINGENT LIABILITIES

	31.12.2023	31.12.2022
Guarantees received		
Bank guarantee	55	55
	55	**55**
Specific safeguards		
Cash		
In foreign currency	3 296	8 125
Security	61	61
Bank guarantee	55	55
	3 412	**8 241**
Credit lines	**11 648**	**48 021**
Contingent liabilities		
Litigation	0	62
	0	**62**

Under specified circumstances these items may be used by the Group.

KELER CCP received several lines of credit from banks. The main purpose of the credit line is to ensure the liquidity of the gas market (mainly the VAT position) and to be able to operate the daily settlement banking model undisturbed. In the year 2023 credit lines of 24.5 billion HUF were set up by commercial banks with the purpose of providing liquidity on gas markets, to finance VAT payables.

The contingent liability is disclosed due to an ongoing litigation.

Government bonds and treasury bills received through securities borrowing contracts are securities which may not be presented as assets, thus they are presented as “Securities owned by third parties”.

NOTE 40: RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties and owners of the Group in the normal course of business. These include deposit placed and services provided. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the end of reporting period, and relating income and expense for the year are as follows.

CENTRAL BANK OF HUNGARY	**2023**	**2022**
Term deposit placements	27 001	12 134
	27 001	12 134
Loans	-49 200	-56 731
	-49 200	-56 731

	2023	**2022**
Interest income	3 031	1 444
Other income	2	0
	3 033	1 444
Bank account costs	27	28
Interest expense	891	373
Other costs	10	0
	928	401

As stated before, the parent of the Group is the Central Bank of Hungary (CBH). CBH is a government-related entity (as defined by IAS 24). This Group 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 then they are at arm's length condition.

The Parent Company enters into material transactions with the Government Debt Management Agency (ÁKK), those deals are security repurchase ("repo") transactions. The amount of repo transactions was 199 188 MHUF during 2023, year-end repo balance being 14 923 MHUF (during 2022 value of transactions was 77 411 MHUF, with a year-end balance of 0).

The Parent Company enters into material transaction with the Central Bank of Hungary, which deals serve the short (O/N deposits or O/N loans) and long term liquidity management (loans from CBH) and lawful handling of the deposit balances. The turnover of the O/N deals entered into was 4 738 454 MHUF in 2023, with a year-end overnight balance of 10 978 MHUF (asset). The turnover of O/N deals was 4 131 399 MHUF in 2022, with a year-end overnight balance of 18 382 MHUF (asset)). Loans taken from CBH with 5-years maturity was 0 MHUF in 2023 (21 145 MHUF in 2022).

There are insignificant transactions with other government related entities and all those transactions are on market basis.

Members of the key managements are related parties.

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

- dr. Selmeczi-Kovács Zsolt, President of the Board
- Balogh Csaba Kornél, member of the Board
- Berényi László, member of the Board (since 24 January, 2023)
- Horváth Gábor, CEO, member of the Board
- Kuti Zsolt, member of the Board
- Máté Tóth István, member of the Board
- Végh Richárd, member of the Board

Supervisory Board of the Parent Company

- Taczmann Róbert Ferenc, President of the Supervisory Board
- Gergely Ádám, member of the Supervisory Board
- Pintér Klára, member of the Supervisory Board
- Varga Lóránt, member of the Supervisory Board
- Visontai Balázs, member of the Supervisory Board

Members of the Directory Board and Supervisory Board received the following remunerations in total in the relevant years:

	2023	**2022**
Board of Directors	196	210
Supervisory Board	47	29
	243	**239**

These are all short-term employee benefits.

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

NOTE 41: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Classification of financial instruments

31 December 2023	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through OCI	Financial liabilities measued at amortized cost	**Total carrying amount**	**Fair value**
Cash and cash equivalents	0	98 441	0	0	**98 441**	**98 441**
Mutual deposits	0	1 129	0	0	**1 129**	**1 129**
Securities - debt instruments	0	60 447	2 934	0	**63 381**	**58 406**
Receivables from repurchase agreements	0	118 785	0	0	**118 785**	**118 785**
Receivables relating to clearing and depository activities	0	61 516	0	0	**61 516**	**61 516**
Loans to employees	0	134	0	0	**134**	**134**
Deposits from customers	0	0	0	39 692	**39 692**	**39 692**
Liabilities for Guarantee Funds	0	0	0	4 582	**4 582**	**4 582**
Liabilities from financial guarantees	0	0	0	21	**21**	**21**
Collateral held from energy market participants	0	0	0	148 002	**148 002**	**148 002**
Collateral held from gas market participants	0	0	0	56 840	**56 840**	**56 840**

Liabilities from repurchase agreements	0	0	0	361	**361**	**361**
Loans	0	0	0	60 379	**60 379**	**55 125**
Accounts payable	0	0	0	2 924	**2 924**	**2 924**
Lease liability	0	0	0	97	**97**	**97**
Client payments in transfer	0	0	0	58	**58**	**58**

31 December 2022	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through OCI	Financial liabilities measued at amortized cost	**Total carrying amount**	**Fair value**
Cash and cash equivalents	0	225 262	0	0	**225 262**	**225 262**
Mutual deposits	0	326	0	0	**326**	**326**
Securities - debt instruments	0	59 210	13 528	0	**72 738**	**59 638**
Receivables from repurchase agreements	0	25 687	0	0	**25 687**	**25 687**
Receivables relating to clearing and depository activities	0	125 457	0	0	**125 457**	**125 457**
Loans to employees	0	41	0	0	**41**	**41**
Deposits from customers	0	0	0	35 505	**35 505**	**35 505**
Liabilities for Guarantee Funds	0	0	0	7 801	**7 801**	**7 801**
Liabilities from financial guarantees	0	0	0	26	**26**	**26**

Collateral held from energy market participants	0	0	0	227 756	**227 756**	**227 756**
Collateral held from gas market participants	0	0	0	80 357	**80 357**	**80 357**
Liabilities from repurchase agreements	0	0	0	14 928	**14 928**	**14 928**
Loans	0	0	0	63 080	**63 080**	**49 428**
Accounts payable	0	0	0	3 055	**3 055**	**3 055**
Lease liability	0	0	0	197	**197**	**197**
Other payables to clients in transit	0	0	0	48	**48**	**48**

b) Debt instruments measured at fair value – Fair value hierarchy

31 December 2023	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Debt instruments measured at fair value trough other comprehensive income	0	2 934	0	**2 934**

31 December 2022	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Debt instruments measured at fair value trough other comprehensive income	0	13 528	0	**13 528**

The year-end level 2 fair value measurement of treasury bills and government bonds are derived by KELER CCP using the yield curve published by ÁKK (Government Debt Management Agency)

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

No items were classified as fair value through profit or loss, or held to maturity during the years presented.
Receivables or similar items including counter party risk where the risk factor is not readily determinable are classified under Level 3 measurement.

31 December 2023	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	98 441	0	0	**98 441**
Mutual deposits	0	0	1 129	**1 129**
Receivables relating to clearing and depository activities	0	0	61 516	**61 516**
Debt instruments measured at amortized cost (Hungarian government bonds)	0	60 447	0	**60 447**
Receivables from repurchase agreements	0	0	118 785	**118 785**
Loans to employees	0	0	134	**134**
Deposits from customers	0	0	39 691	**39 691**
Liabilities for Guarantee Funds	0	0	4 582	**4 582**
Liabilties from financial guarantees	0	0	21	**21**
Collateral held from energy market participants	0	0	148 002	**148 002**
Collateral held from gas market participants	0	0	56 840	**56 840**
Liabilities from repurchase agreements	0	0	361	**361**
Loans	0	0	60 379	**60 379**
Accounts payable	0	0	2 924	**2 924**
Lease liability	0	0	97	**97**
Client payment in trasfer	0	0	58	**58**

31 December 2022	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	225 262	0	0	**225 262**
Mutual deposits	0	0	326	**326**
Receivables relating to clearing and depository activities	0	0	125 457	**125 457**
Debt instruments measured at amortized cost (Hungarian government bonds)	0	59 210	0	**59 210**
Receivables from repurchase agreements	0	0	25 687	**25 687**
Loans to employees	0	0	41	**41**

Deposits from customers	0	0	35 505	**35 505**
Liabilities for Guarantee Funds	0	0	7 801	**7 801**
Liabilties from financial guaranteesv	0	0	26	**26**
Collateral held from energy market participants	0	0	227 756	**227 756**
Collateral held from gas market participants	0	0	80 357	**80 357**
Liabilities from repurchase agreements	0	0	14 928	**14 928**
Loans	0	0	63 080	**63 080**
Accounts payable	0	0	3 055	**3 055**
Lease liability	0	0	197	**197**
Other payables to clients in transit	0	0	48	**48**

Measurement of Level 2 fair values is based on the yield curve reported by ÁKK, the Group determines the year-end fair value of the financial instruments (Hungarian government bonds amd treasury bills).

NOTE 42: NEW AND MODIFIED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New and amended standards and interpretations issued before the Group's financial statements were published but not yet effective are explained below. The Group intends to apply these new and amended standards and interpretations when they become effective.

Amendments to IFRS 16: Lease liability at sale and leaseback transactions

In September 2022, the IASB issued amendments to IFRS 16 in order to define the requirements that a seller-lessee applies when measuring a lease liability arising in a sale and leaseback transaction so that the seller-lessee does not recognize a gain or loss that is related to the right of use retained by the entity.
The amendments become effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retroactively to leaseback transactions entered into after the date of first application of IFRS 16. Early application is permitted, this fact should be disclosed.

Amendments to IAS 1: Classification of liabilities as current or long-term

In January 2020 and October 2022, the IASB issued amendments to IAS 1 standard 69-76. paragraphs to determine the conditions for classifying liabilities as short-term or long-term. The amendments clarify that:

- what is meant by the right to postpone the financial settlement,
- the deferral right must exist at the end of the reporting period,

- the classification is not affected by the expectation of entity, whether this extension right is used or not;
- if an embedded derivative product in a convertible liability is itself an equity instrument, as an exception, the conditions related to the liability do not affect classification.

In addition, a requirement has been introduced to disclose when a liability arising from a credit agreement is classified as non-current and the entity's right to defer financial settlement is dependent on future terms being met within twelve months.
The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retroactively. The Group is currently investigating how the amendments will affect current practice and whether it may be necessary to renegotiate existing credit agreements.

Supplier financing agreements - amendments to IAS 7 and IFRS 7
In May 2023, the IASB published amendments to the IAS 7 Cash Flow Statement and IFRS 7 Disclosures of Financial Instruments standards. It clarifies the characteristics of supplier financing arrangements and requires additional disclosure of such arrangements. The disclosure requirements contained in the amendments are intended to assist users of financial statements in understanding the impact of supplier financing arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted but must be disclosed. This amendment has not yet been adopted by the EU.

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
The amendment to IAS 21 effective from January 1, 2025 contains guidance on how to convert foreign currency items and balances that are denominated in a currency whose convertibility is not immediately assured.

These amendments are not expected to affect the consolidated financial statements of the Group significantly.

<u>NOTE 43:</u> DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The Group did not face any uncertainty or had to deal with any more complex issues when it considered how its investments would be treated in terms of consolidation.

In the subsidiaries the Parent have a voting right of 99.85%. The remaining 0.15% is held by CBH and HSE, and they constitute non-controlling interest.

The Group has no associates.

The Group does not have to face any restrictions on its access to net assets, profit or cash flow in the context of its consolidated business.

The Group has no consolidated or unconsolidated interests in which control is not based on voting rights or where voting rights are not used to control the relevant activities leading to control (structured entities).

None of the group entities are investment entities nor do they have investment in those types of entities.

The Group has an immaterial investment in Association of National Numbering Agencies (ANNA). The value of the investment is 1 250 EUR and is recorded as an equity investment measured at FVTOCI.

NOTE 44: CHANGES IN THE ACCOUNTING POLICIES

The Group applies its accounting policies consistently for all periods presented in these financial statements.

NOTE 45: DIVIDEND

The AGM of KELER declared 860 MHUF dividend on their meeting on 24nd April 2023, 847 MHUF was transferred to retained earnings. The effect of dividends approved is reflected in the statement of changes in equity.

The proposed dividend based on the Company's business plan is HUF 860 million.

NOTE 46: THE EFFECT OF THE RUSSIAN-UKRANIAN CONFLICT

The KELER Group was identified being one of the entities with key importance in the national economy (see regulation 12/2016.). The KELER Group was also identified as playing a key role in the economic system by the Action Group for the Security of Key Hungarian Undertakings.

The Russian-Ukrainian war did not have direct effect on the operations of the Group.

The Group performed the state required client assessment and with a few clients the relationship was terminated which had not material effect on the business.

According to the judgment of the management of the Group, there are no indicators that would suggest that the Group is not a going concern or that would raise a significant doubt about it. Managemetn has not identified any circumstances that would have a material effect on the year-to-date and expected results of 2024.

NOTE 47: SUBSEQUENT EVENTS

The Group did not identify any subsequent events after the end of the reporting period which would require separate disclosure, or would modify the financial statements.

NOTE 48: APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 11 March 2024 to be sent for approval by the owners. KELER's General Meeting is entitled to approve the consolidated financial statements**.**

Budapest, 11 March 2024

Horváth Gábor	Herczegh István
Chief Executive Officer	Chief Financial Officer