KELER CENTRAL DEPOSITORY LTD.

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

for the year ended 31 December 2021

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 Obiligation
ROU	Right of use asset
SPPI	Cash Flow test of 'Solely Payments of Principal and Interest'
WACC	Weighted average cost of capital

INDEPENDENT AUDITOR'S REPORT

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Independent Auditors' Report

To the shareholders of Keler Központi Értéktár Zrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 2021 consolidated financial statements of Keler Központi Értéktár Zrt. and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, with total assets of MHUF 510,422, the consolidated statement of profit or loss and other comprehensive income, with profit for the year of MHUF 1,822, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRSs") and they are prepared, in all material respects, in accordance 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 Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group for the purposes of our audit of the consolidated financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of fees for settlement, clearing and issuer services

The amount of fees for settlement, clearing and issuer services for the year ended 31 December 2021: HUF 9,567 million.

Refer to notes (27) to the consolidated financial statements.

The key audit matter	Our response
Fees are generated from a high volume of relatively small value transactions under several most significant revenue streams: settlement (securities), clearing (gas and electricity) and issuer (consulting) services. The multitude of types of fees within these major revenue streams as well as the number of rates used increases the complexity of revenue recognition and requires adequate controls involving information technology. There is a risk that revenues from these fees are not recognized in accordance with the relevant terms and conditions. In the wake the above factors we considered revenue from fees an area which required our increased attention in the audit and as such was determined to be a key audit matter.	Our audit procedures in the area, performed, where applicable, with the assistance from our own information technology (IT) specialists, included the following: — We tested the design, implementation and operating effectiveness of controls over the recognition of fees including the determination, approval and recording in the clearing system, as well as the modification of fee parameters in the systems; — We recalculated and analyzed the major types of fees on the full population based on the relevant underlying transaction data and applicable rates; — For a statistical sample of other depository and clearing fees we compared the amount of revenue and the date of revenue recognition to the relevant underlying documentation evidencing the delivery of the related service. — We examined whether the disclosures in the consolidated financial statements relating to the recognition of revenue from fees appropriately describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

This is an English translation of the Independent Auditors' Report on the 2021 consolidated financial statements of the Keler Központi Értéktár Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete consolidated financial statements it refers to.

Keler Központi Értéktár Zrt. - K30 - 2021.12.31.

KPMG

Other Matters

The 2020 consolidated financial statements of the Group were audited by another auditor, who issued an unmodified opinion in its Auditors' Report dated 3 May 2021.

Other Information

The other information comprises the 2021 consolidated business report of the Group. Management is responsible for the preparation of the consolidated business report in accordance with the Act on Accounting and other applicable legal requirements, if any.
Our opinion on the consolidated financial statements expressed in the Opinion section of our report does not cover the consolidated business report.

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

Based on the Act on Accounting, we are also responsible for assessing whether the consolidated business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements and expressing an opinion on this and whether the consolidated business report is consistent with the consolidated financial statements.

With respect to the consolidated business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/C and Section 134 (5) of the Act on Accounting has been provided in the consolidated business report.

In our opinion the 2021 consolidated business report of the Group is consistent, in all material respects, with its 2021 consolidated financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the consolidated business report, therefore, we do not express an opinion in this respects.

We confirm that the information referred to in Section 95/C and Section 134 (5) of the Act on Accounting has not been provided in the consolidated business report based on exemption.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU IFRSs and for the preparation of the financial statements in accordance with provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders' meeting on 27 May 2021 to audit the consolidated financial statements of the Group for the financial year ended 31 December 2021. Our total uninterrupted period of engagement is one year, covering the financial year ending 31 December 2021.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group dated 11 March 2022;
- we have not provided to the Group prohibited non-audit services (NASs) as set out by Article 5(1) of Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 17 March 2022

KPMG Hungária Kft.

Registration number: 000202

Zoltán Mitták
Director, Professional Accountant
Registration number: 007298

This is an English translation of the Independent Auditors' Report on the 2021 consolidated financial statements of the Keler Központi Értéktár Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete consolidated financial statements it refers to.

Keler Központi Értéktár Zrt. - K30 - 2021.12.31.

		31.12.2021	31.12.2020
Cash and cash equivalents*		237 021	70 179
Mutual deposits	5	196	129
Financial assets measured at amortized cost	6	61 041	40 408
Debt instruments measured at fair value through other comprehensive income	6	17 093	14 664
Income tax - Current tax receivable	9	1	0
Income tax - Deferred tax assets	18	49	100
Receivables from clearing on gas market	7	1 995	439
Receivables from clearing and depository activities	8	1 035	821
Receivables from foreign clearing houses	10	156 657	22 790
Other receivables	9	437	584
Receivables from repurchase agreements	16	30 135	3 430
Intangible assets	11	4 109	2 678
Property, plant and equipment	12	653	881
TOTAL ASSETS		**510 422**	**157 103**
Deposits from customers	13	38 631	32 979
Liabilities for Guarantee Funds	14	6 365	4 941
Financial guarantee contract liability	22	35	8
Collateral held from energy market participants	14	299 014	43 152
Collateral held from gas market participants	14	54 129	14 824
Income Tax - Current tax liability	17	43	53
Other tax payables	17	29 629	208
Trade payable from gas market activity	7	1 878	442
Trade payables	15	298	659
Liabilities from repurchase agreements	16	0	3 430
Loans	21	50 160	28 027
Lease liability	19	218	302
Provisions	20	294	272
Other payables	22	564	464
TOTAL LIABILITIES		**481 258**	**129 761**
Subscribed capital	23	4 500	4 500
Retained earnings		24 115	22 342
Statutory reserves	24	629	477
Reserves of financial instruments measured at fair value through other comprehensive income	25	-80	23
Equity holders of the Parent Company		**29 164**	**27 342**
Non-controlling interest			0
TOTAL SHAREHOLDERS' EQUITY		**29 164**	**27 342**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**510 422**	**157 103**

[1] Due to the reclassification of this item, the pervious year data was adjusted – see Note 5 and 44.

		01.01.2021-31.12.2021	***01.01.2020-31.12.2020***
Income from clearing and depository activity	***26***	***9 567***	***7 738***
Interest incomes for items measured at AC	28	589	1 465
Interest income for items measured at FVTOCI	28	105	56
		694	*1 521*
Interest expenses	28	-909	-720
Net interest income		***-215***	***801***
Gains on securities, net	29	-11	0
Expected credit loss (ECL)	35	-48	2
Income from the principal activity		***9 293***	***8 541***
Bank service fees	31	-242	-316
Personnel expenses	32	-3 522	-3 181
Depreciation and amortization	33	-1 058	-920
Services and support for infrastructure	33	-959	-855
Professional fees	33	-295	-608
Telecommunication services	33	-139	-98
Insurance fees	33	-21	-16
Materials, supplies	33	-53	-56
Rental fees	33	-20	-19
Marketing fees	33	-5	-3
Education	33	-21	-20
Taxes and levies	33	-296	-378
Operational services	33	-324	-235
Fees and levies paid to regulatory bodies	33	-182	-128
Legal fees, procedural fees, costs, levies	33	-30	-23
Other cost of risk	33	-19	0
Other sundry operational expenses	33	-37	-17
Expenses from non deductable VAT	33	-111	-102
Operating expenses		***-7 334***	***-6 975***
Impairment of non-financial assets	11	-1	-6
Other interest income	34	417	0
Other income and expenses	34	15	79
Operating income		***2 390***	***1 639***

		01.01.2021-31.12.2021	*01.01.2020-31.12.2020*
Other financial income and expenses	34	-95	230
Financial income		***-95***	***230***
INCOME BEFORE INCOME TAX		***2 295***	***1 869***
Income taxes	36	-370	-289
PROFIT OR LOSS FOR THE PERIOD		***1 925***	***1 580***
Other comprehensive income, net:			
Remeasurement gains/losses of financial instruments measured at fair value through other comprehensive income	37	-113	14
Income tax of other comprehensive income	37	10	-1
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		***-103***	***13***
Of which later to be reclassified to net income:		-103	13
Of which later not to be reclassified to net income:		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		***1 822***	***1 593***

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

	Subscribed capital	Reserves of financial instruments measured at fair value through other comprehensive income	Retained earnings	Statutory reserve	**Equity attributed to the shareholders of the parent**	**Non controlling interest**	**Sum**
Balance on 1st January 2020	**4 500**	**10**	**20 868**	**371**	**25 749**	**0**	**25 749**
Total comprehensive income	0	13	1 580	0	1 593	0	1 593
Transfer to statutory reserve	0	0	-106	106	0	0	0
Balance on 31st December 2020	**4 500**	**23**	**22 342**	**477**	**27 342**	**0**	**27 342**
Total comprehensive income	0	-103	1 925	0	1 822	0	1 822
Transfer to statutory reserve	0	0	-152	152	0	0	0
Balance on 31st December 2021	**4 500**	**-80**	**24 115**	**629**	**29 164**	**0**	**29 164**

		01.01.2021-31.12.2021	**01.01.2020-31.12.2020**
CASH FLOW FROM OPERATING ACTIVITIES			
INCOME BEFORE INCOME TAX		**2 295**	**1 869**
Interest expense		1 249	720
Interest income		-1 451	-1 521
		-202	*-801*
Non-cash items - adjustments			
Depreciation and amortization charged	33	1 058	920
Impairment loss / reversal		2	0
Recognition / release of provision	20	20	26
Unrealized gain on cash and cash equivalents		-27	13
Expected credit loss on cash and equivalents and non operating items		48	5
Impairment of intangible assets	11	21	0
Gain on disposing property plant and equipment		2	-1
Remeasurement of FVTPL financial assets	29	11	-
Operating cash-flow before working capital adjustments		**3 228**	**2 031**
Changes in the guarantee fund liability	14	296 618	4 911
Changes in the net balance of gas market transactions, net	8	-120	14 846
Changes of the deposits of clients, net (loro accounts)	13	5 652	-66 052
Changes in the receivables from balance with other clearing houses	10	-133 885	-4 614
Changes in trade and other receivables	8,9	-35 335	291
Changes in trade and other payables	15,22	28 903	23
Cash proceeds/cash paid from financial instruments	6	3 071	8 746
Net increase (-) / decrease (+) in placements with other banks, net of allowance for losses	5	-67	-33
Interest paid		-1 139	-729
Taxes paid (-/+)		-320	-258
Cash generated (+) / used (-) in operation		**166 606**	**-40 838**

		01.01.2021-31.12.2021	**01.01.2020-31.12.2020**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquistion of propoerty, plant and equipment		-113	-102
Acquistion of intangible asset		-1 966	-2 016
Cash proceeds from disposal of property plant and equipment		0	4
Securities purchased with investing purposes	6	-21 586	-23 591
Proceeds from interest		1 894	1 265
Cash generated (+) / used (-) from investing activity		**-21 771**	**-24 440**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend payment		0	0
Lease payments	19	-114	-107
Proceeds from loans taken out	21	22 104	28 003
Cash generated (+) / used (-) from/in financing activity		**21 990**	**27 896**
Net increase (+) / decrease (-) in cash and cash equivalents*		**166 825**	**-37 382**
Opening cash and cash equivalents	5	70 179	107 539
Expected credit loss of cash and cash equivalents		-21	0
Foreign exchange rate difference on cash and equivalents		34	22
Closing cash and cash equivalents	5	237 021	70 179
Net decrease (-) / increase (+) in cash and cash equivalents		**166 825**	**-37 382**

* Due to the reclassification of this item, the pervious year data was adjusted – see Note 5 and 44.

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 subsidiaries (also referred to as together the 'Entity' or 'Group') were prepared in accordance with International Financial Reporting Standards ("IFRSs"). The management declares that the Group fully complied with the provisions of IFRSs/IASs and IFRICs/SICs as endorsed by the European Union and in accordance with the Act on Accounting (Law C of 2000) with focus on regulation dealing with entities preparing their financial statements under IFRS 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.

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 Értéktér 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 it's ruling No. H-EN-III-613/2020.

KELER's owners

National Bank of Hungary	53,33%
Budapest Stock Exchange	46,67%.

There are no change in the ownership during ther 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.

Company's seat: H-1074 Budapest, Rákóczi str. 70-72.

KELER CCP's owners on 31 December 2021

- KELER 99.81%
- CBH 0.1%
- BSE 0.09%

The shareholder structure was the same at the end of 2020.

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

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

One of the shareholder of the Company (Central Bank of Hungary) regularly enters into transactions with Entity. 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 is 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 licenced professional. The person responsible for preparing the financial statements is: Varró Gergő (registration number: 182019), charted public accountant with IFRS specialization.

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 are valued at fair value as required by the IFRSs. These fair values are mostly quoted prices or based on quoted prices (Level 1 and Level 2). However they may change significantly over time leading to significantly different values as expected at the measurement day. Items measured at fair value, which is Level 3 measurement is especially judgmental, since the input date was determined based on information not directly observable. The information regarding the level of measurement of the items is presented in Note 41.

- Certain items of the Group's assets can be tested for impairment at at cash generating unit (CGU) level only. 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 corresponds the legal entities (KELER CD, and CCP).

- Deferred tax assets and liabilities depend on the legal environment. Changes in the legal environment may result in a significant change in the value of such items.

- The Group recognized a financial guarantee liability that was measured at fair value. The value depends on the predictions and expectations about the future. The nature of the estimation makes this a material judgement. (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 revised and in any future period affected.

NOTE 3: 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 arising from intercompany transactions are eliminated in the frame 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:

	2021 closing	2021 average	2020 closing	2020 average
CHF	356,90	331,71	337,41	328,08
EUR	369,00	358,52	365,13	351,17
GBP	440,03	417,03	406,16	394,89
USD	325,71	303,29	297,36	307,93

c) Cash and cash equivalents, mutual deposits

Cash includes deposits repayable on demand. Cash equivalents includes 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 or financial liabilities at fair value through profit or loss (FVTPL) are financial assets and financial liabilities that are classified as held for trading mainly for the purpose of profit-taking or are derivative instruments.
(Note: The Group did not have any financial instruments during the current period which is 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 it is hold to collect the cash flows (business model test) will be classified o financial assets measured at amortised costs (AC category) and will be carried at amortized cost. This category include the state bonds (MÁK) of the Group, balances of trade and other receivables, receivables from foreign clearing houses and cash balances.
Debt instruments that meet SPPI test with, but based on the business model the purpose is collect the cash flows from holding the instruments or sell those will be classified at FVTOCI category.

The Group classifies the held equity instruments – excluded instruments held for trading purposes – into the FVTOCI category, that shall be measured at fair value at each reporting date (where in certain cases the cost of the instrument will be considered to be the fair value).

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 recognised in the financial statements of the Group on the settlement date, except for derivative assets, which are recognised on the trade date. Financial assets or financial liabilities are initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue in case of all financial instruments that are not measured 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 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 presented in the statements on an amount representing the deduction by accumulated impairment loss recorded based on expected credit losses. The part of this accumulated impairment loss based on expected credit losses attributable to current year is taken 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 calculated from effective interest method on a FVTOCI debt instrument will be taken to profit or loss, separately from the impairment losses and reversal determined 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 (ie. 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 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

- 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 taking into account current market conditions and the current creditworthiness of the counterparties.

The fair value of the treasury bills is considered by the Group as Level 2, the fair value is based mainly on observable prices however, when the fair value of these assets cannot be determined based on such quoted prices, instrument are measured based on yields remarkable for similar financial instruments and generally used valuation techniques (Level 2).

Measurement of amortised 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 is recognised 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 lowering 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 instrument. Impairment is recorded in profit or loss, without deduction of 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 is occurred.

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

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

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

If the credit quality of the asset deteriorates even further – so the asset becomes impaired – the item will be classified into Stage 3, in that case the item’s carrying amount is directly deducted with any previously recognized accumulated impairment loss.

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

The following signs are considered to be 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 behaviour

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 non performing. The detoriation of the credit quality must be assumed to be detoriated if the contractual cash flows are more than 30 days past due, unless it can be demonstrated that the dely is for reasons other than detoriation in the credit quality (ie. administratie 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 immediately the lifetime ECL is charged but there is no continuous tracking of credit quality.

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

The ECL is determined using the following ratios:

Past due	**ECL ratio**
Less than 90 DPD	1%
Between 91 – 180 DPD	50%
Over 180 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 it is clear that impairment needs to be recognized.

The impairment – in case of changes in the circumstances – may be reversed against net profit (except goodwill). The book value after the reversal may not be higher than the book value if no impairment loss was 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 economic useful life.

Property, Plant and Equipment	**Depreciation**
Rented property	In accordance with rental contract, but 6% as minimum level
Electronic networks, wires	8%
Computing devices	25%
Tablets	33%
Photocopiers, faxes, telephones	25%
Mobile phones	50%
Vehicles	20%
Office machines	33%
Furnitures	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 discloses the assets acquired through a lease transaction as a right-of-use asset. The ROUs are subsequently measured using the cost model and the amortization of this asset is mostly based on the contractual period. The ROUs are tested for impairment using the regulation of IAS 36. The ROU is presented together with the asset group of 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 leashold 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 depreciation and impairments, if any. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life.
For software, valuable rights and interests 25% depreciation rate is used on a straight-line basis, except certain special items (ie. 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 they decide about 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 finish 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.

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 was charged for that asset. The asset is tested for impairment annually. The impairment is charged when the relationship with the customer is no longer ongoing.

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. Due to the operating logics of KELER CCP 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 it’s 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 does guaranty all account transfer according the received information between ECC and the non-clearing members.

k) Sale and repurchase agreements and lending of securities

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

consolidated financial statements. The ECL requirements defined by IFRS 9 are applicable for all outstanding receivables from repo deals, considering the credit quality of the underlying security.
The account rules to security lending agreement are similar to repo agreement, i.e. those do no result derecognition. Thus, security lent in the frame of lending deals for customers are no recognised from Consolidated Statement of Financial Position.

l) Revenue recognition

- **Fee revenue**

The Group realises 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 was rendered or the goods were 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 is presented on a net base.

- **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.

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

The Group received two non-refundable upfront payments which was 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 taken to income otherwise it will be recognized as a liability.

m) Income taxes

The Entity assess on tax-by-tax basis if the a legally payable tax qualifies for income tax under IAS 12 Income Taxes ("IAS 12") standard. Deferred taxes will only be recognized 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 there is an item effects equity directly, the income tax will be recognized in equity directly.

Deferred income tax is recorded, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax is recorded 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 prespecitve of the Group the folloing taxes are income taxes: corporate income tax, and for KELER CCP local 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 original circumstances must be restated. The estimated amount of this liability was recognized as provision. The discount on this provision was unwinded and the financial expense was debited.

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

o) Financial guarantee contract liability

The nature of the activity of the Group requires to cover all the risk that are coming from default events (i.e. that KELER CCP must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). 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. 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 income 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 recognised 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.

t) Off balance sheet items

KELER CCP is entitled to require a 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. This items will become recognized elements of the financial statements when they became utilized.
Furthermore, the deposited physical securitizes are considered to be off balance sheet items.

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, it provides non-banking and banking-type ancillary services, therefore it shall comply with the Tpt. and Hpt. as well.

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

[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

In 2021, risk management tasks were performed by the Risk Management Department, directly subordinated to the CEO. In addition to operational risk management, the risk control function according to Hpt. § 111 was also performed by the Risk Management Department.
Risk management function is separated from business.
KELER is exposed to the following main risk types arising from its operation and strategy:

- credit and counterparty risks,
- market risks,
- liquidity risk,
- operational risks,
- general business risks,
- winding-down or restructuring risks
- compliance risk

The exposures of the KELER to the above risk types, the objectives, policy and procedures to measure and manage risks, and capital requirement by the 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.

Changes in capital requirement stemming from different risk types are presented in the chapter about Capital Management.

b) Investment risk

Two subcategories are defined under investment risk:

- credit and counterparty risks,
- market risks.

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. Due to the activity undertaken by the KELER, there is no risk taking arising from special lending exposures and FX lending. Off-balance sheet items related risks are considered under credit and counterparty risks.

i. Credit risk of the issuer of securities

Central securities depository function

KELER's portfolio consists exclusively of Hungarian forint denominated government securities.

ii. Credit and counterparty risk related to Treasury activity

Central securities depository function

Contrary to a traditional commercial bank, in the case of KELER credit risks are not considered complex and decisive

Pursuant to Article 46 of the CSDR, KELER applies the following investment policy:

1) KELER holds its financial assets at central banks, authorised credit institutions or authorised CSDs.

2) KELER has prompt access to its assets, when required. Financial resources are invested in cash or in highly liquid financial instruments with minimal market and credit risk. Investments are also capable of being liquidated rapidly with minimal adverse price effect (Hungarian government securities).

3) Investments that do not meet the aforementioned provisions (i. e. holdings), are fully deducted from own funds.

4) KELER also assures that investments remain within acceptable concentration limits.

In line with the above requirements the central securities depository can use the available funds of the shareholders' equity to perform the most common deal types that are the following:

- buy/sell of fixed rate Hungarian government securities denominated in HUF
- security repo and reverse repo deals
- FX transactions
- O/N, T/N or S/N interbank and CBH deposit placements,
- interbank and CBH loans.

Limiting 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 through KELER CRO. 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. KELER’s CRO regularly informs the Board of Directors about the operation of the limit system and the limit breaches.

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, 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 rates regularly 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 a 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. n addition, KELER CCP applies pre-paid, collaterialized limits in the immediate 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 the existence of 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

iii. Risk of CSD links[2] and account managing institutions

Central securities depository function

KELER has relationship with several types of institutions by reasons of its involvement in the cross-border transactions, consequently, exposures are generated to these institutions.

KELER's foreign exchange account balances and exposures to CSDs that possess a banking authorization are determined on the basis of the business activities of the clients that use its settlement services; consequently, KELER has limited and indirect influence only due to its business activities.

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.

iv. Fee and other receivables

Central securities depository function

Because of the services KELER provides, financial claims (mainly fees) may arise (even regularly) in regard to suppliers and clients. Default of the aforementioned partners may cause financial loss to KELER or adversely affect the operation of KELER.

v. Large exposure

Large exposure is defined as the risk taking at least ten percent of eligible capital for a customer or group of customers as per Article 387-403 of CRR.

Central securities depository function

[2] 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, customised links, indirect links, and interoperable links

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.

vi. Residual risk

Central securities depository function

Residual risk is the risk of large scale depreciation or restricted enforceability of credit exposures related collaterals, or in other words the risk that the recognized credit risk mitigation techniques applied by the credit institution prove to be less efficient than expected. For certain trades (e.g., repo trades), the central securities depository can accept collateral. In practice, credit risk mitigation instruments are accepted for repos**.**

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 deduction of the haircuts determined in the valid KELER CCP condition lists on accepting securities and foreign currencies, this is a risk management technique to eliminate residual risk. The applicable condition list of KELER CCP 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.

vii. 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 business as usual operation (usual continuous operation with reasonable profits) of the entity or makes a material change in the risk profile of the entity.

Central securities depository function

Credit risk concentration towards individual clients and trade partners is a distribution of receivables when default by a group of relatively small number of clients/partners or by a larger group of clients/partners, attributable to common reason/reasons puts at risk the business as usual operation (usual continuous operation with reasonable profits) of the entity. The term “clients and trade partners” covers not only individual clients/partners, but also the groups of individual clients/partners that are closely connected (through ownership and/or funding). It has two major groups:

- concentration of risk taking to individual client/client group (large exposure): the source of risk is default on exposure to a relatively small group of clients or partners,
- sector concentration: risk of joint default due to common reason/reasons.

KELER identified relevant credit concentration risks in the following areas:

- concentration of interbank treasury operations,
- investment concentration,
- concentration of exposures to CSD links and foreign exchange account managing institutions and, consequently, country risk concentration,
- concentration of exposures to KELER CCP.

Generally, CRR large exposure requirements for measuring and managing credit risk concentration appear to be sufficient with regard to the scope of counterparties and activities, which is limited by law. Credit counterparty credit risk stemming from interbank treasury activity is managed by the internal treasury limit system focusing on the partner and partner group limit.
Investment concentration risk can be identified on the asset side due to the high proportion of government securities. However, no concentration limit is set for exposures to the state and central banks. Currently, the concentration of instruments in the entire securities portfolio is monitored on a daily basis by KELER RM using the Herfindahl – Hirschman Index (HHI).
The volume of credit and country risks concentration resulting from relationships with CSD links and account managing institutions are determined by the turnover, which KELER is unable to limit. Concentration is limited by country risk, the pillar 1 and ICAAP-ILAAP credit risk capital requirements.

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 on the other.

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 make capital requirement for concentration risks.

viii. 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 securities depository function

Exposures to foreign equity, international transactions, and funds placed with foreign counterparties are considered foreign exposures based on the relevant legislation and KELER's risk-taking willingness. KELER is indirectly exposed to the country risk of KELER CCP's receivables through its ownership in KELER CCP.

KELER treats exposures to branches of foreign companies operating in Hungary as foreign risk exposure. KELER applies conservative limits depending upon the external credit rating of the country and the amount of own funds; moreover, KELER applies alert levels to its exposure to different countries. Additionally, positions in foreign currencies are monitored daily.

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 Citibank Frankfurt, with Citibank London and OTP Serbia and clearing relationship with ECC, through this link KELER CCP is involved in foreign energy market clearing also.

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 and such exposure is not expected in the future either. Risks due to existing country risks are managed in the guarantee system.

KELER CCP does not make capital requirement for concentration risk.

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, indexes and, it may include foreign exchange risk and commodity risks as well.

i. Trading and non-trading book interest rate risk

Central securities depository function

KELER runs HUF interest rate risk and limited foreign exchange risk only.

KELER as central securities depository applies various limits to monitor market risks that are related to the following risk types: non-trading and trading book interest rate risk, FX rate risk, and overall open FX position risk.

Market risk management involves daily measurement, monitoring, reporting on the one hand, and periodic stress tests on the other.

KELER manages separately the market risks arising in the trading and non-trading books.

The trading-book consists of Hungarian discount treasury bills and a government bond..

The non-trading book portfolio typically included interbank trades and CBH loans/deposits, foreign currencies, and government bonds held to maturity.

The following tables show the structure and changes in the trading and non-trading books as of 31 December 2020 and 31 December 2021, in HUF millions[3]:

Trading book	**2021**	**2020**	**Változás**
Discount treasuries	7 672	9 699	-20,9%
Hungarian government bonds	2 477	-	-
Total	10 149	9 699	+4,6%

Non-trading book	**2021**	**2020**	**Változás**
Hungarian government bonds	55 669	41 055	+36%
Deposit with the central bank	18 382	14 640	+25,6%
Interbank deposit	3 000	3 000	-
Total	77 051	58 695	+31,3%

The following tables illustrate the effect of +100bp parallel shift in yield curve (interest rate sensitivity) of the trading and the non-trading books in at the end of 2020 and 2021. The values represent the assumed loss for the given date expressed in HUF million:

Trading book	**2021**	**2020**

[3] The securities are presentes at prudent value according to CRR, which differs from the accounting valuation

December	58	66

Non-trading book[4]	**2021**	**2020**
December	1 856	1 663

In addition to daily capital requirements 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.

The following tables show VaR changes in 2020 and 2021, based on the last day of the month, in HUF millions.

Trading book	**2021**	**2020**
December	18	7

Non-trading book	**2021**	**2020**
December	428	226

ii. Foreign exchange interest rate and exchange rate risk

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, so they do not bear foreign exchange risk for KELER. 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 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. FX risk is measured with historic analyses and daily VaR calculation.

Changes in open own FX portfolio and calculated VaR changes in 2020 and 2021, on the last day of the year, in HUF million, are as follows:

	2021		**2020**	
Date	**Portfolio**	**VaR**	**Portfolio**	**VaR**
December	190	2	184	3

Central counterparty function

In the case of KELER CCP, there are several approaches to discuss market risk.
One approach is that related to the operation of the central counterparty a potential default can convert counterparty risk into market risk, upon default by the member

[4] The non-trading book's interest rate sensitivity values include the data of securities bought from CBH loans with almost the same maturity

concerned 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 consults quarterly 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.
As of 31 December 2021 KELER CCPs contribution to the ECC guarantee fund is completely forwarded to its Non-Clearing Members proportional to their margin requirements.

KELER CCP does make capital requirement for market risk.

iii. Liquidity and funding risks

Central securities depository function

Liquidity is the ability of the entity to fund and meet the increase in assets, expiring liabilities without material unplanned risks. Liquidity risks can be put into two groups: liquidity and funding risks.

Liquidity risk: the risk that the entities are not able to meet financial liabilities on time within the day, operatively (30 days), in the short (1-3 months) and medium term (3-12 months) or due to related market liquidity risks they can sell balancing capacities at a material loss due to the inadequate depth of the market or other market disturbances. (Market liquidity risk is the risk that the entity is not able to realize positions at appropriate market prices, i.e. market liquidity risk is the risk that a market position cannot be closed at market prices during a short period of time, it can be closed at a worse price only, thus it is required to maintain the position to realize the appropriate market price, which may need depositing or taking liquid assets.)

Funding risk: the risk that in the long term, over the year, entities are not able to meet financial liabilities without unacceptable increase in funding costs. Thus, in the long term, entities cannot keep their funding stable.

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, capital requirement is determined on monthly basis. The Assets and Liabilities Committee discusses the reports. Additionally, a comprehensive report is prepared at least once a year for the KELER Board of Directors.

The table below shows the assets and liabilities in terms of cash-flow. The data are in HUF million and reflect the situation as of December 31, 2021. The difference between the two balances is due to the different interest rates on the asset and liability side.

Due date of cash-flows	Assets	Liabilities	Surplus	Deficit
0-90 days	42 683	45 035	0	2 352
91-365 days	11 539	1 537	10 002	0
Over 1 year – within 5 years	62 099	50 529	11 571	0
Over 5 years	499	69	431	0
Open maturity	11 037	26 631	0	15 594
Total	127 857	123 800	0	4 057

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 forecast 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 create capital requirement for liquidity risk.

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 examines and manages legal, reputational risk and ICT risk under operational risk.

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.

The identification of the operational risks related to the key participants ensures the smooth operation of the domestic settlement system, while the operational risks related to the central securities depository links serve the smooth settlement of international transactions. The smooth operation is also supported by the analysis process designed to identify risks related to the participants, central securities depositories and market infrastructures of the system connected to KELER.

KELER maintains a wide range of service providers. The risk of dependence on suppliers and their proper management is therefore emphasized and relevant to KELER. A significant part of the suppliers are IT service providers, from which KELER uses support services in connection with the operation of its systems. KELER measures its dependence on its suppliers, systematically classifies the risks of service providers and evaluates their performance. The failure or non-contractual performance of suppliers may also affect the basic services of KELER, including the smooth handling of settlements. To manage these risks, KELER prepares business continuity and recovery plans, as well as action plans for the outage of service providers. During its outsourcing, KELER takes into account that the outsourcing of the activity may take place only in such a way that the right of management and control remains with KELER, as KELER does not transfer its responsibility to third parties by outsourcing its activities to third parties. Therefore, it defines organizational responsibilities and develops the process so that it ensures that the outsourcer performs the outsourced activity in compliance with the legal requirements and with the due diligence imposed, in order for KELER to provide the services provided by it at the level required by its commitments.

KELER has developed an indicator measuring supplier dependence. The purpose of the indicator is to limit the dependence to suppliers. The supplier dependency indicator is IT-oriented, but also includes the impact of economic losses resulting from the shutdown of related 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. All organizational units of the KELER are to be involved in the collection of operational risk events, the regular assessment, evaluation and mitigation of risks. This way it can be ensured that the operational risk management system covers in terms of operation and activity.

An operational risk management contact person is appointed in each unit; this person is responsible for forwarding to the operational risk manager loss events that the contact person becomes aware of and the key risk indicators collected by its unit. In addition to the system of contact persons, there is a Risk Committee (RC) which is responsible for managing operational risks as well. The Risk Committee reviews quarterly the development of operational risk indicators (KRIs) and discusses developments, makes recommendations on operational risk management to manage or mitigate risks, and monitors the implementation of previous measures.

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

Changes in operational risks are monitored through the regular collection of loss data. The regular analysis and reporting to Management of loss events ensures risk monitoring and is the basis of taking risk management measures.

The key risk indicator is an indicator moving parallel with operational risk losses that helps monitor changes in risk exposures. KRIs are collected to ensure the continuous monitoring of operational risks. KRIs are regularly assessed, the Risk Committee continuously monitors KRIs and changes in KRIs over time.

Central counterparty function

Operational risk measurement and management is based on loss database that is supplemented by expert estimates and the collection of key risk indicators. All organizational units of the KELER CCP are to be involved in the collection of operational risk events, the regular assessment, evaluation and mitigation of risks. This way it can be ensured that the operational risk management system covers in terms of operation and activity.

All KELER CCP personnel are responsible for forwarding to the operational risk management officer loss events that the given person becomes aware of. KRIs are collected to ensure the continuous monitoring of operational risks and are regularly assessed. The key risk indicator is an indicator that helps monitor changes in risk exposures.

Operational risks are regularly identified and quantified based on the self-assessment interviews with the organizational units. Changes in operational risks are monitored through the regular collection of loss data. The regular analysis and reporting to Management of loss events ensures risk monitoring and is the basis of taking risk management measures.

The reports prepared for Management, Risk Committee, Supervisory Board, and The Boards of Directors provide thorough information annually on the activity of the Operational Risk management.

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 securities depository function

In the case of the central securities depository function, treasury transactions may have settlement risk involved, the central securities depository manages this risk with the settlement and pre-settlement limits set up in the limit system. Separate limit amounts are determined for HUF settlements and for FX settlements that represent increased risk.

KELER concludes proprietary trades (securities buy-sell, repo agreements, FX) in the OTC market only, the DVP[5] principle is met when possible.

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.

e) General business risk

Central securities depository function

[5] delivery versus payment

Pursuant to the provisions of Article 47 of CSDR, the central securities depository must cover general business risks with capital. The EBA RTS provides additional information in this regard that is in line with the requirements of the ICAAP-ILAAP manual. Because of its special position, KELER follows primarily the provisions of the CSDR to determine the capital requirement for general business risks, but at the same time it also takes into account the requirements set forth in the ICAAP-ILAAP manual when identifying applicable scenarios (standard scenario and at least 1 stress scenario). The capital requirement is determined in accordance with Article 6 of the EBA RTS; therefore 25% of the annual gross operating cost and the loss from the business plans are calculated, the higher amount representing the capital requirement.

f) Winding-down or Restructuring Risk

Central securities depository function

Pursuant to Article 47 (2) of the CSDR, KELER must maintain a plan with respect to the following:

a. additional capital increase in case its equity capital approaches or falls below the requirements laid down by law;
b. ensuring the orderly winding-down or restructuring of its operations and services if KELER is unable to raise new capital.

With respect to raising additional capital, KELER's Recovery Plan contains the relevant provisions.

g) Capital management (Regulated institutions' capital management)

Central securities depository function

million HUF	**2021.12.31.[6]**	**2020.12.31.**
Subscribed capital	4 500	4 500
Retained earnings	21 536	20 168
FVTOCI reserves	(35)	11
General reserves	508	478
Tier 1 capital (T1)	**26 509**	**25 157**
Provisions	82	-
Tier 2 capital (T2)	**82**	**0**

[6] Nem auditált adatok.

Own funds – before deductions	**26 591**	**25 157**
Intangible assets	(2 427)	(2 386)
Excess over the limit due to investment restrictions	-	-
Value adjustments due to the requirements for prudent valuation	(10)	(10)
Excess over the limit due to large exposure	-	-
Deferred tax assets	0	(96)
Other deductions	(6 600)	(6 598)
Total deductions	**(9 037)**	**(9 089)**
Own funds – after deductions	**17 554**	**16 068**
Tier 1 capital – after deductions	**17 472**	**16 068**
Pillar 1 capital requiretemts[7]	1 651	1 388
CET1 capital adequacy ratio (Pillar 1)[8]	85,3%	92,6%
Capital Adequacy Ratio (Pillar 1)[9]	85,7%	92,6%
Capital buffer	512	434
SREP capital requirements [10]	2 507	2 398
CSDR capital requirements [11]	4 701	4 733
Free capital excluding CSDR[12]	14 535	13 235
Effective free capital[13]	9 834	8 503

Besides acting as a central securities depository pursuant to the CSDR provisions, KELER provides non-banking and banking type ancillary services, therefore it shall comply with the applicable provisions of the Hungarian regulation (Tpt., Hpt.) and with the EU legislations (CRR) and guidelines related to the operation of credit institutions. Since KELER and KELER CCP are not subject to consolidated supervision, a group level capital adequacy is not applicable.

[7] Capital requirements for risk types defined in CRR
[8] (Tier 1 capital – after deductions) / Pillar 1 capital requirements * 8%
[9] (Own funds – after deductions) / Pillar 1 capital requirements * 8%
[10] Capital requirements calculated in accordance with supervisory requirements and guidelines.
[11] Capital requirements of winding-down or restructuring risk and general business risk
[12] (Own funds – after deductions) – (SREP capital requirements) – (Capital buffers)
[13] (Free capital excluding CSDR) – (CSDR capital requirements)

Due KELER’s specific position, the examination of free capital alone is not sufficient. The free capital remaining after the fulfillment of the credit institution's (SREP) capital requirements and capital buffers should cover the capital requirement for widing-down or restructuring risk and general business risk. The capital requirement for these risks is determined in accordance with the requirements of the CSDR. The effective free capital is the capital remaining after the risk of liquidation or restructuring and the fulfillment of the capital requirement for general business risk. The effective free capital is the part of KELER's capital that is not tied up to cover risks. This part of the capital may be used to cover additional risks, i.e., it quantifies KELER's additional risk-taking capacity.
Currently the capital maintenance buffer is the only buffer KELER must calculate and apply.
KELER will review the definition of its capital requirements under the CSDR with the competent field of the CBH during 2022. In the event of a change in the methodology, the presentation of capital management may change in the next year's financial statements.

Central counterparty function

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

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

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

Determination of available capital
The amount of available capital equals the components of shareholders’ equity:

- subscribed capital
- capital reserves
- retained earnings
- Reserves of financial instruments measured at fair value through other comprehensive income

And the following items are to be deducted from this:

- Intangible assets
- contribution to the guarantee fund of other CCPs (ECC Euro guarantee fund contribution)
- contribution to own guarantee fund

The available capital is required to cover the following elements:

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

The most significant driver of the equity requirement in the current operating and market environment of KELER CCP is the credit- and counterparty risk. The position relating these guarantees are dominated by cash and cash equivalents provided to ECC (as deposit). From the Fall of 2021 previously unprecedented volatility and price increase described the gas and electricity market. Therefore, the deposit requirement of ECC – based on their methodology – quickly increased and became many times the original amount. This resulted a record high deposit amount and as a consequence KELER CCP experienced challenges meeting the capital requirements.

By the beginning of March 2022 the deposit balances grew significantly and the capital requirement allocated to credit and counterparty risk reached the warning level. There are ongoing negotiations with shareholders on the date when the financial statements are authorized to issue to resolve the capital situation.

The Board of KELER CCP will discuss the possibilities of providing additional funds to meet the capital requirements and other actions required or needed on board meeting that will approve the financial statements. If necessary an extraordinary shareholders meeting will be held.

NOTE 5: CASH AND CASH EQUIVALENTS, MUTUAL FUNDS

Cash and cash equivalents include general deposits and interbank balances.

	31.12.2021	31.12.2020
Due from banks and balances with CBH		
Within one year		
In HUF	19 258	15 612
In foreign currency	198 542	39 167
	217 800	**54 779**
Opening balance of expected credit loss (ECL)	-7	-7
Changes in the balance of expected credit loss (ECL)	-22	1
Closing balance of expected credit loss (ECL)	**-29**	**-6**
Closing balance, net of ECL	**217 771**	**54 773**

	31.12.2021	31.12.2020
Placements with other banks		
Within one year		
In HUF	3 015	3 010
In foreign currency	16 238	12 400
	19 253	**15 410**
Opening balance of expected credit loss (ECL)	-4	-12
Changes in the balance of expected credit loss (ECL)	1	8
Closing balance of expected credit loss (ECL)	**-3**	**-4**
Closing balance, net of ECL	**19 250**	**15 406**
Cash and cash equivalents	**237 021**	**70 179**

In 2020 the energy market clients were requested to terminate their cash accounts by KELER and they needed to contact a settlment bank. Due to this the cash balance of KELER declined dramatically and at the same time the amounts due to clients decreased as well. At the same time by KELER KSZF a portion of this amount was recognized as a guarantee.

The bank accounts are demand deposits, available immediately for withdrawal. The interest on the bank account is between 0,90% to 2,40% for HUF deposits [-0,02%-(+0,9%) in 2020], -0,09% to 0,21% for foreign currency deposits [-0,08%-+0,02% in 2020],. These expenses are recorded as interest paid in the profit or loss.

Following the CBH regulation the compulsory reserve balance was approximately 408 million HUF and 716,5 million HUF, respectively. This reserve was kept in short term CBH deposits.

The year-end balance of the CBH deposits were 584,7 million HUF and 397,7 million HUF at the end of 2021 and 2020, respectively.

For cash and cash equivalents, impairment based on expected credit loss shall be recognized. All items in this group belongs to stage 1 for ECL purposes. For the calculation 45% LGD is used and the 12 month PD is measured between 0,003% and 3,34% which already considered the forward looking information at the date of the calculation.
The material increase in the cash balance is due to the significant change in the individual colletaral balances (due to the price change). At the same time the corresponding liability also increased. (See note 14.)

	31.12.2021	**31.12.2020**
Mutual deposits		
Deposit held at Six Swiss Bank	196	129
Opening ECL balance	0	0
Current year ECL	0	0
Closing ECL balance	**0**	**0**
Closing balance, net of ECL	**196**	**129**

The mutual funds are recognized as a separate balance sheet position. These balances are deposited in foreign financial institutions, which financial institution depostis the amount by 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 caclulated in the same way as it is calculated for cash balances, the PD of SIX SIS Bank is 0,03%.

NOTE 6: STATE SECUTIRIES

	31.12.2021	31.12.2020
Financial assets		
Financial assets measured at amortized cost	61 041	40 408
Financial assets measured at fair value through other comprehensive income	17 093	14 664
	78 134	**55 072**

	31.12.2021	31.12.2020
Assets measured at amortized cost		
Hungarian govenrment bonds		
Opening balance	**40 413**	**16 448**
Acquistion	22 632	28 553
Derecognition at maturity	-1 566	-4 492
Impairment loss (3rd stage ECL)	0	0
Effective interest for the period	935	540
Proceeds from interest	-1 365	-636
Gross value of debt instruments	**61 049**	**40 413**
Opening balance of expected credit loss (ECL)	-5	-2
Changes in the balance of expected credit loss (ECL)	-3	-3
Closing balance of expected credit loss (ECL)	**-8**	**-5**
Closing balance, net of ECL	**61 041**	**40 408**

	31.12.2021	31.12.2020
A210421C18	0	702
A211027B16	0	872
A220624A11	2 285	730
A221026B17	585	583
A231124A07	895	885
A240626B15	1 348	1 346
A250624B14	18 152	18 738
A260422E20	26 098	0
A271027A16	11 257	98
A281022A11	98	335
A251126C19	331	16 124
	61 049	**40 413**

The Hungarian sovreign debt's yield is between 1,22% and 3,25%. All of the above purchases are representing debt instruments maturing in five years.

	31.12.2021	**31.12.2020**
Financial assets measured at fair value trough other comprehensive income		
Opening balance	14 653	23 384
Opening accumulated reavluation	11	10
Acquistion	28 479	47 238
Derecognition at maturity	-26 043	-58 145
Reclassification	0	2 100
Impairment loss (3rd stage ECL)	0	0
Interest accrued (Amortization)	85	55
Remeasurement (Fair Value Adjustment)	-90	23
	17 095	**14 665**
Opening balance of expected credit loss (ECL)	-1	-2
Changes in the balance of expected credit loss (ECL)	-1	1
Closing balance of expected credit loss (ECL)	**-2**	**-1**
Closing balance, net of ECL	**17 093**	**14 664**
Of which treasury bill	12 748	14 664
Of which government bond	4 345	0

	31.12.2021	**31.12.2020**
D210113	0	1 000
D210421	0	999
D210630	0	3 699
D211020	0	8 966
D220126	174	0
D220309	2 764	0
D220629	494	0
D220119	2 899	0
D221019	6 417	0
A221026B17	4 345	0
	17 093	**14 664**

The discount treasury bills are purchased with the yields between 0,28% and 2,98%. Market value of AC assets at end of period:

	31.12.2021	31.12.2020
Fair value of financial assets measured at cost (AC)	55 095	40 697

The difference of the book value and the fair value is driven by the significant change in the market interest in 2021. 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 readily available quoted prices published by Hungarian Debt Agency (Level 1). However, when the fair value of these assets cannot be determined based on such quoted prices, instrument are measured based on yields 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'. In respect of ECL, both treasury bills and government bonds are all classified in the Stage 1 category.

In this period the balance of the government bond increased significantly. This was financed by the loan taken from CBH. At the same time treasury bill balance decreased significantly. The reason was the reallocation of the investments to those items having more favourable yield.

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

	31.12.2021	31.12.2020
Trade receivables from gas market		
Receivable balance	1 995	439
Accumulated impairment losses	0	0
Receivable balance net of impairment (book value)	**1 995**	**439**

	31.12.2021	**31.12.2020**
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 collateral behind the receivable guarantees that the chance of any type of un-collectability is far beyond remote.

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 depend on the trading activity on the market that the entity does not influence.

The liabilities from the gas market are they payable amount that is the other “party” of the clearing transaction. The payables are – by contractual agreement – due on the same day as the corresponding receivable. This amount at the end of 2021 1 878 MHUF, at the end 2020 442 MHUF. The significant decrease is caused by the shortening of the settlement period.

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 CENTRAL COUNTERPARTY AND DEPOSITORY OPERATION

	31.12.2021	31.12.2020
Receivables relating to clearing and depository activities		
Depository receivables	654	678
Clearing receivables	425	180
Accumulated impairment losses (collective)	-44	-37
Accumulated impairment losses (specific)	0	0
Receivable balance net of impairment (book value)	**1 035**	**821**

Accumulated impairment losses of trade receivables		
Opening accumulated impairment losses	-37	-36
Impairment losses recognized in the current period, collective	-7	-4
Impairment losses recognized in the current period, specific	0	0
Impairment losses derecognized in the current period	0	3
Closing accumulated impairment losses	**-44**	**-37**

	31.12.2021	31.12.2020
Not overdue, not impaired	1 028	738
Not overdue, individually impaired	1	0
Overdue by at most 90 days, individually not impaired	19	14
Overdue more than 91 days, but not more than 180 days, individually not impaired	3	3
Overdue more than 181 days, individually not impaired	28	25
Overdue, individually impaired	0	78
	1 079	**858**

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 75 MHUF (2020: 64 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 aging table (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.

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

	31.12.2021	**31.12.2020**
Other receivables		
Accured expenses	303	375
Interest	6	54
Social security contributions and tax receivables	4	85
Advences to suppliers	1	15
Lons to employees	73	37
Sundry other receivables	50	18
	437	**584**
Opening balance of expected credit loss (ECL)	0	0
Changes in the balance of expected credit loss (ECL)	0	0
Closing balance of expected credit loss (ECL)	0	0
Closing balance, net of ECL	**437**	**584**

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

The accruals include hardware maintenance fees paid in advance and unexpired softwer update 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:

	31.12.2021	**31.12.2020**
Tax receivables (other than income taxes)		
Value added tax	0	74
Social security contributions	4	3
Local tax	0	8
	4	**85**

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 nor past due

NOTE 10: RECEIVABLES FROM 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 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: 424 602 197 EUR on 31 December 2021 (62 424 194 EUR on 31 December 2020).

The clearing receivable is subject to ECL. The receivable was classified in Stage 1 category. The full receivable is with one counterparty therefore it embodies risk concentration.
The fair value of 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.

	31.12.2021	31.12.2021
Receivables from foreign clearing houses		
Receivables from contributions	150 368	20 858
Receivalbes from guarantee funds	6 310	1 935
	156 678	**22 793**

	31.12.2021	31.12.2021
Opening balance of expected credit loss (ECL)	-3	-2
Changes in the balance of expected credit loss (ECL)	-18	-1
Closing balance of expected credit loss (ECL)	**-21**	**-3**
Closing balance, net of ECL	**156 657**	**22 790**

NOTE 11: INTANGIBLE ASSETS

Intangible assets	Concessions and similar rights	Intellectual property	Developments	Total
Cost				
Balance as on 1 January 2021	**171**	**10 246**	**1 572**	**11 989**
Additions	0	3 231	1 424	**4 655**
Ready to use	0	0	-2 363	**-2 363**
Derecognition, scrap	0	-86	-20	**-106**
Settlement of advances	0	-71	0	**-71**
Proceeds from advances	0	3	0	**3**
Disposals	0	0	0	**0**
Balance as on 31 December 2021	**171**	**13 323**	**613**	**14 107**
Comulated Depreciation, Amortization and Impairment				
Balance as on 1 January 2021	**159**	**9 152**	**0**	**9 311**
Current year amortization	0	686	0	**686**
Impairment of intangible assets	1	0	0	**1**
Derecognition, scrap	0	0	0	**0**
Disposals	0	0	0	**0**
Balance as on 31 December 2021	**160**	**9 838**	**0**	**9 998**
Net book value				
Balance as on 1 January 2021	**12**	**1 094**	**1 572**	**2 678**
Balance as on 31 December 2021	**11**	**3 485**	**613**	**4 109**

Intangible assets	Concessions and similar rights	Intellectual property	Developments	Total
Cost				
Balance as on 1 January 2020	**171**	**9 439**	**429**	**10 039**
Additions	0	759	1 191	**1 950**
Ready to use	0	0	-48	**-48**
Derecognition, scrap	0	-13	0	**-13**
Settlement of advances	0	-15	0	**-15**
Proceeds from advances	0	76	0	**76**
Disposals	0	0	0	**0**
Balance as on 31 December 2020	**171**	**10 246**	**1 572**	**11 989**
Comulated Depreciation, Amortization and Impairment				
Balance as on 1 January 2020	**153**	**8 593**	**0**	**8 746**
Current year amortization	0	561	0	**561**
Impairment of intangible assets	6	0	0	**6**
Derecognition, scrap	0	-2	0	**-2**
Disposals	0	0	0	**0**
Balance as on 31 December 2020	**159**	**9 152**	**0**	**9 311**
Net book value				
Balance as on 1 January 2020	**18**	**846**	**429**	**1 293**
Balance as on 31 December 2020	**12**	**1 094**	**1 572**	**2 678**

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.

The systems that currently used and further developed are:

- KSZP development (core system)
- the data warehouse system
- several smaller adjustments to other systems
- development due to the shift to the settlement bank model.

Impairment test – intangible assets

The entity recognized impairment loss in 2021 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

The Group accounted for impairment for the following three assets during 2020:

- one of the customer on the acquired customer does not have business relation with the Group anymore, therefore the customer list was partially impaired;

Commitments

KELER launched the development of its new core system (KSZP project) in 2018. The development has a material budget from the point of view of the Group (3 452,2 MHUF) (out of which 2 820,5 million HUF will be capitalized and 631,7 million HUF will be expensed). By the end of 2021 2 024,9 millin HUF was capitalized, development still in progress is 573,7 million HUF. The commitment from this project 3 427,9 MHUF. The project is expected to be finalized by 2022.

The Group recognized – in connection with the KSZP project – 20 million HUF impairment and the related asset was disposed.

Committments for the ALMA Project
The Entity initated in 2021 the so called ALMA project which is the development of a new risk management system. When the financial statements were authorized for issue the amount of the commitment is 223 MHUF. The project is expected to be finalized by the end of 2022.

Commitments for the AIX project
The Group initiated a project which will enable the Group to provide services on the kazah security market and operate as a central counterparty. The project is in the approval stage, the KELER KSZF done the required developments in 2019. The received payments from the counterparty were recognized as liability.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Buildings and improvements	Right Of Use asset	Machinery and equipments	Work in progress	Total
Cost					
Balance as on 1 January 2021	**127**	**437**	**2 193**	**0**	**2 757**
Purchases	0	0	110	1	**111**
Startup	0	16	0	0	**16**
Proceeds from advances	0	0	0	0	**0**
Sale	0	0	-109	0	**-109**
Balance as on 31 December 2021	**127**	**453**	**2 194**	**1**	**2 775**
Comulated Depreciation and Amortization					
Balance as on 1 January 2021	**89**	**165**	**1 622**	**0**	**1 876**
Current year's depreciation	6	93	256	0	**355**
Sale	0	0	-109	0	**-109**
Balance as on 31 December 2021	**95**	**258**	**1 769**	**0**	**2 122**
Net book value					
Balance as on 1 January 2021	**38**	**272**	**571**	**0**	**881**
Balance as on 31 December 2021	**32**	**195**	**425**	**1**	**653**

Property, plant and equipment	**Buildings and improvements**	**Right Of Use asset**	**Machinery and equipments**	**Work in progress**	**Total**
Cost					
Balance as on 1 January 2020	**127**	**449**	**2 111**	**0**	**2 687**
Purchases	0	0	105	0	**105**
Startup	0	0	0	0	**0**
Proceeds from advances	0	0	0	0	**0**
Sale	0	-12	-23	0	**-35**
Balance as on 31 December 2020	**127**	**437**	**2 193**	**0**	**2 757**
Comulated Depreciation and Amortization					
Balance as on 1 January 2020	**83**	**89**	**1 375**	**0**	**1 547**
Current year's depreciation	6	86	266	0	**358**
Sale	0	-10	-19	0	**-29**
Balance as on 31 December 2020	**89**	**165**	**1 622**	**0**	**1 876**
Net book value					
Balance as on 1 January 2020	**44**	**360**	**736**	**0**	**1 140**
Balance as on 31 December 2020	**38**	**272**	**571**	**0**	**881**

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 is customized for the activity of the Group. A smaller portion of this position is fixtures and fittings for the administrative activity.

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 in 2024, middle 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 3,82% was used.

The other leased property is for the building where the backup system of the Group is located. This lease expires at the end of 2022, the contract commenced at the beginning of 2021. The incremental interest rate used for the calculation was 3,82%. That was used to calculate the value of the ROU.

Currently there are 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

	31.12.2021	31.12.2020
Deposits from customers		
Interest-bearing		
Within one year		
In HUF	23 345	24 597
In foreign currency	15 018	8 095
Non interest-bearing		
Within one year		
In HUF	194	128
In foreign currency	74	159
	38 631	**32 979**

These balances include the deposits of the customers. These balance are available for the customers for immediate withdrawal. KELER does not accept deposit from the general market.

The deposits are stated at amortized cost (the fair value of these liabilities are close to their book value).

The Group paid an annual average rate between to -0,35% to 2,1% in year 2021 for the HUF interest-bearing deposits (2020: -0,15% to -0,35%), or the deposited amount received negative interest (2021: between -1,5 to 0%, 2020: 0 to -1,45%). 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

	31.12.2021	31.12.2020
Liabilities for Guarantee Funds		
Exchange Settlement Fund	2 275	1 846
Collective Guarantee Fund	2 152	1 632
Gas Market Collective Guarantee Fund	1 721	750
CEEGEX Market Collective Guarantee Fund	238	734
Less own contribution	-21	-21
	6 365	**4 941**

Guarantee Fund Liabilities

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.

Since the Group itself transacts on the above markets, it must have contributed to these funds. The own contribution for this fund was removed from the liability and on the other hand no receivable were recognized (the positions were netted).

Guarantees from the Clients on the Energy and Gas Market

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 299 014 MHUF (2020: 43 152 MHUF). The value related to the gas market 54 129 MHUF (2020: 14 824 MHUF).

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

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

NOTE 15: 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: 71, 35, 24, 17 and 13 million HUF).

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

NOTE 16: 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 decrecognized 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 repo was settled on the first banking day. The difference between the given and the received amount was accounted for as interest. The repo asset and liabilitiy is measured at amortized cost.

	31.12.2021	**31.12.2020**
Repurchase agreement (repo) – closing balance		
Purchase price of the repo	30 139	0
	30 139	**0**

	31.12.2021	**31.12.2020**
Opening balance of expected credit loss (ECL)	0	-1
Changes in the balance of expected credit loss (ECL)	-4	1
Closing balance of expected credit loss (ECL)	**-4**	**0**
Closing balance, net of ECL	**30 135**	**0**

NOTE 17: INCOME TAX PAYABLE AND OTHER TAXES PAYABLE

	31.12.2021	31.12.2020
Taxes payable (other than income taxes)		
Personal income tax	63	44
Rehabilitation contribution	3	3
Health insurance and pension contributions	76	54
Social security contributions	67	48
Value added tax	29 383	52
Other taxes	37	7
	29 629	**208**

The Group considers corporate income tax, local business tax and innovation contribution (latter two only from the point of view from the Parent) as income taxes. These items are separately disclosed in the balance sheet (separated from other tax liabilities). (See Note 9.) Current tax liability is at the end of 2021 year: 43 MHUF; at the end of 2020 year: 53 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 and the local tax, which is payable to the local government of Budapest.

The material VAT balance is due to the gas settlement activity (in this period the VAT had payable position). The balancfe will be settled by 20th January 2022. The entity is unable to influence the VAT position.

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

The tax balances and temporary differences for 2021 are as follows:

Balance	Tax base	Carrying Amount	Deductible, taxable difference	Deferred tax through profit or loss	Deferred tax through OCI
Receivables relating to clearing and depository activities	1 040	1 035	-5	1	0
Debt instruments measured at amortized cost	17 184	17 093	-91	0	-8
Receivables from foreign clearing houses	156 678	156 657	-21	-2	0
Property, plant and equipment	644	653	9	1	0
Intangible assets	4 131	4 109	-22	-2	0
Other payables	481	564	-83	-9	0
Provisions for oneourus contract	0	294	-294	-27	0
Financial guarantee contract liability	0	35	-35	-3	0
Deferred tax assets				**41**	**8**
Deferred tax liability				**0**	**0**
Accrued loss after settlement	**Total deferred tax assets**			**49**	

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

Balance	Tax base	Carrying Amount	Deductible, taxable difference	Deferred tax through profit or loss	Deferred tax through OCI
Receivables relating to clearing and depository activities	824	821	-3	0	0
Debt instruments measured at amortized cost	14 641	14 664	23	0	2
Receivables from foreign clearing houses	22 793	22 790	-3	0	0
Property, plant and equipment	867	881	14	1	0
Intangible assets	2 723	2 678	-45	-4	0
Other payables	401	464	-63	-6	0
Provisions for oneourus contract	0	272	-272	-24	0
Accrued loss	0	768	-768	-69	0
Deferred tax assets				**102**	**0**
Deferred tax liability				**0**	**-2**
Accrued loss after settlement	**Total deferred tax assets**			**100**	

Deferred tax balances are not discounted.

The Parent had material losses carried forward at the end of 2020, which was used in 2021.

	Receivables relating to clearing and depository activities	Debt instruments measured at amortized cost	Receivables from foreign clearing houses	Property, plant and equipment	Intangible assets	Other payables	Provisions for oneourus contract	Financial guarantee contract liability	Accrued loss	Total
Balance as on 1 January 2020	**-1**	**1**	**0**	**2**	**-6**	**-7**	**-21**	**0**	**-96**	**-128**
Current year changes	1	1	0	-1	2	1	-3	0	27	28
Balance as on 31 December 2020	**0**	**2**	**0**	**1**	**-4**	**-6**	**-24**	**0**	**-69**	**-100**
Current year changes	1	-10	-2	0	2	-3	-3	-3	69	51
Balance as on 31 December 2021	**1**	**-8**	**-2**	**1**	**-2**	**-9**	**-27**	**-3**	**0**	**-49**

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 and index (inflation). This variable lease payment was taken into consideration when calculating the liability, however the expectation were not factored in the payments, the changes will be treated as a reassessment in the later periods.

When calculating the lease liabilities, the rate used was 3,82% (incremental borrowing rate) which was backed up by an external evidence from the bank.

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

	31.12.2021	**31.12.2020**
Lease liability		
Opening balance	302	360
Initial application of IFRS 16	16	0
Interest on the lease	11	14
Lease payment	-114	-107
Foreign exchange rate loss	3	35
Closing balance	**218**	**302**
Lease interest for the future periods	14	25
Lease payments for the future periods	**232**	**327**
Of which: short term liabilities	94	94
Of which: long term liabilities	124	208

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 a indemnification payment due to a client transaction, thirdly a provison for an ongoing litigation. The first provision is recorded at present value, the second one is at nominal value.

	31.12.2021	**31.12.2020**
Provisions		
Opening balance	272	248
Addition of provision	19	0
Unwinding of the discount	2	23
Provisions reversed	1	1
	294	**272**
Of which:		
Long term	28	27
Short term	266	245

Provisions balances are derived from the following issues:

	31.12.2021	**31.12.2020**
Provisions recognized		
Indemnification payment	245	243
Asset retirement obligation (ARO)	30	29
Litigation	19	0
	294	**272**

In the litigation position an ongoing issues is disclosed. Due to the nature of this transaction 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

	31.12.2021	**31.12.2020**
Loans		
Long term loans	49 201	28 027
Short term loans	959	0
	50 160	**28 027**

	31.12.2021	**31.12.2020**
Opening	28 027	0
Loans taken out	22 104	28 003
Repayment	0	0
Effective interest	333	43
Paid interest	-304	-19
Closing amortized cost	**50 160**	**28 027**
of which long term (all principal)	50 108	28 003
of which short term (all accrued interest)	52	24

The long term loans iclude the loans taken from MNB (called five year maturity, secured with financial assets, fixed rate loan). The loans were taken trough a tender. The loans are having a fixed interest rate, but the individual loans are carring different interest. The effective interest rate of the loan is basically the same with the nominal interest, since there were no material transaction cost and other item influencing the effective interest was associated to it.

Short term liabilities include foreign currency loans taken from the money markets, which finances the everyday activities.

Conditions:

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

Type	Bank	Currency	Dates taken	Maturity	Balance	Fixed interest (p.a.)
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.03.31	5 year	555	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.04.07	5 year	555	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.04.14	5 year	555	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.04.21	5 year	500	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.04.28	5 year	526	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.05.05	5 year	526	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.05.12	5 year	555	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.05.19	5 year	526	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.05.26	5 year	500	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.06.02	5 year	500	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.06.09	5 year	526	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.06.16	5 year	500	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.06.23	5 year	500	0,75%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.06.30	5 year	500	0,90%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.07.07	5 year	500	0,90%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.07.14	5 year	500	0,90%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.07.21	5 year	526	0,90%
Értékpapírral fedezett MNB hitel	CBH	HUF	2021.07.28	5 year	500	0,90%
					49 148	

Interest paid until 31st December 2020:	-19
Interest paid until 31st December 2021:	-304

Foreign currency loan:

Type	Bank	Currency	Dates taken	Maturity	Balance	Fixed interest (p.a.)
Interbank loan	OTP	EUR	2021.11.08	1 year	959	-0,30%

The loan was taken in all cases by the Parent entity. All the loans are reconized at amortized cost. The fair value of the loans are not materially different from their book value.

NOTE 22: OTHER PAYABLES, FINANCIAL GUARANTEE CONTRACT LIABLITIY

	31.12.2021	31.12.2020
Other payables		
Accrued expenses	346	350
Interest	79	13
Sundry other expenses	139	101
	564	**464**

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

The other liabilities include past obligations from not used paid leaves and accruals from lease incentives.

The amounts received from partners include upfront payments received in relation to the AIX project (the Kazakh CCP activity). This liability will be taken to revenues, once the performance obligations are met.

The nature of the activity of the Group requires to cover all the risk that are coming from default events (i.e. that the central counterparty must settle the compensation of the transaction even if one of the parties of the clearing agreement is unable to pay/act). To ensure the source of these payments the entity operates guarantee system with several funds collected from the participants of the markets. These funds are based on calculations which are not designed to provide full coverage (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 FGC balance is fully explained by the movements of the guarantee funds.

	2021.12.31	2020.12.31
Financial guarantee contract liability		
Opening financial guarantee contract liability	8	6
Changes in the financial guarantee contract liability	27	2
Closing financial guarantee contract liability	**35**	**8**

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 2021 (as well as on 31 December 2020) All 900 shares have been authorized, issued and fully paid.

	31.12.2021	31.12.2020
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 by these shares.

Magyar Nemzeti Bank (Central Bank of Hungary) held 53.33% of the shares directly and 37,96% indirectly as of 31 December 2021 (same at the end of last reporting period).

Budapesti Értéktőzsde (Budapest Stock Exchange) held 46.67% of the shares directly as on 31 December 2020 and 31 December 2019. The CBH's stake in Budapest Stock Exchange went up to 81,65% in 2016, but it went down to 81,35% in 2019, it remain the same in 2020.

Non-controlling interest represents the 0,19% share of non-controlling shareholders of BSE in KELER CCP.

NOTE 24: STATUTORY RESERVES

	31.12.2021	31.12.2020
Statutory Reserves		
General reserve	507	355
General risk reserve	122	122
	629	**477**

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 net profit when the asset is derecognized. Since FVTOCI debt instruments only include treasury bills all the balance of 1st January 2021 was reclassified to net profit during the period.

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

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

The Group presents it's 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:

	31.12.2021	**31.12.2020**
Non current assets	63 049	42 493
Current assets	447 372	114 609
Short term liabilities	431 805	101 422
	78 616	**55 680**
Financed by:		
Long term liabilities	49 453	28 338
Net assets	29 163	27 342
	78 616	**55 680**

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/becoming due. This analysis presents the surplus or deficit in items available for settlement. The main considerations on liquidity risk is presented in Note 4.

As on 31 December 2021	**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	237 021	0	0	0	0	**237 021**
Mutual deposits	196	0	0	0	0	**196**
Available for sale financial assets	0	2 870	57 743	428	0	**61 041**
Financial assets measured at fair value trough OCI	2 899	14 194	0	0	0	**17 093**
Income tax receivable	0	1	0	0	0	**1**
Income tax receivable	0	0	49	0	0	**49**
Trade receivables relating to gas market	1 995	0	0	0	0	**1 995**
Receivables relating to depository activities	1 035	0	0	0	0	**1 035**
Receivables from foreign clearing houses	156 657	0	0	0	0	**156 657**
Other receivables	362	7	36	32	0	**437**
Receivables from repurchase agreements	30 135	0	0	0	0	**30 135**
Intangible assets	0	0	0	0	4 109	**4 109**
Property, plant and equipment	0	0	0	0	653	**653**
TOTAL ASSETS	**430 300**	**17 072**	**57 828**	**460**	**4 762**	**510 422**

As on 31 December 2021	**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	-38 631	0	0	0	0	**-38 631**
Liabilities for Guarantee Funds	-6 365	0	0	0	0	**-6 365**
Financial guarantee contract liability	-35	0	0	0	0	**-35**
Collateral held from energy market participants	-299 014	0	0	0	0	**-299 014**
Collateral held from gas market participants	-54 129	0	0	0	0	**-54 129**
Income tax payable	-43	0	0	0	0	**-43**
Other tax payables	-29 629	0	0	0	0	**-29 629**
Deferred tax liability	0	0	0	0	0	**0**
Trade payable from gas market activity	-1 878	0	0	0	0	**-1 878**
Trade payables	-298	0	0	0	0	**-298**
Liabilities from repurchase agreements	0	0	0	0	0	**0**
Loans	0	-959	-49 201	0	0	**-50 160**
Lease liability	0	-86	-132	0	0	**-218**
Provisions for oneourus contract	-263	-2	-29	0	0	**-294**
Other payables	-209	-264	-8	-83	0	**-564**
TOTAL LIABILITIES	**-430 494**	**-1 311**	**-49 370**	**-83**	**0**	**-481 258**
LIQUIDITY (DEFICIENCY)/EXCESS	**-194**	**15 761**	**8 458**	**377**	**4 762**	**29 164**

As on 31 December 2020	**Within 3 months**	**Within one year and over 3 months**	**Within 5 years and over one year**	**Over 5 years**	**Without maturity**	**Total**
Cash and cash equivalents	70 179	0	0	0	0	**70 179**
Mutual deposits	129	0	0	0	0	**129**
Available for sale financial assets	0	1 574	38 401	433	0	**40 408**
Financial assets measured at fair value trough OCI	0	14 664	0	0	0	**14 664**
Income tax receivable	0	0	0	0	0	**0**
Income tax receivable	100	0	0	0	0	**100**
Trade receivables relating to gas market	439	0	0	0	0	**439**
Receivables relating to depository activities	821	0	0	0	0	**821**
Receivables from foreign clearing houses	22 790	0	0	0	0	**22 790**
Other receivables	544	5	20	15	0	**584**
Receivables from repurchase agreements	3 430	0	0	0	0	**3 430**
Intangible assets	0	0	0	0	2 678	**2 678**
Property, plant and equipment	0	0	0	0	881	**881**
TOTAL ASSETS	**98 432**	**16 243**	**38 421**	**448**	**3 559**	**157 103**

As on 31 December 2020	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Deposits from customers	-32 979	0	0	0	0	**-32 979**
Liabilities for Guarantee Funds	-4 941	0	0	0	0	**-4 941**
Financial guarantee contract liability	-8	0	0	0	0	**-8**
Collateral held from energy market participants	-43 152	0	0	0	0	**-43 152**
Collateral held from gas market participants	-14 824	0	0	0	0	**-14 824**
Income tax payable	-53	0	0	0	0	**-53**
Other tax payables	-208	0	0	0	0	**-208**
Deferred tax liability	0	0	0	0	0	**0**
Trade payable from gas market activity	-442	0	0	0	0	**-442**
Trade payables	-659	0	0	0	0	**-659**
Liabilities from repurchase agreements	-3 430	0	0	0	0	**-3 430**
Loans	-28 027	0	0	0	0	**-28 027**
Lease liability	0	-94	-208	0	0	**-302**
Provisions for oneourus contract	-272	0	0	0	0	**-272**
Other payables	-400	0	-55	-9	0	**-464**
TOTAL LIABILITIES	**-129 395**	**-94**	**-263**	**-9**	**0**	**-129 761**
LIQUIDITY (DEFICIENCY)/EXCESS	**-30 963**	**16 149**	**38 158**	**439**	**3 559**	**27 342**

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. The cash deficit in the first three months are resolved by liquidating a part of the treasury bill portfolio. The treasury bills are sold on OTC markets.

The more detailed liquidity categories of the securities:

As on 31 December 2021	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
Assets measured at amortized cost	2 870	895	1 348	44 244	11 255	98	331	0	0	0	**61 041**

As on 31 December 2020	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
Assets measured at amortized cost	1 574	1 313	885	1 346	34 857	0	98	335	0	0	**40 408**

NOTE 27: INCOME FROM CLEARING AND DEPOSITORY ACTIVITY

	2021	2020
Income from depository activity		
Income from settlement activity	5 132	4 505
Income from issuer activity	656	644
Income from communication	44	53
Income from depository services	306	349
Income from banking activity	47	75
Income from reporting activity	206	193
Income from WARP	143	144
	6 534	**5 963**

	2021	2020
Income from clearing activity		
CCP services of spot market	298	369
CCP services of derivative market	245	178
Clearing membership fees	705	668
CCP services of gas market	321	223
CCP services of energy market	421	324
Income from collateral	1 043	13
	3 033	**1 775**
Income from clearing and depository activity	**9 567**	**7 738**

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.

The significant increase in the income from collateral is due to the newly introduced settlement banking system for gas- and energy market clients, settling in EUR. This system was introduced by KELER CCP in December 2020. In this model clients are required to pay a fee based on their deposited amount. In December 2020 only gas collateral attracted a fee which was extended to the full energy service line in 2021. Due to the significant increase in the deposit balances further increase was experienced compared to the previous period.

NOTE 28: NET INTEREST INCOME

Net income from interest	**2021**	**2020**
Interest income		
Income from interest on amortized cost instruments	185	843
Income from interest on fair value trough other comprehensive income items	105	56
Interest income from bank accounts	173	0
Interest income from client accounts	158	614
Interest from repos	64	2
Interest on statutory reserves placed at CBH	3	6
Interest received for loans	6	0
	694	**1 521**
Interest expense		
Interest expense on bank accounts	398	611
Interest expense on client accounts	2	0
Lease interest	12	13
Interest on repos	2	1
Interest payable (loans)	9	1
Amounts paid to clearing houses	246	85
Other interest expenses	240	9
	909	**720**
	-215	**801**

The other revenue generating activity of the Group is to hold free financial assets to gain from net interest. Gain from this activity is calculated on net basis.

Starting from 2021 KELER presents interest income and expense from loans and from cash and investment separately.

NOTE 29: GAINS AND LOSSES FROM TRADING WITH SECURITIES

This line in the Consolidated Statement of Comprehensive Income includes the realized gains and losses from trading of treasury bills and government bonds. During the period KELER recognized losses on government bondes.

NOTE 30: GAS TRADING ACTIVITY

When the KELER CCP acts as the central counterparty of the deals in gas trading legally they are considered to be buyer and seller at the same time. The Group concluded that it acts as an agent, since they are not possessing the gas during the settlement process, not even for momentarily. Therefore the income from selling the gas itself and the cost of this sale shall not be recognized in the profit or loss but it is netted, therefore it bypasses that statement. (The payables and receivables however are recognized on gross basis – see Note 7.) The fees for acting as a counterparty is recognized as clearing fee (Note 27). The balance is generated by the clearing members. KELER CCP has on direct influence on this.

The trading volume is the following:

	2021	2020
Income from gas sold	636 472	104 780
Cost of sales of gas sold	-636 472	-104 780
To the income statement, net	**0**	**0**

Since KELER CCP does not qualify for a CCP on the energy market the expence and income from this activity is presented on net basis.

NOTE 31: BANK FEES, COMMISSION AND SIMILAR ITEMS

	2021	2020
Operating expenses		
Banking expenses		
Depository servicesx	15	11
Banking services	161	185
LEI issuance services	32	83
TR service - mediated	29	32
Other mediated services	5	5
	242	**316**

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

NOTE 32: PERSONNEL EXPENSES

	2021	2020
Personnel expenses		
Wages	2 793	2 510
Base wages	2 506	2 245
Bonuses	287	265
Social security and other contributions	497	483
Other cost of personnel	232	188
	3 522	**3 181**

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 214 in the period ended 31 December 2021 201 in the period ended 31 December 2020.

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

The Group classifies it's 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.

The other expenses are those operational items that do not fall into the previous categories. The breakdown of that line is the following:

	2021	2020
Operating expenses		
Depreciation and amortization	**1 058**	**920**
Expenses from maintainence of assets		
Softwares	784	681
Hardwares	166	164
Operation assets	9	10
	959	**855**
Professional fees		
Professional fees (operational)	40	93
Professional fees (development)	171	444
Audit fees	73	61
Administrative fees	11	10
	295	**608**

	2021	2020
Telecommunication services		
Postal services	3	4
Telephone, internet and transmission lines	75	53
Datatrafficing (T2S, SWIFT, Reuters)	61	41
	139	**98**
Insurance	**21**	**16**
Material type expenses		
Utility bills	34	31
Expenses related to veichles	10	5
Expenses related to buildings	0	4
Expenses related to IT assets	6	10
Other material type expenses	3	6
	53	**56**
Rental fees		
Other rental fees	20	19
	20	**19**
Marketing expenses		
Advertisement	5	3
	5	**3**
Training and education		
Professional trainings	11	12
Conferences	10	8
	21	**20**
Taxes on operation		
Sectorial tax on financial institution	219	208
Special tax on financial institutions due tothe pandemic	0	127
Non-deductable VAT	6	0
Local taxes	71	43
	296	**378**

	2021	**2020**
Services		
Services related to real estates	127	116
Services related to veichles	11	8
Services related to transportation and taxi	5	5
Travel expenses, accomodation	2	3
Cost of temporary employment	8	23
Membership fees	45	28
Expenses from other services	126	52
	324	**235**
Levies		
Levies paid to oversight institutions	182	128
	182	**128**
Legal and other procedural fees and stamp duties	**30**	**23**
Other risk related expenses		
Recognition of provisions	**19**	**0**
Other non-financial activity related expenses	**37**	**17**
Elimination difference due to VAT differences	**111**	**102**

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

	2021	**2020**
Other interest income		
Interest income of items under amortized cost model	751	75
Interest paid (CBH loan)	-334	-43
	417	**32**

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	Assets measured at amortized cost	Debt instruments measured at amortized cost	Receivables relating to clearing and depository activities
Opening balance of expected credit loss (ECL)	11	5	1	11
Changes in the balance of expected credit loss (ECL)	21	3	1	1
Closing balance of expected credit loss (ECL)	**32**	**8**	**2**	**12**

	Receivables from repurchase agreements	Other receivables	Receivables from foreign clearing houses	Sum
Opening balance of expected credit loss (ECL)	0	0	3	**31**
Changes in the balance of expected credit loss (ECL)	4	0	18	**48**
Closing balance of expected credit loss (ECL)	**4**	**0**	**21**	**79**

The effect of transition to IFRS 9 is recognized directly to retained earnings, the changes in the ECL however is taken to the profit or loss (separate line item).

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

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

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% for decades, and the innovation contribution is 0,3%.

The tax base of latter two is derived from the gross profit (actual gross profit or in case of the depository activity the net interest).

A breakdown of the income tax expense is:

	2021	**2020**
Income Taxes		
Current corporate income tax	129	100
Deferred corporate income tax	62	26
Local tax	156	142
Innovation contribution	23	21
	370	**289**

	2021	**2020**
Profit before taxes	**2 295**	**1 869**
Local tax and innovation contribution	179	163
Adjsuted profit before taxes	2 116	1 706
Theoretical corporate tax rate	9%	9%
Corporate income tax calculated using the theoretical tax rate	**190**	**154**
Adjustments increasing the taxable profit multiplied with the theoretical tax rate	108	88
of which amortization	98	86
of which recognition of provisions	2	0
of which sundry other items	8	2
Adjustments decreasing the taxable profit multiplied with the theoretical tax rate	169	142
of which amortization	100	87
of which losses carried forward used	69	52
of which sundry other items	0	3
Actual corporate income tax	**129**	**100**
Base of the local tax	7 805	7 071
Rate of the local tax	2%	2%
Local tax – theoratical tax	**156**	**142**
Tax adjustments	0	0
Local tax (actualy):	**156**	**142**
Base of the innovation contribution	7 805	7 071
Rate of the innoviation contribution	0,3%	0,3%
Innoviation contribution – theoratical tax	**23**	**21**
Tax adjutments	0	0
Innovation contribution (actual)	**23**	**21**

	2021	**2020**
Actual income tax	308	263
Deferred corporate income tax recognized in profit or loss	62	26
Actual income tax recognized in profit or loss	**370**	**289**
Acutal income tax recognized in other comprehensive income	0	0
Deferred income tax recognized in other comprehensive income	-10	1
Income tax in total comprehensive income	**360**	**290**

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 this.
The balances are reclassified into net profit once the financial instruments are derecognized (expired or sold).

	2021	**2020**
Other comprehensive income		
Remeasurement gain on FVTOCI finanical assets	-113	14
Retranslation of foreign operation	10	-1
	-103	**13**

NOTE 38: SECURITIES SAFEGUARDED AND DEPOSITED; OFF BALANCE SHEET ITEMS

Foreign securities means amounts in security accounts of the counterparties.

	31.12.2021	31.12.2020
SECURITIES		
Physical securities		
Physical securities HUF	103 176	102 353
Physical securities CHF	1 974	1 866
Physical securities USD	0	0
	105 150	**104 219**
Dematerialized securities		
Dematerialized securities HUF	50 349 581	43 487 997
Dematerialized securities AUD	2	1
Dematerialized securities CAD	98	89
Dematerialized securities CHF	21 026	31 827
Dematerialized securities CZK	89 763	80 553
Dematerialized securities EUR	3 310 673	3 067 296
Dematerialized securities GBP	578	326
Dematerialized securities HKD	2	2
Dematerialized securities JPY	0	11 546
Dematerialized securities NOK	3	5
Dematerialized securities PLN	32 664	36 627
Dematerialized securities RON	223	224
Dematerialized securities RUB	27	24
Dematerialized securities SEK	5	1
Dematerialized securities THB	1	1
Dematerialized securities USD	339 418	393 831
	54 144 064	**47 110 350**
	54 249 214	**47 214 569**

NOTE 39: OFF BALANCE SHEET ITEMS, *CONTINGENT LIABILITIES*

	31.12.2021	31.12.2020
Guarantees received		
Cash		
In HUF	12 542	8 499
In foreign currency	1 638	848
Security	37 115	34 176
Bank guarantee	55	49
	51 350	**43 572**

	31.12.2021	31.12.2020
Specific safeguards		
Cash		
In foreign currency	4 427	1 365
Security	4 142	4 964
Bank guarantee	55	49
	8 624	**6 378**
Credit lines	**9 169**	**8 015**
Contingent liabilities		
Litigation	62	0
	62	**0**

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

KELER CCP received several lines of credit from commercial 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 settle bank model.

The contingent liability is disclosed due to an ongoing litigation.

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

	31.12.2021	31.12.2020
Term deposit placements	18 965	15 037
	18 965	**15 037**
Loans	-49 201	-28 027
	-49 201	**-28 027**

	2021	2020
Interest income	71	-1
Other income	0	0
	71	**-1**
Bank account costs	20	12
Interest expense	334	43
Other costs	0	0
	354	**55**

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 they are at arm’s length condition.

The Parent enters into material transactions with the Government Debt Management Agency (ÁKK), those deals are security repurchase (“repo”) transactions. The amount of repo transaction entered into during 2021 77 411 MFt, 2020 was 54 346 MFt, having a yearend balance of 0 (2020: 3 430 MFt (asset)).

The Parent enters into material transaction with the Central Bank of Hungary, which deals servers the short (O/N depost or O/N loans) and long term liquiditity management (loans from CBH) and lawful handling of the deposit balances. The turnover of the O/N deals entered into in 2021 4 131 399 MHUF, 2020 was 727 037 MHUF having a yearend overnight balance of 18 382 MHUF (asset) (2020: 14 640 MHUF (asset)).

Loans taken from CBH with 5-years maturity was 21 145 MHUF (28 003 MHUF in 2020),

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
- Demkó-Szekeres Zsolt, member of the Board (CEO: since 31st July 2020. július 31)
- Horváth Gábor, banking director (9th September 2020.)
- Kuti Zsolt, member of the Board (30th September 2020.)
- Marosi Bence, CEO (14th March 2020. until 31st July 2020.)
- Máté Tóth István, member of the Board
- Mónus Attila, CEO (24th February 2020.)
- Nagy Márton, member of the Board (30 June 2020.)
- Végh Richárd, member of the Board

Supervisory Board of the Parent Company

- Bartha Lajos, President of the Supervisory Board (until 25th March 2020.)
- Taczmann Róbert Ferenc, President of the Supervisory Board (since 26th March 2020.)
- Varga-Balázs Attila (until 25th March 2020.)
- Pintér Klára
- Varga Lóránt
- Visontai Balázs (since 26th March 2020.)
- Gergely Ádám (since 27th May 2021.)

The Board of the Subsidiary:

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

Supervisory Board

- Dr. Szalay Rita, chairman of SB (until 27th February 2020)
- Varga-Balázs Attila, chairman of SB (from 27th February 2020)
- Gerendás János, member of SB
- Baksay Gergely, member of SB (until 27th February 2020)
- Bozsik Balázs, member of SB (until 31th December 2020)
- Palotai Dániel, member of SB (until 27th February 2020)
- Banai Ádám, member of the SB (from 27th February 2020)
- Boros Eszter member of the SB (from 27th May 2021)
- Kardos Miklós member of the SB (from 17th February 2022)

	2021	**2020**
Board of Directors	155	153
Supervisory Board	32	27
	187	**180**

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.

Attila Mónus resigned as Chief Executive Officer on 24th February 2020 and at the same time he stepped down as member of the board.

Lajos Bartha resigned as President of the Supervisory Board and at the same time stepped down as member of the Supervisory Board.

Bence Marosi was appointed as Chief Executive Officer on 14th March 2020. He resigned on 31 July 2020, his employment was terminated on 31st August 2020.

Márton Nagy resigned as member of the Board in 2020.

Attila Varga-Balázs resigned as member of the Supervisory Board in 2020..

Ádám Gergely was elected as member of the Supervisory Board from 27th May 2021.

The members of the Board of Directors and Supervisory Board also changed by the subsidiary company.

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

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

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

Gergely Baksay resigned from the Supervisory Board in 2020.

Dániel Palotai resigned from the Supervisory Board in 2020.

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

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

Balázs Bozsik resigned from the Supervisory Board in 2021.

Kardos Miklós was elected to be the member of the Supervisory board on 17th February 2022.

NOTE 41: CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Classification of financial instruments

31 December 2021	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	**Total carrying amount**	**Fair value**
Cash and cash equivalents	0	237 021	0	0	**237 021**	**237 021**
Mutual deposits	0	196	0	0	**196**	**196**
Available for sale financial assets	0	61 041	17 093	0	**78 134**	**72 188**
Receivables from repurchase agreements	0	30 135	0	0	**30 135**	**30 135**
Receivables relating to clearing and depository activities	0	159 687	0	0	**159 687**	**159 687**
Deposits from customers	0	0	0	38 631	**38 631**	**38 631**
Liabilities for Guarantee Funds	0	0	0	6 365	**6 365**	**6 365**
Financial guarantee contract liability	0	0	0	35	**35**	**35**
Collateral held from energy market participants	0	0	0	299 014	**299 014**	**299 014**
Collateral held from gas market participants	0	0	0	54 129	**54 129**	**54 129**
Loans	0	0	0	50 160	**50 160**	**50 160**
Accounts payable	0	0	0	2 176	**2 176**	**2 176**
Lease liability	0	0	0	218	**218**	**218**

31 December 2020	Financial instruments (fair value option)	Receivables	Available for sale assets	Other assets or liabilities at amortised cost	**Total carrying amount**	**Fair value**
Cash and cash equivalents	0	70 179	0	0	**70 179**	**70 179**
Mutual deposits	0	129	0	0	**129**	**129**
Available for sale financial assets	0	40 408	14 664	0	**55 072**	**55 361**
Receivables from repurchase agreements	0	3 430	0	0	**3 430**	**3 430**
Receivables relating to clearing and depository activities	0	24 050	0	0	**24 050**	**24 050**
Deposits from customers	0	0	0	32 979	**32 979**	**32 979**
Liabilities for Guarantee Funds	0	0	0	4 941	**4 941**	**4 941**
Financial guarantee contract liability	0	0	0	8	**8**	**8**
Collateral held from energy market participants	0	0	0	43 152	**43 152**	**43 152**
Collateral held from gas market participants	0	0	0	14 824	**14 824**	**14 824**
Liabilities from repurchase agreements	0	0	0	3 430	**3 430**	**3 430**
Loans	0	0	0	28 027	**28 027**	**28 027**
Accounts payable	0	0	0	1 101	**1 101**	**1 101**
Lease liability	0	0	0	302	**302**	**302**

b) Assets and liabilities measured at fair value – Fair value hierarchy

31 December 2021	**Fair value Level 1**	**Fair value Level 2**	**Fair value Level 3**	**Total**
Debt instruments measured at fair value trough other comprehensive income	0	17 093	0	**17 093**

31 December 2020	**Fair value Level 1**	**Fair value Level 2**	**Fair value Level 3**	**Total**
Debt instruments measured at fair value trough other comprehensive income	0	14 664	0	**14 664**

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 2021	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	237 021	0	0	**237 021**
Mutual deposits	0	0	196	**196**
Receivables relating to clearing and depository activities	0	0	159 687	**159 687**
Debt instruments measured at amortized cost	0	61 041	0	**61 041**
Receivables from repurchase agreements	0	0	30 135	**30 135**
Deposits from customers	0	0	38 631	**38 631**
Liabilities for Guarantee Funds	0	0	6 365	**6 365**
Financial guarantee contract liability	0	0	35	**35**
Collateral held from energy market participants	0	0	299 014	**299 014**
Collateral held from gas market participants	0	0	54 129	**54 129**
Loans	0	0	50 160	**50 160**
Accounts payable	0	0	2 176	**2 176**
Lease liability	0	0	218	**218**

31 December 2020	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
Cash and cash equivalents	70 179	0	0	**70 179**
Mutual deposits	0	0	129	**129**
Receivables relating to clearing and depository activities	0	0	24 050	**24 050**
Debt instruments measured at amortized cost	0	40 408	0	**40 408**
Receivables from repurchase agreements	0	0	3 430	**3 430**
Deposits from customers	0	0	32 979	**32 979**
Liabilities for Guarantee Funds	0	0	4 941	**4 941**
Financial guarantee contract liability	0	0	8	**8**
Collateral held from energy market participants	0	0	43 152	**43 152**
Collateral held from gas market participants	0	0	14 824	**14 824**
Liabilities from repurchase agreements	0	0	3 430	**3 430**
Loans	0	0	28 027	**28 027**
Accounts payable	0	0	1 101	**1 101**
Lease liability	0	0	302	**302**

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

New or amended Standards and Interpretations, as endorsed by the EU as at 23 January 2022, that are effective for annual periods beginning after 1 January 2021

Reference to the Conceptual Framework (Amendments to IFRS 3); Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16); Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) and Annual Improvements to IFRS Standards 2018-2020

- **Amendments to IFRS 3 Business Combinations** to the Financial Reporting Framework without changing the accounting requirements for business combinations (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)
- **Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment – Proceeds before Intended Use** (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)
  The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract** (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)
  In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
- **Annual Improvements to IFRS Standards 2018-2020**
  Amendment to IFRS 9 Financial Instruments
  The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  Amendment to Illustrative Examples accompanying IFRS 16 Leases
  The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee’s accounting for such reimbursement.
  Amendment to IAS 41 Agriculture
  The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use

pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

Amendments to IFRS 16 Leases - COVID-19-Related Rent Concessions beyond 30 June 2021 (Effective for annual periods beginning on or after 1 April 2021.Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021)

The amendments extends by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19.

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2021, not yet endorsed by the EU as at 23 January 2022:

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Group's right to defer settlement at the end of the reporting period. The Group's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Group will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments introduced a definition of ‘accounting estimates’ and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

<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 99.81%. The remaining 0,19% is held by CBH and HSE, and they constitute non-controlling interest.

The Group has no associated company.
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).

Non of the group entities are investment entities nor they have investment in those type 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 did not change the accounting policies in 2021, except representation of the structure of certain balance sheet positions.

Starting from 2021 the Group presents cash, cash equivalents and receivables from bank on a single line. Those items are detailed in Note 5 (for both presented period). This change is only a presentation issue, will not effect the measurement. Due to this modification, the presenetation of the cash flow was also modified to keep consistency.

As required by IAS 1 and IAS 8 the comparative figures were restated.

	Cash and cash equivalents	**Placements with other banks**
Previous period figure	54 773	15 406
Reclassification	15 406	-15 406
Previous period figure was restated	70 179	0

	Net increase (-) / decrease (+) in placements with other banks, net of allowance for losses	**Cash generated (+) / used (-) in operation**
As reported in 2020	57 378	16 573
Reclassification	-57 411	-57 411
As restated in 2020	-33	-40 838

	Net decrease (-) / increase (+) in cash and cash equivalents	**Opening balance of cash and cash equivalents**	**Closing balance of cash and cash equivalents**
As reported in 2020	20 029	34 722	54 773
Reclassification	-57 411	72 817	15 406
As restated in 2020	-37 382	107 539	70 179

The Group – following the regulation of IAS 8 and IAS 1 – represented the comparative period. The representation did not change the totals reported, only resulted in structural changes.

NOTE 45: DIVIDEND

The AGM of KELER did not declare dividend on their meeting on 27th May 2021. The profit of the period was tranferred to retained earnings.

The AGM of KELER CCP did not declare dividend on their meeting on 27th May 2021. The profit of the period was tranferred to retained earnings.

NOTE 46: THE EFFECT OF THE COVID-19 PANDEMIC

The corona virus pandemic changed the social and economic environment substantially in 2020.

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 management of the Group – responding to the domestic and international events – immediately provided the operational conditions that enables KELER to work without disturbance.

Unlike for most of the companies the pandemic did not result in a direct consequence on the activity of the KELER Group in the period until the financial statements were authorized for issue:

- business results: there were no decline in the revenue due to the pandamic in 2021 and there were no material change in the level of expenses
- operation: the Group operates in the same manner, except most of the work is remotely done.

The management continuously monitors the advances, however they do not expect material changes. Based on the above facts the management of the Parent Company there are no signs yet identified that would suggest that the going concern of the Group cannot be justified, and so far no material effect for the year 2022 was identified.

NOTE 47: SUBSEQUENT EVENTS

The Group identified events after the end of the reporting period which will not adjust the financial statements but due to their nature they are disclosed.

By the beginning of 2022 the deposit balances grew significantly and the capital requirement allocated to credit and counterparty risk of KELER CCP reached the warning level. There are ongoing negotiations with shareholders of KELER CCP on the date when the financial statements are authorized to issue to resolve the capital situation.

The Board of KELER CCP will discuss the possibilities of providing additional funds to meet the capital requirements and other actions required or needed on board meeting that will approve the financial statements. If necessary an extraordinary shareholders meeting will be held (see Note 4).

NOTE 48: APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements issue by the Board of Directors on 3 May 2021. KELER's General Meeting is entitled to approve the consolidated financial statements

Budapest, 16 March 2022

Demkó-Szekeres, Zsolt	Kreutzer, Richard
Chief Executive Officer	Chief Financial Officer