



2023

30 YEARS OF
keler

Securities. Solutions. Success.

ANNUAL
REPORT

TABLE OF CONTENTS

Message of the Chairman	3
Message of the Chief Executive Officer	4
Market environment	6
Regulatory environment	8
Financial management activities of KELER	11
Business activity	13
Priority projects and service developments	21
Client relations	25
Information technology	27
Risk management	29
Business process management	32
Human resources policy	33
Internal audit	35
Security management	37
Environment protection	39
Organizational structure	40
Management	42
General information	43
Contact	44

MESSAGE OF THE CHAIRMAN

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

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

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

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

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

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



Zsolt Selmeczi-Kovács

ZSOLT SELMECZI-KOVÁCS DR.

Chairman

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

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

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

MESSAGE OF THE CHIEF EXECUTIVE OFFICER

KELER closed year 2023 with an outstanding profit, worthy of an anniversary, as KELER celebrated thirty years of its existence, while KELER KSZF, its subsidiary, celebrated its fifteenth anniversary. Like the previous years, 2023 was an eventful year. KELER Group's outstanding financial performance was particularly impressive in a challenging economic environment. On the international scope, economic growth stagnated in most countries of the world. Inflation decreased, therefore, leading central banks planned to cut interest rates in the future, which had been included in the pricing by market participants in several cases. The consolidating economic situation also brought new circumstances compared to previous periods. Although sovereign bonds are still popular due to the high interest rates, market players expect further decrease of interest rates, and, therefore, became more interested in assets posing higher risk, indicating that previous trends may have reached a turning point.

In Hungary, 2023 was characterized by favourable domestic money and capital market developments. This and the tight cost control had a positive impact on KELER's profit, which surpassed our expectations. The pre-tax profit was 5.9 billion forints compared to 3.8 billion forints in the previous year. In view of the increase of our profit, the shareholders resolved at the Annual General Meeting to pay a dividend of 5.118 million forint from the retained earnings and 1.882 million forints from the profit reserve in 2023.

In the last year, KELER's development activity was primarily driven by legislative and compliance tasks as well as strategic development activities. KELER was focusing on IT and cyber security developments related to the sanctions and geopolitical measures due to the war in Ukraine, as well as the planning and analysis of projects launched to achieve the new goal of domestic excellence. Furthermore, we continued to renew our IT infrastructure by replacing old technology and upgrading to new software versions. In addition, the last phase of the KSZP programme was completed. Moreover, we implemented the data corridor project, which was a key project in recent years as part of the mandatory reporting to the Magyar Nemzeti Bank.




GÁBOR HORVÁTH
 Chief Executive Officer

Year 2023 was important for KELER not only because of the anniversary, but also because last year it started implementing its new business strategy for the period 2023-2027, which was adopted in December 2022.

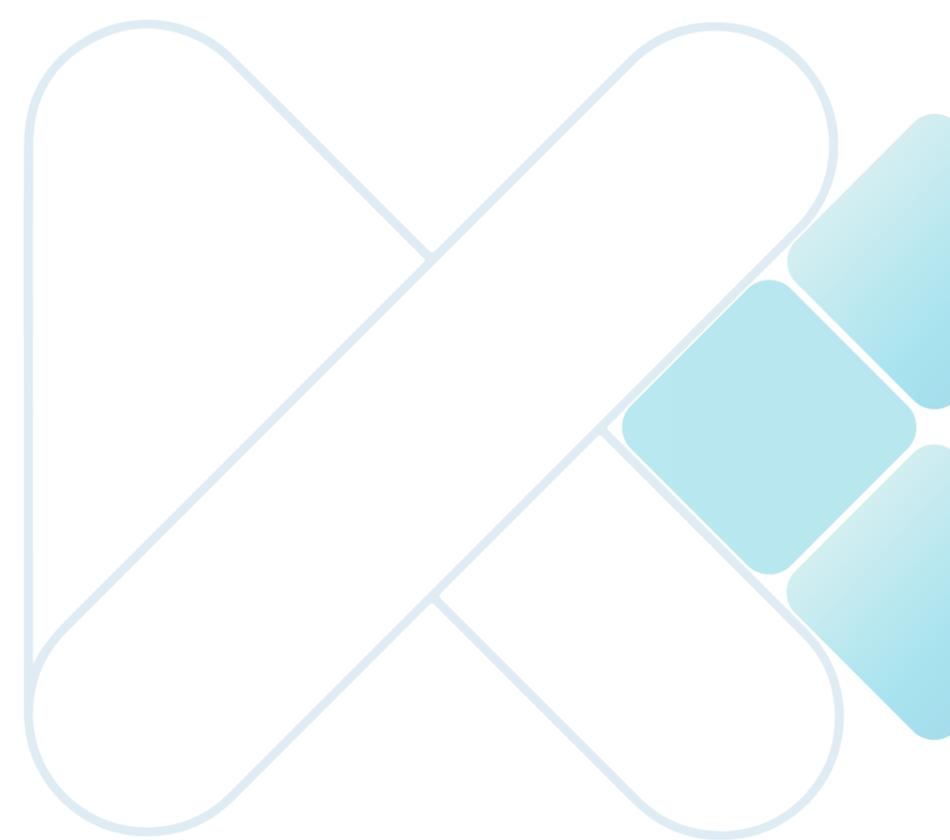
KELER's five-year strategy, which started 2023, is driven by its core values of stable and reliable operations, professionalism, prudence and transparency. In addition these traditional values, we put emphasis on innovation, openness to development and customer focus in the new strategy.

KELER's shareholder, the management and the employees are committed to achieving the strategic goal of domestic excellence. This requires a complete assessment of KELER's current operations, the identification of automation and process optimisation points, development directions, the modernisation of IT systems and architecture in order to plan, schedule and prioritise the main development tasks for the coming years.

Looking back to the thirty years of KELER's history and the last fifteen years of KELER KSZF existence, we may conclude that both companies have been characterised by continuous

improvement and IT development. Being the backbone of the capital market, both KELER and KELER KSZF have contributed to the development of the domestic capital market with their diversified range of products and services since the very beginning in cooperation with domestic market participants. This ensured stable and secure functioning of the Hungarian capital market. Our goal for the years ahead is to continue to ensure that the KELER Group remains a reliable and innovative market player, providing the backbone infrastructure for the Hungarian capital and energy markets.

I would also like to take this opportunity to thank the shareholders of KELER Group, Hungarian credit institutions, investment service providers, issuers and players in the capital, gas and energy markets, as well as all the employees of KELER Group for their support in 2023 and over the past thirty years ensuring that KELER Group has been able to perform its work at a high standard and in a professional manner.





MARKET ENVIRONMENT

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

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

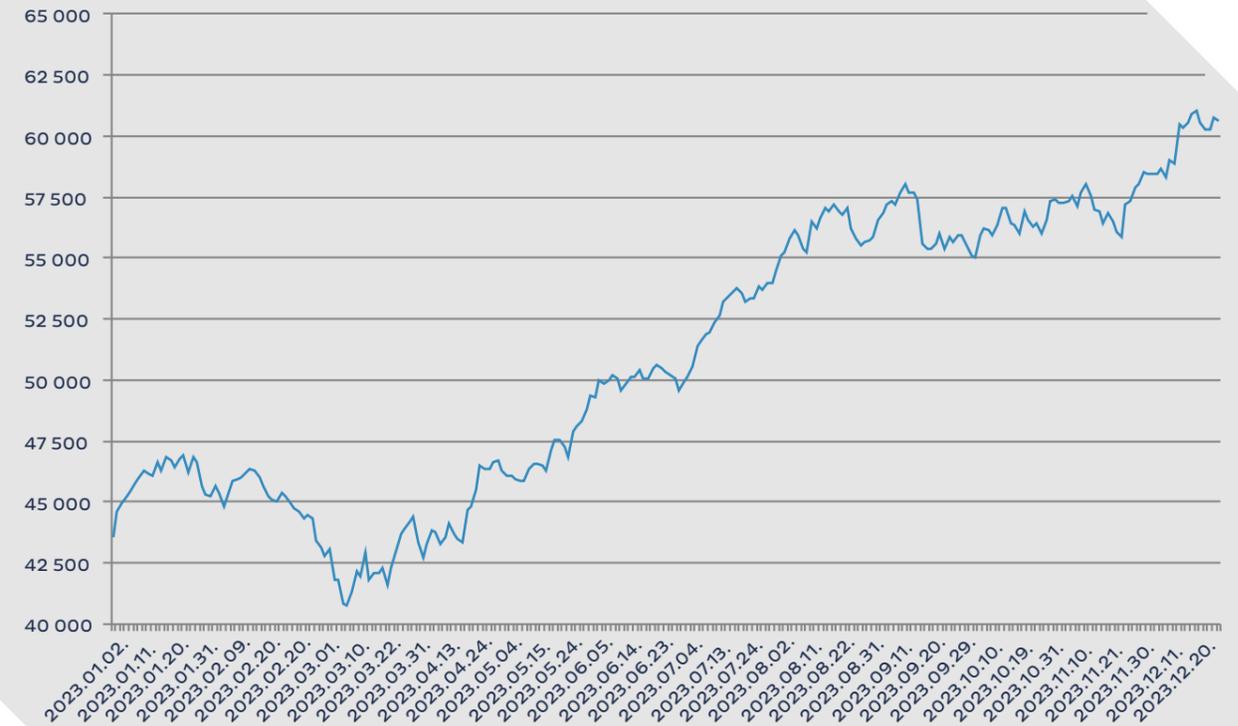
The consolidating economic situation also brought markets a markedly different year than in previous periods. Although government securities are still popular due to the high interest rate environment, market participants expecting a future reduction in interest rates have turned with increasing interest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

indices. The US Dow Jones Industrial Average index was up 14.5% on its year-end close, while the Standard & Poor's 500 index closed 25.3% higher. Alongside US stock indices, Japan's Nikkei rose 29.6%, Europe's Stoxx Europe 50 index closed 14.2% higher and Germany's DAX index 16% higher compared to the end of the previous year.

As with international stock indices, the Budapest Stock Exchange (BSE) equity index also showed a significant increase compared to the previous year, with the BUX closing the last trading day of 2023 at 60 620 points, up by 39.2%. This completely reversed the decline of the previous years and the index reached a new all-time high. Despite the rise in prices, however, the BSE's total annual turnover on the spot market fell by almost 30% compared with the previous year, from HUF 3 802 billion to HUF 2 554 billion.

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

Changes of the BUX Index in 2023



The National Bank of Hungary's (NBH) interest rate hike cycle, which started in mid-2021, ended in 2022 and the process of lowering the base rate started in 2023. The central bank cut the base rate from 13% in October to 10.75% in December in several steps. Inflation also fell significantly during the year, from a peak of over 20% to single digits in October and 5.5% in

December. The NBH forecasts that domestic disinflation could continue in 2024, with the annual average inflation expected to be between 4-5.5%.



REGULATORY ENVIRONMENT

The operation and activities of KELER were governed in particular, but not exclusively, by the following legislation in 2023:

- Act CXX of 2001 on the Capital Market (Tpt.),
- Regulation (EU) No 909/2014 of the European Parliament and of the Council on Improving Securities Settlement in the European Union and on Central Securities Depositories and Amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR), and the related implementing regulations,
- Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.),
- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR),
- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the Protection of Natural Persons with Regard to the Processing of Personal Data and on the Free Movement of Such Data, and Repealing Directive (EC) No 95/46/EC (General Data Protection Regulation - GDPR),
- Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euros and amending Regulation (EC) No 924/2009 (SEPA),
- Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and

repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (MAR),

- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR),
- Regulation (EU) No 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR),
- Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (REMIT),
- Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and re-use and amending Regulation (EU) No 648/2012 (SFTR),
- Regulation (EU) No 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience in the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) No 2016/1011 (DORA),
- Act CXXXVIII of 2007 on Investment Firms and Commodity Exchange Service Providers and the Rules Governing the Activities They May Perform (Bszt.),
- Act V of 2013 on the Civil Code (Civil Code),
- Act CXXXIX of 2013 on the National Bank of Hungary (NBH Act),
- Act CXCVI of 2011 on National Property (Nutu.),
- Act CVI of 2007 on State Property,

- Act XVI of 2014 on Collective Investment Schemes and their Managers and Amending Certain Financial Laws (Kbftu.),
- Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings (Cstv.),
- Act LIII of 1994 on Judicial Enforcement,
- Act XIX of 2014 on the Proclamation of the Agreement between the Government of Hungary and the Government of the United States of America on the Promotion of International Tax Cooperation and the Implementation of the FATCA Regulations, and on the Amendment of Certain Related Acts,
- Act LIII of 2017 on the Prevention and Suppression of Money Laundering and Terrorist Financing (Pmt.),
- Act LII of 2017 on the Implementation of Financial and Property Restrictive Measures Iby the European Union and the UN Security Council,
- Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of the destabilising Russian measures in Ukraine,
- Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council as regards the identification of third countries with strategic deficiencies as high risk,
- Commission Implementing Decision (EU) 2019/536 of 29 March 2019 amending Implementing Decision 2014/908/EU as regards the lists of third countries and territories with equivalent supervisory and regulatory requirements for the treatment of exposures under Regulation (EU) No 575/2013 of the European Parliament and of the Council,
- Act XXXVII of 2014 on the Further Development of the Institutional Framework to Strengthen the Safety of Certain Actors in the Financial Intermediation System (Resolution Act),
- Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings (Ctu.),
- Act CXXII of 2009 on the More Economical Operation of Publicly Owned Companies (Kgttu.),
- Act CXII of 2011 on the Right of Informational Self-determination and on Freedom of Information (Infotu.),
- Act CLXVI of 2012 on the Identification, Designation and Protection of Essential Systems and Facilities,
- Act XXXVII of 2013 on Certain Rules of International Administrative Cooperation in Tax and Other Public Charges,
- Act CCXXII of 2015 on the General Rules of Electronic Administration and Trust Services (Eüsztu.),
- Act LVII of 2018 on the control of foreign investments damaging Hungary's security interests,
- Act XXX of 1997 on Mortgage Credit Institutions and Mortgage Certificates,
- Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems (Ttu.),
- Act LXVII of 2019 on the Promotion of Long-term Shareholder Involvement and the Amendment of Certain Acts for the Purpose of Legislative Harmonisation,
- Government Decree 284/2001 (XII. 26.) on the method and security rules for the production and transmission of dematerialised securities, and on the rules for opening and maintaining securities accounts, central securities accounts and client accounts,
- Government Decree No 67/2014 (III. 13.) on certain issues related to the maintenance of the Register of shareholders of public limited companies,
- Government Decree 285/2001 (XII.26.) on bonds,
- NBH Decree 20/2014 (3.VI.) on the ISIN code,
- Government Decree No. 246/2018 (XII. 17.) Act LVII of 2018 on the control of foreign investments damaging Hungary's security interests,
- Government Decree No 65/2013 (8.III.) on the implementation of Act CLXVI of 2012 on the Identification, Designation and Protection of Essential Systems and Facilities,
- NGM (Ministry of Economics) Decree 21/2017 (VIII. 3.) on the mandatory content of the internal rules to be prepared pursuant to Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing and Act LII of 2017 on the Implementation of Financial and Asset Restriction Measures by the European Union and the UN Security Council,
- NBH Decree 26/2020 (VIII.25.) on the detailed rules for the development and operation of a screening system for service providers supervised by the NBH and the minimum requirements for the implementation of the Act on the Prevention and Combating of Money Laundering and Terrorist Financing and the Act on the Implementation of Financial and Asset Restriction Measures Ordered by the European Union and the United Nations Security Council.

General Meeting

The Annual General Meeting of KELER was held on 24 April 2023.

The agenda of the General Meeting included, without limitation:

1. Report of the Board of Directors of KELER on the Company's assets, business policy and management
2. The report of the Supervisory Board of KELER Ltd on the separate financial statements of KELER Ltd. prepared in accordance with IFRS rules under Act C of 2000 on Accounting, and the evaluation of the work of the Supervisory Board in 2022
3. Approval of the separate financial statements of KELER prepared in accordance with IFRS rules under Act on Accounting, decision on the distribution of the profit after tax
4. The report of the Supervisory Board of KELER Ltd on the consolidated financial statements of KELER Ltd. prepared in accordance with IFRS rules under Act C of 2000 on Accounting
5. Approval of the consolidated financial statements of KELER prepared in accordance with IFRS rules under the Act on Accounting
6. Amendment of KELER's Articles of Incorporation
7. Amendment of the Rules of Procedure of the Supervisory Board of KELER Ltd
8. Information provided by the Supervisory Board to the General Meeting on report No. NBH BEL 49/2022
9. Other topics

An extraordinary general meeting was held at KELER on 24 August 2023.

The agenda of the General Meeting included, without limitation:

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

FINANCIAL MANAGEMENT OF KELER

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

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

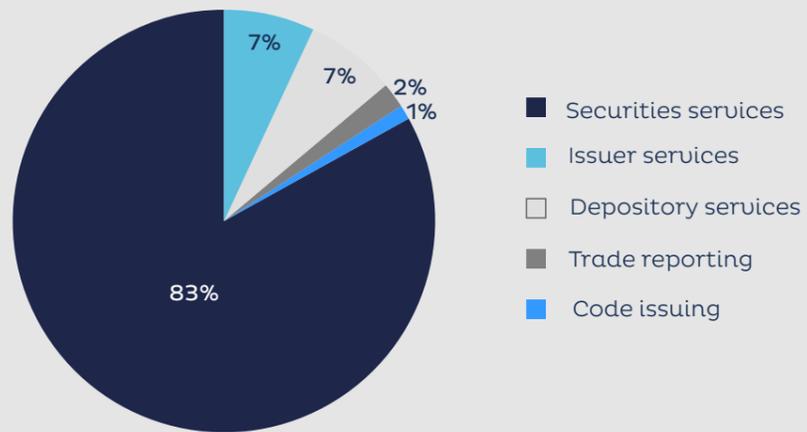
KELER's profit before tax for 2023 reached HUF 5.9 billion, which was HUF 3.8 billion higher than the profit realized for the previous year.

The positive development of the profit was entirely due to the increase in depository and credit institution fees and commissions (+ HUF 1.5 billion) and interest income (+ HUF 1.7 billion), while the level of operating expenses remained unchanged compared to the base year.

The majority of KELER's revenues were derived from the fee income from securities custody management and related transactions, correlated to the nominal amount of government securities issued in HUF in the case of debt securities and, in the case of equity securities, to their price. The stock of securities held in custody reached HUF 69,267 billion at the end of 2023, an increase of 11.9% compared to HUF 61,871 billion at the end of 2022. Favourable returns on capital markets helped the Company's interest margin in 2023 reach HUF 3.4 billion, with overall core business income 34% higher than the previous year.

Even with an 11% increase in staff costs, the Company's operating expenses were in line with the base year, mainly due to lower professional fees and lower taxes on operating income (change in the calculation of the extra profit special tax base).

Fees and commissions from clearing, depository and credit institution activities (2023)

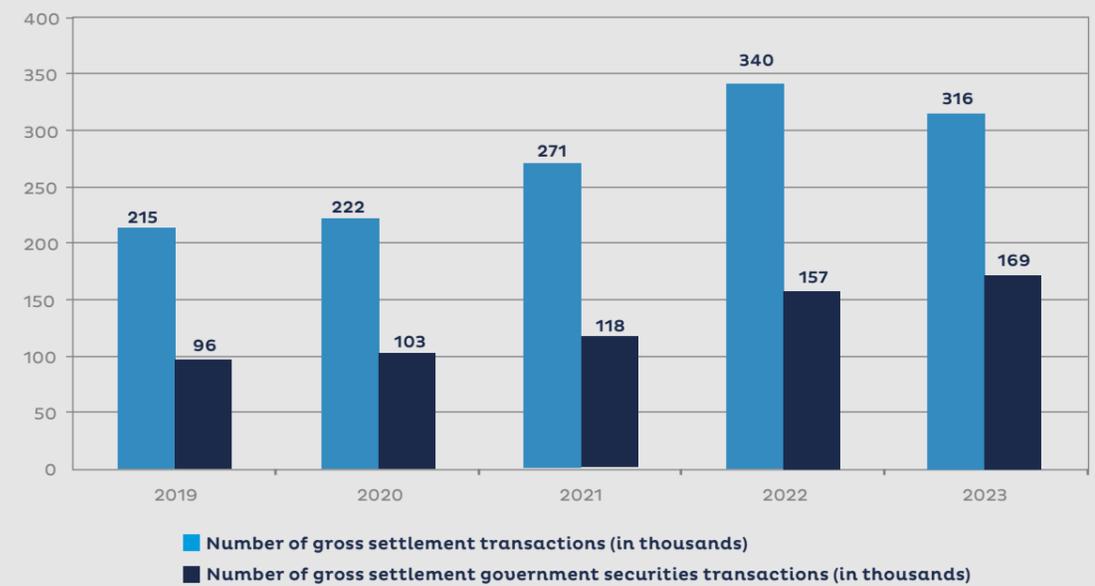


BUSINESS ACTIVITY

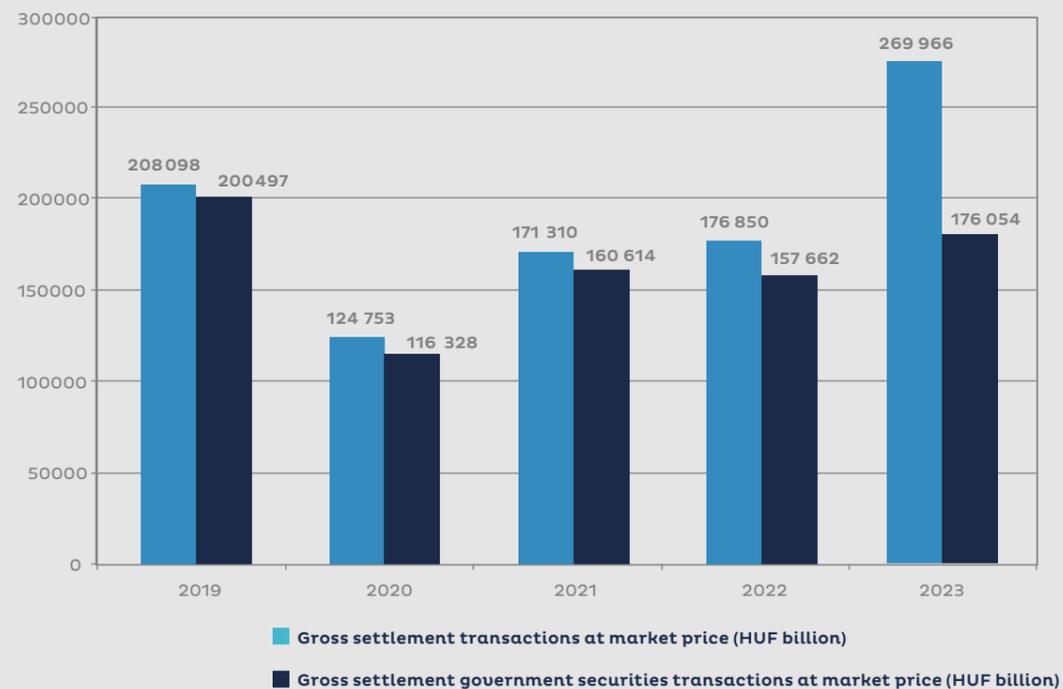
Settlement of securities transactions in HUF

The turnover of OTC transactions of gross settlement realized with KELER increased by 53% in 2023 compared to the previous year, totalling HUF 269.966 bln. In contrast to a major increase in the value of turnover, the number of transactions decreased slightly by 7% over the period under review. The trend observed previously remained unchanged compared to 2022, with an increase in the number of government securities transactions of gross settlement (53.5% of the total number of transactions), while in 2022 these transactions accounted for 89% of the total value of securities transaction, in 2023 they accounted for 65%.

Number of transactions with gross settlement 2019 - 2023



Turnover of gross settlement transactions 2019-2023



International custody services

KELER's service related to international securities includes the custody of securities, the processing of securities transactions and the full management of corporate actions.

In 2023, there was a large increase in the value of the Asset under Custody (AuC) in regards of the foreign securities, given

that the year-end closing stock position increased by more than 76% compared to the previous year's closing stock position. The number of cross-border transactions, on the other hand, increased only marginally by 7.5%. In 2023, the market value of the year-end stock was EUR 3.488 mln, while the number of settled cross-border transactions was 6,975 unit.

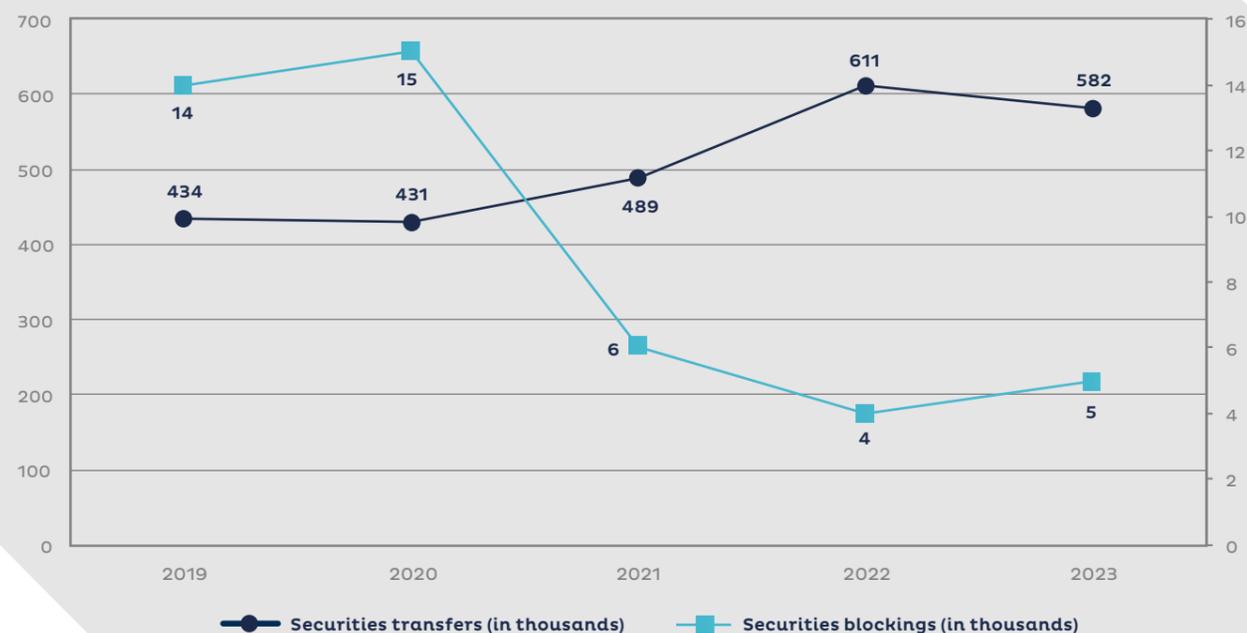
International custody services			
	2022	2023	Change
Transaction type (unit)	6,491	6,975	7,46%
Portfolio data (EUR)	1,978,577,074	3,488,299,591	76,30%

Central Securities Depository activity

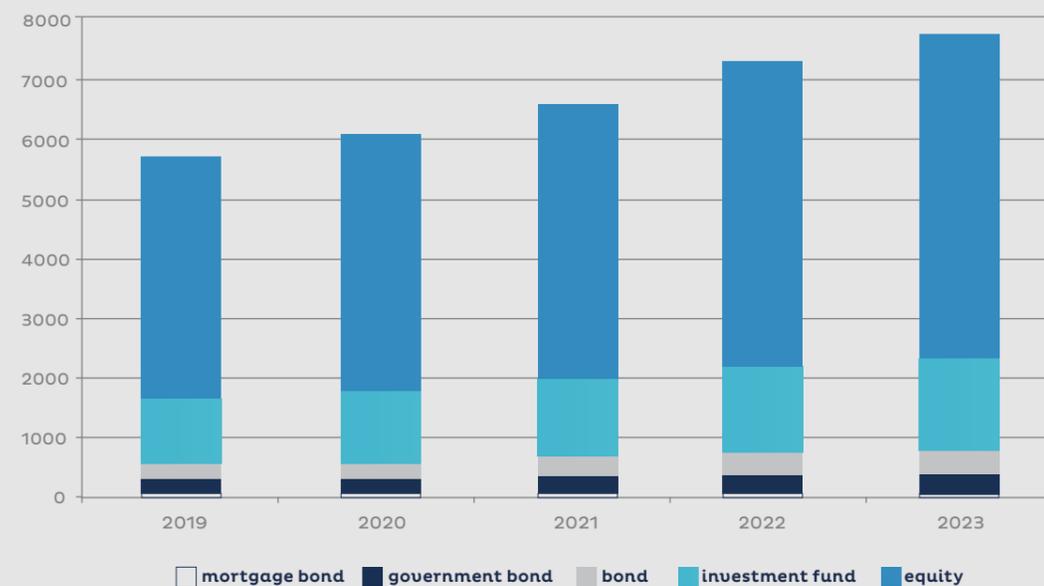
Series of dematerialized securities

On 31 December 2023, 7,648 live dematerialised securities series were recorded in the securities accounts with KELER, representing an increase by 5% compared to the 7,225 series recorded at the end of 2022. In addition to the increase in the number of series of government securities, the issuance of new series of bonds also increased above average.

Number of other securities transactions 2019 - 2023



Number of demat securities series by securities 2019 - 2023



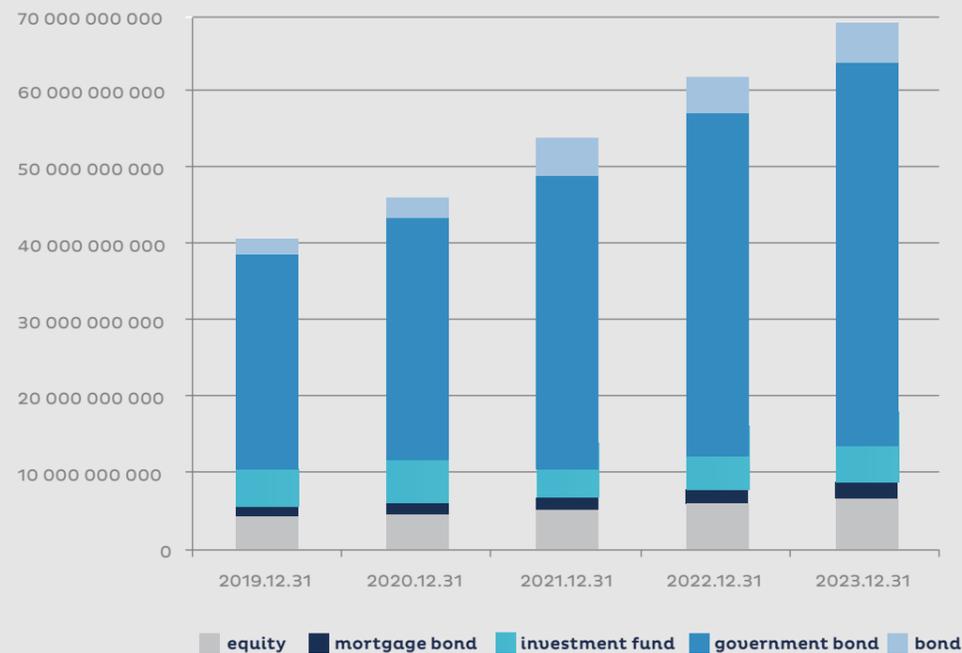
Portfolio of dematerialized securities held in central securities accounts

The portfolio of securities recorded in the central securities accounts at 31 December 2023, amounting to HUF 69,267 bln, showed an increase by 11.95% compared to a year earlier.

In addition to the increase in the number of government securities series registered in the central securities account, the stock of government securities increased by 10.7%, reflecting both the changed interest rate environment and the issuance of new government

securities with more favourable terms for the public, in line with the strategic objective of financing sovereign debt, expanding the domestic investor base and supporting the sale of government securities to the public. The significant increase in the bond portfolio (16.7%) was the result of the issuance of bonds by banks, while the increase in the investment unit portfolio (24%) was due to the top-ups of existing series.

Demat securities volume by securities type (in THHUF) 2019-2023



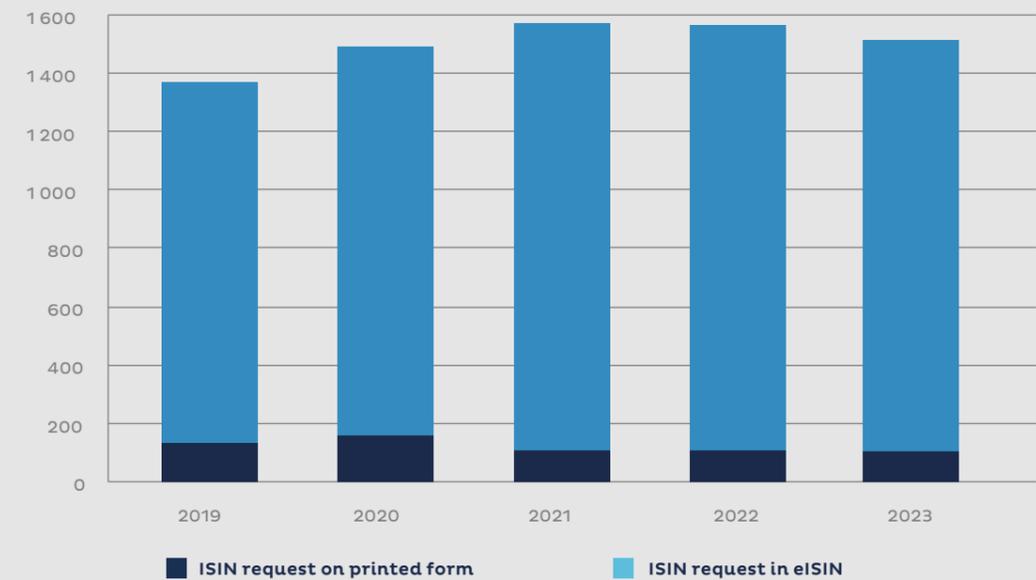
Securities code issuance

In 2023, issuers applied to KELER for 1,528 ISINs, which was 2.2% less than in 2022.

The number of ISIN applications initiated through the e-ISIN online system was approximately 90% in 2023 (89.4%).

By the end of 2023, KELER had allocated ISINs to a total of 35,370 securities, of which 16,645 active securities were recorded in the central securities register by the end of the year. The total number of ISINs registered for active derivative instruments was 14,745.

ISIN applications by channel 2019 - 2023



Investment units – WARP

In 2023, distribution data for open-ended investment funds units showed again a significant increase on a year-on-year basis, following the trend of previous years. Distribution instructions increased by the unprecedented rate of ca. 66% in 2023, which was again a new record high. In 2023, the number of instructions entered into the WARP system exceeded 2 186 000, after the previous record of 1 316 000 instructions in 2022.

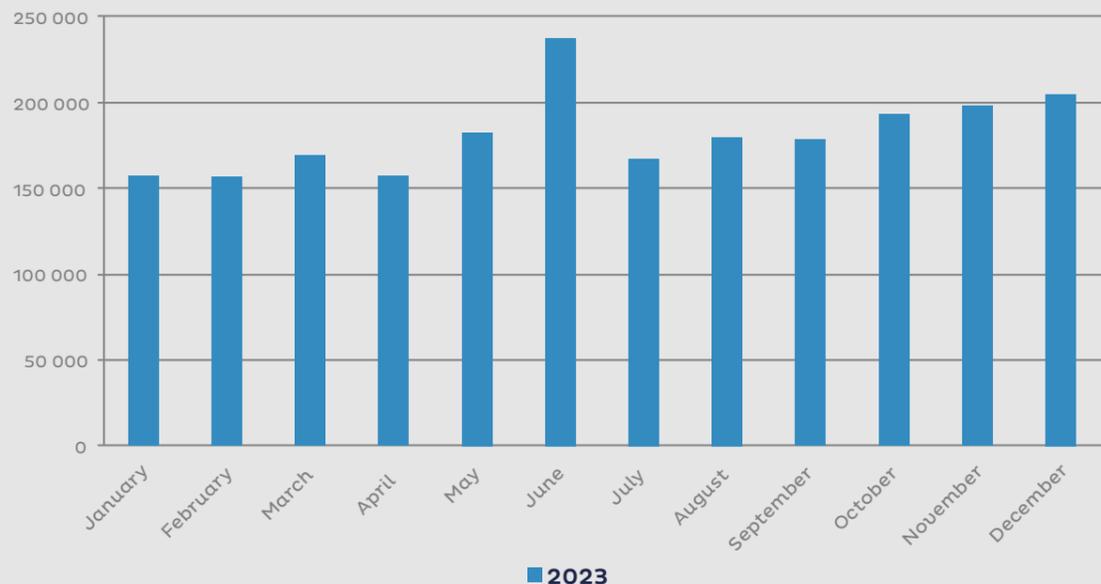
The first half of 2023 was a balanced period in terms of the number of instructions. After a one-off spike in June, the year ended with the steady growth seen in previous years. The monthly number of instructions entered into the WARP system exceeded 200,000 twice in 2023, which had also been unprecedented in the past.

In addition to WARP instructions, the number of first issuance and cancellation settlements executed on securities accounts in connection with investment funds units also showed an increase last year. While in 2022, nearly 241,000 settlement instructions were transferred by

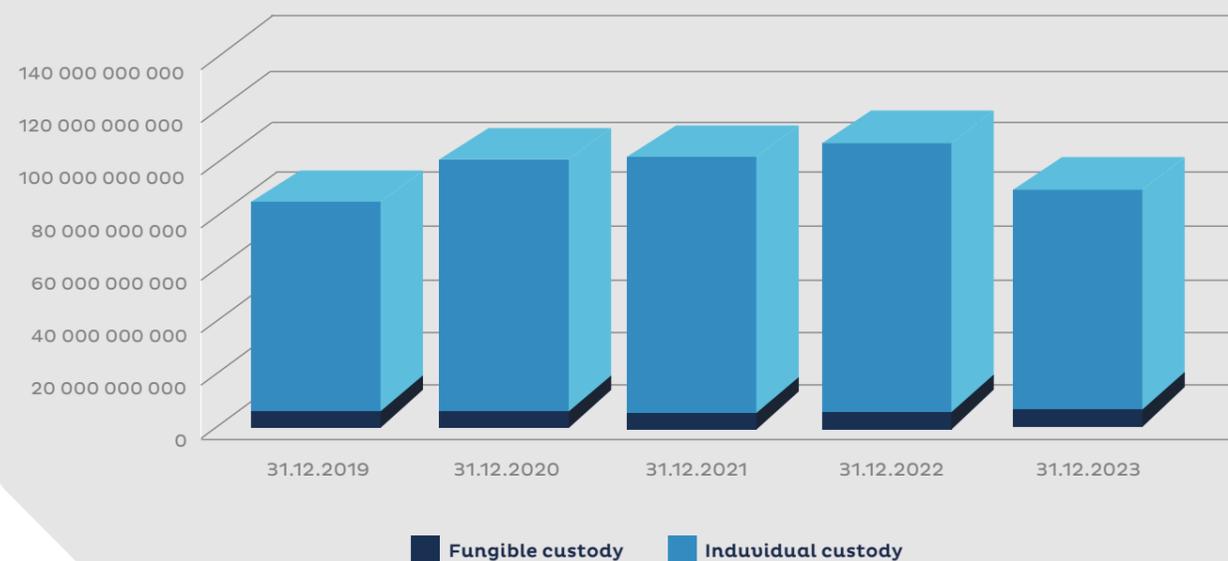
WARP to KELER's settlement system, in 2023 this exceeded 264,000. This represented an increase of approximately 9.5%.

Compared to 27 at the end of 2022, at the end of 2023 there were 32 distributors in the system, which meant an increase by 18.5% in a year. There was also an increase in the number of fund managers, with 38 entities registered in the system, one more than last year. The number of ISINs with an active status continued to grow in 2023 as well, following the trend of the past year. While at the end of 2022 there were 1,020 active status ISINs in the WARP system, at the end of 2023 the number was 1,074, representing a further increase of 5.3%.

Number of completed WARP instructions (pcs) 2023



Depository of print securities 2019 - 2023



General securities depository activity

Physical securities custody services

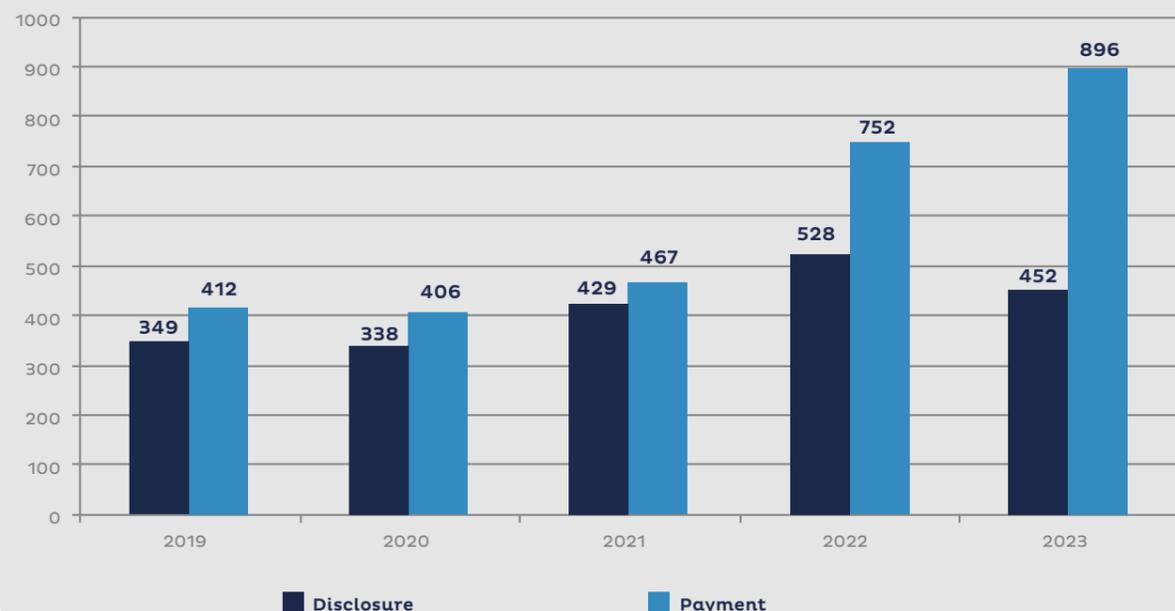
In terms of number of units, the portfolio of physical securities held in custody did not change significantly by the end of 2023 compared to previous year, decreasing by 5% in nominal terms. The portfolio of securities held in collective custody in the securities depository did not increase, while the portfolio of securities held in individual custody decreased by 13.7%. As of 31 December 2023, KELER had a total of 286,815 physical securities under its custody.

Management of orders related to corporate actions

KELER's additional activity as a central securities depository includes the provision of services related to the management of the register of shareholders, the preparation and management of general meetings, the shareholder's identification procedure, dividend payment, as well as the preparation of payment instructions by events.

In 2023, the number of payment instructions by event increased by 19.1% compared to 2022. This increase was due to an increase in the number of payments related to securities issued by the ÁKK.

Corporate actions 2019 - 2023



Market reports

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

At present, data can be reported through the KELER TR system in accordance with the EMIR (European Market Infrastructure Regulation - 648/2012/EU), REMIT (Regulation of wholesale Energy Market Integrity and Transparency - 1227/2011/EU), MiFIR (Markets in Financial Instruments Directive - 2014/65/EU) and SFTR (Securities Financing Transaction Regulation - 2015/2365/EU) regulations. The delivery of trade data to the destination (trade repository, competent EU and national authorities, website) is realized through KELER's own infrastructure, on a common platform.

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

Within the framework of the service, it is necessary to regularly carry out improvements required by changes in legislation or message standards, all of which were implemented by KELER in 2023 as well.

The individual elements of the service package were used by around 170 contracted clients in 2023, more than 40% and more than 25% of whom were foreign market participants and capital market participants, respectively.

PRIORITY PROJECTS AND SERVICE DEVELOPMENTS

In the past year, KELER's development portfolio was predominantly characterised by regulatory and compliance-type development tasks, and IT and cyber security developments related to the umpteenth sanctions and geopolitical measures taken as a consequence of the war situation and planning and analysis tasks related to the implementation of the new strategy to become a national excellence were given the highest priority. In addition, IT renewal continued, with the phasing out and technological upgrade of obsolete systems, the final phase of the CPS programme was completed, and the data corridor project, which has been a key project in recent years, was completed as part of the data reporting to authorities related to mandatory NBH reporting.

Review of the the strategy of KELER Group

Following the adoption of the new business strategy for the period 2023-2027 in December 2022, the tasks following the establishment of the business strategy were carried out in 2023. These included the creation of an implementation plan with a breakdown of the strategic objectives into operational and project tasks, the development of the IT and security sub-strategies, the conceptual design of the umbrella project for domestic excellence, and the development of a set of key indicator measurement systems and internal process rules for monitoring the implementation of the strategy.

Strategy implementation - Process optimisation and organisational development

The process assessment and organisational development project included a survey and analysis to support the realisation of the goal of domestic excellence as set out in KELER's Business Strategy 2023-2027 as the "zero" step of the strategy implementation.

Within the scope of the task, a high-level mapping of the process groups supporting the services of the organisation was carried out in terms of the realisation of the strategic goal of domestic excellence, the identification of process improvement potentials in the selected thematic areas that contribute to the main strategic objectives of the organisation, as well as the rethinking of the organisational structure affected by changes to services and business processes along the KELER strategy and the formulation of proposals for an optimal operating model.

Strategy implementation - Discontinuation of the LEI code issuing activity

KELER completed the phase-out of the LEI code issuing activity by the end of April 2023 deadline, set at the start of the project aimed at the returning of the LEI code issuing licence, observing the tight internal and statutory deadlines

(announcement and information obligations, contract termination and account cancellation deadlines, policy amendments, etc.). The termination of the service took place on 25 April and the shutdown and decommissioning of the IT systems took place 3 months later, in accordance with the GLEIF contract.

Strategy implementation – Implementation of operation without a banking licence

When adopting its strategy for the period 2023–2027, KELER was mandated to start the assessment and development of the model of operating without a banking licence, while at the same time starting preparations for the return of the banking licence and preparing the depository and the market for the future model of operating without a banking licence. As part of the project which started in February, KELER presented, at the Board meeting held in September 2023, the future model for forint account management and DVP settlement in domestic currency, also validated by the NBH, and presented it to customers in the form of market consultation. Subsequently, the Board of Directors called upon the management to carry out further analytical work to provide a more detailed basis for the preparation of the decision to return or maintain the licence, which is expected to be proposed in the second quarter of 2024.

Strategy implementation – Review of the Cross-Border business line

In the first phase of the project, all service elements of the business line, the supporting business, IT, operational and project processes, as well as the IT systems and system links that support each activity were assessed and a detailed cost-benefit analysis of the service was completed. In addition, two tender processes were initiated and carried out, with the invitation of international depositories and global subcustodians. One of these processes was intended to "tender" the service provided as part of the current model and to assess whether better pricing could be achieved in the short term by retaining or changing the current provider. In the second process, we are also looking at new, non-traditional options and potential business models that could provide a service which would be more cost-effective, operationally efficient and sustainable than the current one in the long run.

The two processes were concluded in early September, the results were reported at the November meeting of the Board

of Directors and the best offer for the current model was adopted at the December meeting, but the analysis to streamline the business line continues in 2024 as well.

Introduction of the compliance monitoring system

The money laundering filtering function for customers and transactions is provided by the Safewatch system introduced in 2021. The online filtering of SWIFT and SEPA transactions introduced in previous years was extended in 2023 to include the online filtering of GIRO IG2 forint transactions as well. Thus, by extending the online AML filtering to this group of transactions, the project successfully achieved its objective.

Changes to mandatory NBH reports

The reporting obligations for the statistical data reports issued by the NBH are implemented by KELER in a separate project year by year. Following the completion of the mandatory changes in 2022, the elements of the extended scope were also delivered in the project and went live in 2023, so it was successfully concluded. The project established a single consolidated data source for the reports and increased the automation of the processes that produce the reports, which significantly reduced the potential for errors.

TR development due to EMIR REFIT

ESMA has announced significant legislative changes to the EMIR REFIT technical standards, which will result in all messages moving to ISO20022 format. This will affect all message types and is expected to be accompanied by business logic and content changes. The overall upgrade, which will be rolled over to 2024, will affect nearly 10 systems and is scheduled to go live in April.

Assessment of the processes of the Business Directorate

The project to assess the processes of the purchasing, controlling and accounting functions of the Business Directorate completed a situation assessment in 2023, formulating recommendations for efficiency enhancement and the improvement of controls. The external consultant contracted for the project presented its findings and recommendations at a meeting of the Supervisory Board in early 2024, and a separate action plan will be prepared for their implementation.

KELER – NBH data corridor

As a result of a multi-year project, in October 2023, the functionality was made live, enabling KELER to transmit both its master data and transaction data to NBH on a daily basis. This made it possible to integrate this basic data into the NBH's data warehouse and thus make it analysable from a business perspective. The daily data transfer allows transaction data to be available at the elementary level in NBH's records, which also allows for more accurate transparency and deeper analysis.

IT Infrastructure transformation

The project launched in the second half of 2023 aims to transform the entire core IT infrastructure (network, servers, application servers). The design of the project will include capacity tuning, licence optimisation, security enhancement and cost reduction. All infrastructure elements of the KELER infrastructure are directly involved in this project, whereas all applications are indirectly involved. Due to its complexity, the implementation will continue in 2024.

SWIFT release 2023

The project, which was launched to implement the new SWIFT-published message standard, updated the message conversion specification and implemented several related improvements to specific business applications, client relations and message communication systems. Last year's release caused significant changes in the message schemas for the management of corporate events, in particular with regard to data fields, field level and value sets.

Development of a task registry system

The aim of the project is to develop a task tracking system to record and track in a consistent manner the tasks defined by the control areas, regulatory and other audits, owners and the Chief Executive Officer. The project is planned to be completed in 2024, following the analysis and specification phase.

SFTR schema change 2023

In relation to the SFTR reporting related to the data reporting regime provided under the Market Reporting business line, Regis-TR announced that it would have to change the message schema used for SFTR reporting within one year due to ESMA requirements, and the live date should be in September 2023. The change required improvements in both the KELER TR system and the underlying layers. The development work required the systems to be prepared to receive reports using the new schema and to modify the interface data loading function to transmit messages to REGIS-TR in the appropriate format. The go-live was successfully realized by the statutory due date announced.

KSZP follow-up

Following the closure of the KSZP, this project was set up to test the functions and reports that are not critical for the improvements implemented in the KSZP to go live, and was closed after the successful delivery.

EOS Programme – Software environment upgrade

EOS – Upgrading of unsupported systems

This project involved upgrading the architecture supporting the expired vendor supported infrastructure and business systems over the past year. The project was planned to involve the migration of 38 business applications and components to new vendor-supported infrastructure in two phases. The first phase included 28 business-critical applications, of which 5 applications successfully went live by the end of July 2023, following successful testing of the specification-based enhancements.

EOS – Framework System Spring upgrade

The objective of this task is to upgrade Spring version 5.1, which is no longer supported, and thus the framework system implemented by KELER will also be maintained in the second phase of the EOS project.

In addition to the Spring version upgrade, it has been investigated which dependencies are still included in the components, so these dependencies will also be upgraded to the latest version supported by Spring 5.3.

During the analysis and planning process, several application dependencies were identified, 7 applications went live in 2023 and the implementation for ALMA is planned for 2024.

EOS – KSB and ESB WIN broker upgrade

Given that ESB WIN broker is running in an unsupported environment, legal compliance justified its replacement and its implementation in the KSB application. At the same time, it was necessary to upgrade the KSB broker to the supported ACE12 version.

According to the first phase of the exercise, which started in 2023, the upgrade of the KSB broker to ACE12 was completed in September, and the second phase - the implementation of the ESB WIN broker in the KSB application - is expected to be completed in early 2024.

EOS – DP replacement

The DP system will be phased out due to the obsolescence of the DP messaging system, which will be replaced and implemented in the KSB application to meet legal compliance requirements. The task launched in 2023 is in the analysis phase and its implementation can start in 2024.

EOS – DWH migration

This task, currently under analysis, is part of the EOS programme and aims to migrate the data warehouse to an Oracle version 19 database. In addition to migrating data, the project also aims at developing new schemas and reengineering the loading procedures.

Terminal server and Office software replacement

The replacement of the Office software suite includes all components of the suite.

The objective is not only to replace Office but also the environment running it. The implementation of the task, which will start in 2023, is scheduled in several phases, with the final go-live scheduled for the first half of 2024, following successful IT and business testing.

EOS – KTEK, MTEK, RCMS broker upgrade and technology tests

KTEK/MTEK and RCMS broker applications are running in an unsupported environment. Due to legal and compliance issues, it became necessary to upgrade the systems and install them to a supported environment and perform the necessary technology tests. The task was successfully completed in October.

CLIENT RELATIONS

Domestic Client Forums in 2023

NSG meeting

The T2S National Interest Group (HU-NSG) held two online meetings in 2023, on 21 June and 4 December 2023. At the June meeting, NBH reported on the meeting of AMI-Seco as of 16 June 2023, the main topics of which were the review of the operation and governance of AMI-SeCo, the status of the ECMS project, post-trade harmonisation and the ISO20022 migration.

At the December meeting, the agenda for the meeting as of 8 December 2023 was presented, including a status assessment on the ECMS project, Post-trade harmonisation and T2S issues and a brief presentation by NBH on the ESMA consultation on shortening the settlement cycle for securities transactions and the establishment of the AMI-SeCo ISO20022 migration strategy working group.

Users' Committee

KELER Users' Committee held two meetings in 2023: its 10th meeting since its creation was held on 1 June 2023, whereas its 11th meeting was held on 1 December 2023.

At the June meeting, KELER informed the Committee about changes to its General Business Rules, availability, the findings of external audits, changes to the Recovery Plan, and the action plans proposed in connection with KELER's new strategy for 2023-2027.

At the December meeting, the Committee elected its new chairperson, the order of business of the Committee was amended and the founding charter was repealed, and KELER reported to the Committee on availability, the findings of external audits, the outcome of the client satisfaction survey and gave a short status report on the new KELER strategy, the new legislation on the management of the Register of Shareholders and the resolution investigation.

Domestic client meetings

On 3 April 2023, KELER 2023 convened a short client roundtable discussion to present KELER's strategy for 2023-2027. At the meeting, KELER presented the main directions of the strategy and the expected schedule of the planned projects.

On 5 June 2023, other market participants were also informed about KELER's strategic plans in an online client forum.

In addition, as regards the plans for the returning of the banking licence of KELER, which is considered as an important project of the new strategy, KELER held two consultations and working group meetings with a narrower group of financial institutions (the most relevant among market participants) on 26 September and 16 October 2023.

In addition to the above, several client meetings of a smaller number of participants were also held at senior, middle management and operational levels on topics agreed upon in advance.

Representation in international professional organisations in 2023

ECSDA

The European Central Securities Depositories Association (ECSDA) is an organisation unifying European central securities depositories (CSDs), which aims to find common solutions and establish common principles for efficient international securities trading and settlement. The association actively represents the interests of the central securities depository (CSD) community and engages in dialogue with European authorities and other professional organisations in order to create an efficient and secure infrastructure for European financial markets. In practice, ECSDA is the "lobby organisation" for CSDs. Currently, 40 CSDs from 36 countries are represented in the organisation.

KELER also participated regularly and actively in the 2023 meetings of the working groups organised and run by ECSDA, thus supporting the expert work of the dedicated groups on specific technical topics and the integration of international practices and expectations into national practice. In addition to SDR compliance and regulatory issues, the 2023 year continued to focus on the T+1 settlement cycle, international harmonisation efforts, the ESG, the rise of artificial intelligence (AI) and changes to the law governing the operation of the depositories (CSDR).

ANNA

The Association of National Numbering Agencies (ANNA) is a global industry organisation, currently active in nearly 120 countries (International Organisation of Securities Identification Number Issuing Agencies). Its membership includes national banks, central securities depositories, stock exchanges, data providers and regulators, all of whom are national code issuers in their own countries. The aim of the organisation is to facilitate, standardise and promote the use of global standard identifiers, in particular ISIN, CFI and FISN codes.

KELER communicates the ISIN codes issued by KELER and their related data on a daily basis to ANNA.

INFORMATION TECHNOLOGY

As in every year, the primary task for the IT area was to ensure a high level of availability for clients in 2023 as well. A new availability policy, developed in cooperation with the NBH, was introduced from 01.01.2023. As a result, KELER's business availability is now measured and reported for each service individually. The annual Client Availability Rate for the depository was 99.917% in 2023. Several infrastructure improvements were implemented during the year. In the backup environment, outdated tape units were replaced with new type LTO9 units. Together with the manufacturer and partner support provided, these devices will ensure that the storage and retrieval of saved files should be efficient in the long term, both in terms of the number of tapes and the retrieval time for the increased data volume.

As part of the renewal of the office environment, the ageing VDI devices and low-end laptops provided for home office work, which had been purchased at the beginning of the pandemic and had since become significantly worn, were replaced by a single device. The new devices are business-grade laptops with manufacturer support for their intended lifetime, with on-site repairs if required.

During 2023, we also reviewed the efficiency of our infrastructure from a licence utilisation perspective and proposed a redesign. The proposal was accepted by the Board and we started the implementation of the redesign, which will be completed in 2024. As part of the redesign, the HP servers serving the test environments, which are currently more than 10 years old, will be replaced, namely by replacing the 5 year old DELL servers with newly acquired servers, thus ensuring the right operational environment for the live environment.

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

In order to make the operation of the data reporting area even more efficient and stable, a new department, the Data Asset Management Department (AVGO), was established at organisational level on the side of the data warehouse team, where reporting colleagues also joined the former data warehouse team.

The NBH recommendation published in 2023 requires the establishment and maintenance of a reliable, transparent, controlled and efficient data reporting operation, whereby data reporting processes are capable of ensuring that data are delivered on time, to the appropriate quality and that they respond to changes as flexibly as possible.

The newly created area was in charge of automating the production of data for the year 2023, while ensuring day-to-day operations as much as possible. The initial objective was to automate the reporting to supervisory authorities, which was successfully implemented in the second half of the year, with the specification process was also part of the task, with the involvement and support of business colleagues in the department.

In 2023, the replacement of the system of Banksoft continued and was successfully completed, automating the reports previously produced manually by AVGO in addition to the mandatory reports.

By the end of the year, we successfully completed to go-live and the automation of our annual mandatory reports P44, P49, P67, P68, as well as our Supervisor and ECSDA reports.

RISK MANAGEMENT

KELER consciously takes certain risks in relation to the services it provides. Risk-taking constitutes an integral part of KELER's core activity, adapted to its specific tasks among financial institutions and to the possibilities offered by legislation. Accordingly, the objective of risk management is not to minimise risk, but to ensure that the risks inherent in KELER's activities are properly identified, measured, managed and contained within defined limits so that the level of risk generated does not jeopardise the continuity of business operation.

The basic principle for risk taking is that KELER should always have a stable capital position, that its risks should be clear, transparent and adequately covered, and that supervisory conditions, regulations and recommendations should be taken into account when taking risks. KELER's risk assumption may not jeopardise the stable provision of critical services and the interests of the clients who use them.

KELER shall, as appropriate, and at least annually, conduct a full review of its risks and any changes to its risk profile in a detailed report to the Board of Directors and the Supervisory Board. The annual assessment was carried out in 2023 as well, which shows that KELER's risk structure and risk management system are in line with its risk policy and risk appetite, and that it manages the risks it faces with the appropriate methods and to an appropriate extent.

Risk Committee

The Risk Committee is the body that deals with the overall risk management of KELER. Its purpose is to identify the risks falling within its powers and to make recommendations on their management. It reports to the Board of Directors and the Supervisory Board, and also informs the CEO on its activities. The Risk Committee can formulate opinions and make recommendations on KELER's current and future overall risk tolerance and strategy, and met four times in 2023.

Credit and counterparty risks

Compared to a classical commercial banks, the credit and counterparty risks faced by KELER are less complex and dominant. The treasury portfolio consists mainly of Hungarian government securities, complemented by mainly interbank lending and repo transactions. On the asset side, the risks related to the share in KELER CCP, exposures to CSD links and account management institutions arising from participation in the execution of cross border transactions, and the loans extended to KELER CCP can be highlighted.

In connection with trading in foreign securities, KELER maintains operational relationships with securities depository links and account management institutions. It is part of the day-to-day operations of KELER that the level of exposures arising from these relationships may vary significantly within and/or beyond a day as well, as a result of the trading activity of its clients.

For 2023, treasury counterparties, depository links, account management institutions and participations were also rated and a proposal was made to the Asset Liability Committee on the risks that can be assumed with these counterparties. As a result of the rating, it was concluded that KELER has low-risk counterparties. There were no material changes in the range of its treasury counterparties or in the type or volume of the transactions concluded.

KELER is less active in the foreign exchange market. In the majority of the cases, it participates in currency conversion transaction at the request of clients and typically of small amounts.

Counterparty risk is managed and aggregated at a client group level in accordance with the requirements, wherever relevant. Risk management tools include the counterparty limit system based on the counterparty rating system and its daily monitoring by the Risk Management Department. Country risk limits are also monitored on a daily basis in relation to counterparty risks.

Market risks

The most significant market risk for KELER is the forint yield risk. The daily calculations also include the interest rate risk of securities and KELER's own foreign exchange risk. In addition to the daily monitoring, the risk management area regularly performs yield stress calculations to the extent required by law. The volume of loss calculated using the stress parameters remained below the statutory level throughout the year.

With the available assets, KELER safely covered its NBH loan portfolio in 2023, which was also positively affected by the appreciation resulting from the decrease in yields.

KELER's specialised activities, including the ensuring of smooth settlements, makes it necessary for KELER to have liquid assets that can be mobilised quickly at all times. Partly as a result of this requirement, the range of assets that KELER

can hold is already strictly regulated by law. In addition to the legal constraints, KELER strives to select financial instruments which can be sold quickly, if necessary, to generate intraday liquidity. Liquidity risk is measured, monitored and managed on a daily basis.

Operational risks

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

The Operational Risk Management Framework aims to ensure that KELER is constantly aware of its own risks, and monitors, analyses and mitigates them where possible. Accordingly, it collects historical loss data and makes expert estimates. As part of the above, KELER also operates a Key Risk Indicators (KRI) system within its framework system to analyse trends in risk indicators and to forecast their possible occurrence.

The Risk Committee reviews the changes to operational risk indicators and discusses the events that have occurred quarterly, making recommendations for operational risk management, regarding the management or mitigation of the risks.

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

- risks related to participants, repositories, market infrastructures connected to the system of KELER,
- operational risks associated with major participants,
- operational risks associated with central securities depository relationships,
- risks associated with external service providers,
- IT risks concerning business processes.

The risk management departments in KELER cooperate with each other to improve the efficiency of risk management activities.

Capital adequacy

KELER pays particular attention to the management of business risks. Risks are assessed and defined on the basis of business plans linked to the strategy, along several hypothetical scenarios. The capital plan of KELER is deduced from the business plans. KELER's actual free capital at the end of 2023 demonstrates a stable capital position.

In 2023, NBH conducted both its annual SREP examination and its resolution assessment at KELER. The examinations covered the year 2022. The SREP examination included a review by the Supervisory Authority of some of KELER's capital calculation methodologies. The methodologies used were adopted and the new TSCR rate was also determined. The MREL ratio of KELER was also determined in the context of the resolution examination. The compliance with these ratios is significantly exceeded by KELER, also due to its strong capital position.

The main factors affecting capital adequacy are the share in KELER CCP and the deduction of the stock of intangible assets arising from developments from the equity capital, and the capital requirements for exposures arising from the cross border activities of clients.

PROCESS MANAGEMENT AND BUSINESS ANALYSIS

The Process Management and Business Analysis Department manages KELER's business process catalogue and provides its content to the areas requesting it. In 2023, the structural development of the business process related to the CSDR activity categories, as well as their multi-level management were established, and the harmonised application of the business process catalogue was launched across KELER's organisational units. The business process catalogue is the basis for measuring back the strategic objective of increasing automation according to the methodology developed.

As part of the implementation of KELER's business strategy, an assessment of the selected processes identified as priority areas (management of the Register of shareholders, shareholder's identification procedure, certification activity, cash account management, claims and portfolio management and development process) was carried out at the beginning of the year with the involvement of an external consultant. The overall objective of the assessment was to analyse the situation in order to move towards national excellence as set out in the strategic objectives, to identify the problems in the processes under review, to determine the resources required for the operational management of the business processes and to formulate recommendations for efficiency improvements. The findings of the analysis were channelled into the strategic projects of the business line (Project to operate without the need to return the banking licence, Project to achieve national excellence).

The scope of operational duties of the department included updating the fee calculation processes and assessing the related billing processes, as well as performing business analysis tasks for strategic projects and other development tasks of the business line.

HUMAN RESOURCES POLICY

In the field of human resources policy, fulfilling human resources needs remained the main task in 2023 as well, in addition to day-to-day operations and legal compliance. On 31 December 2023, KELER had 189 employees, and its Board of Directors was composed of 5 members.

HR's priority was to support the maintenance of a healthy balance between working at home and in the office, managing organisational development and providing for staff replacement due to staff turnover. In the selection process, the recruitment and integration of professionally qualified staff into the organisation and operations of the KELER remained a priority.

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

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

In the year 2023, the E-learning system was introduced, which is an online platform for conducting and recording internal training and education programmes, and which also provides access to the materials of internal training and education, a kind of knowledge bank.

The integration of new entrants is also served by the related exam, which is to be completed by new colleagues in the weeks following their entry.

The series of lectures launched in 2022 to promote internal knowledge sharing continued in 2023 as well. In addition, in 2023, we continued providing a range of training programmes, trainings and educational courses to enable our colleagues to expand and develop their knowledge, skills and abilities.

Last year, Human Resources Policy once again collected employees' opinions and conducted a complex company diagnosis for the fourth time. The survey examined the effectiveness of the Company and how this influenced the organisational culture, as well the impact of the interventions on the organisation from the perspective of executives and employees. The organisational development work which had started at the senior management continued based on the organisational diagnosis: an organisational development training session was held in November in a two-day timeframe.

KELER also continued providing its employees the possibility of working from home in 2023 as well with unchanged conditions, which had become widespread in practice in previous years and also provides advantage for KELER Group in the labour market.

In addition, an organisation-wide competency assessment was completed in the second half of the year. Certain competences were tested uniformly for all employees and each area identified the "skills" essential for its proper functioning individually. On the basis of the competency and knowledge map thus drawn up, the areas to be improved were identified.

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

INTERNAL AUDIT

In 2023, the Internal Audit carried out its activities on the basis of the annual work plan adopted by the Supervisory Board, based on risk assessment and risk analysis, the unscheduled audit needs and the internal control system's operating rules in force. In defining its audit tasks, it has made the examination of high-priority activities and processes and the operation of controls which present a risk a key consideration. The Internal Audit organisation also conducted the mandatory review of new or amended regulatory documents.

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

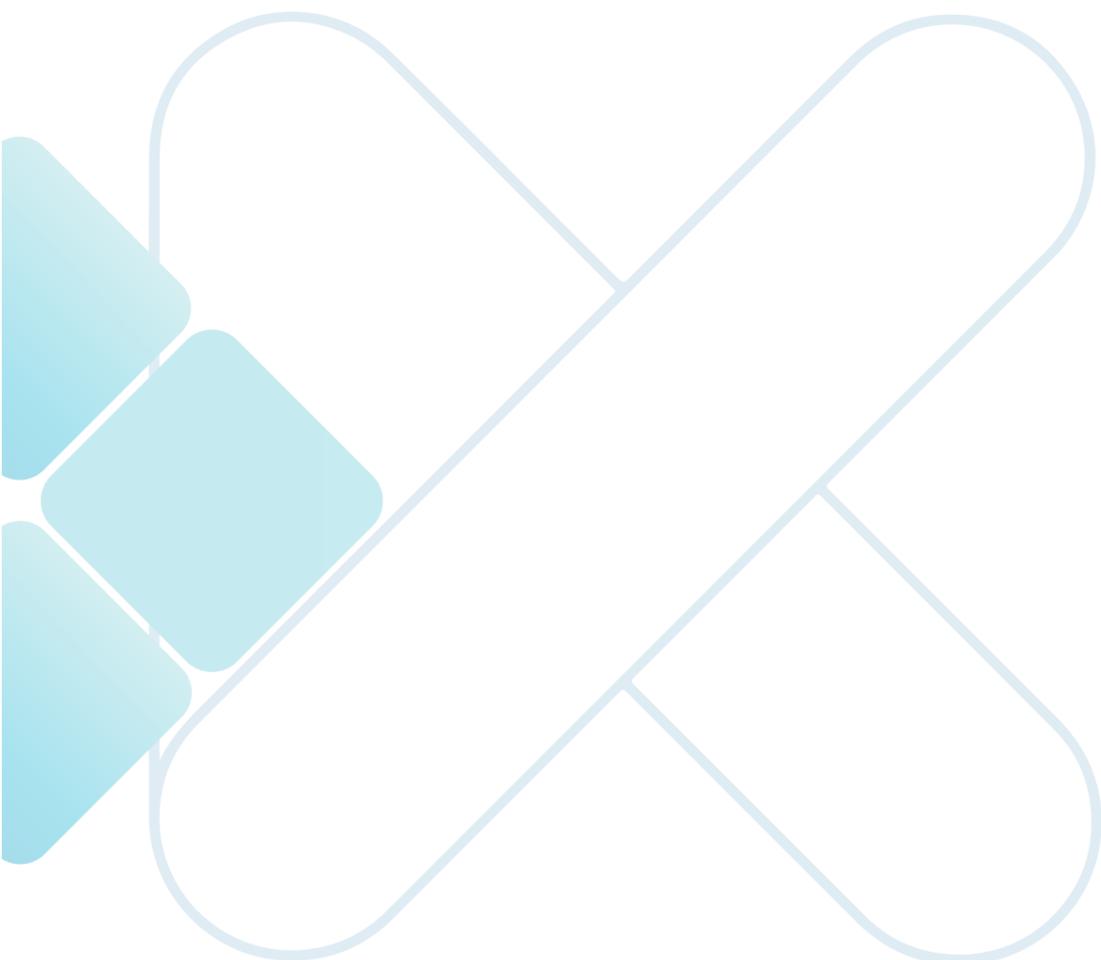
In the year of 2023, a total of 24 examinations were carried out at KELER, including 3 were over-planned examinations (implementation of the action plan relevant to Report No 49/2022) of NBH Internal Audit Office, 16 business and 8 IT-bank security related examinations.

Examinations:

- Examination of the management of purchases
- Implementation of the action plan relevant to Report No 49/2022 of NBH Internal Audit Office (I)

- Complaint management
- Examination of stocktaking of securities, securities depository activity
- Fine
- Implementation of the action plan relevant to Report No 49/2022 of NBH Internal Audit Office (II)
- Remuneration Policy
- ICAAP_ILAAP
- WARP
- Controlling
- Compliance
- Implementation of the action plan relevant to Report No 49/2022 of NBH Internal Audit Office (III)
- Central register of securities
- Data reporting
- Fee calculation
- Haircut
- Checking of KELER's compliance with ISO/IEC 27001:2014
- Checking of license management and source code deposit
- Examination of saving, archiving
- Examination of the provision and supervision of internal and external communication
- Outsourced activities
- SWIFT
- IT data reporting
- BCP/DRP

The inspections focused on compliance with legislation and internal rules and instructions, the operation of controls and the verification of security aspects, with particular attention being paid to the implementation of measures and recommendations deemed necessary on the basis of the weaknesses identified during previous inspections.



SECURITY MANAGEMENT

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

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

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

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



ENVIRONMENTAL PROTECTION



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

the organisation. Increasing KELER's digital preparedness and technological integration and encouraging the development of innovative digital solutions are essential to reduce the use of less environmentally friendly paper-based solutions as much as possible.

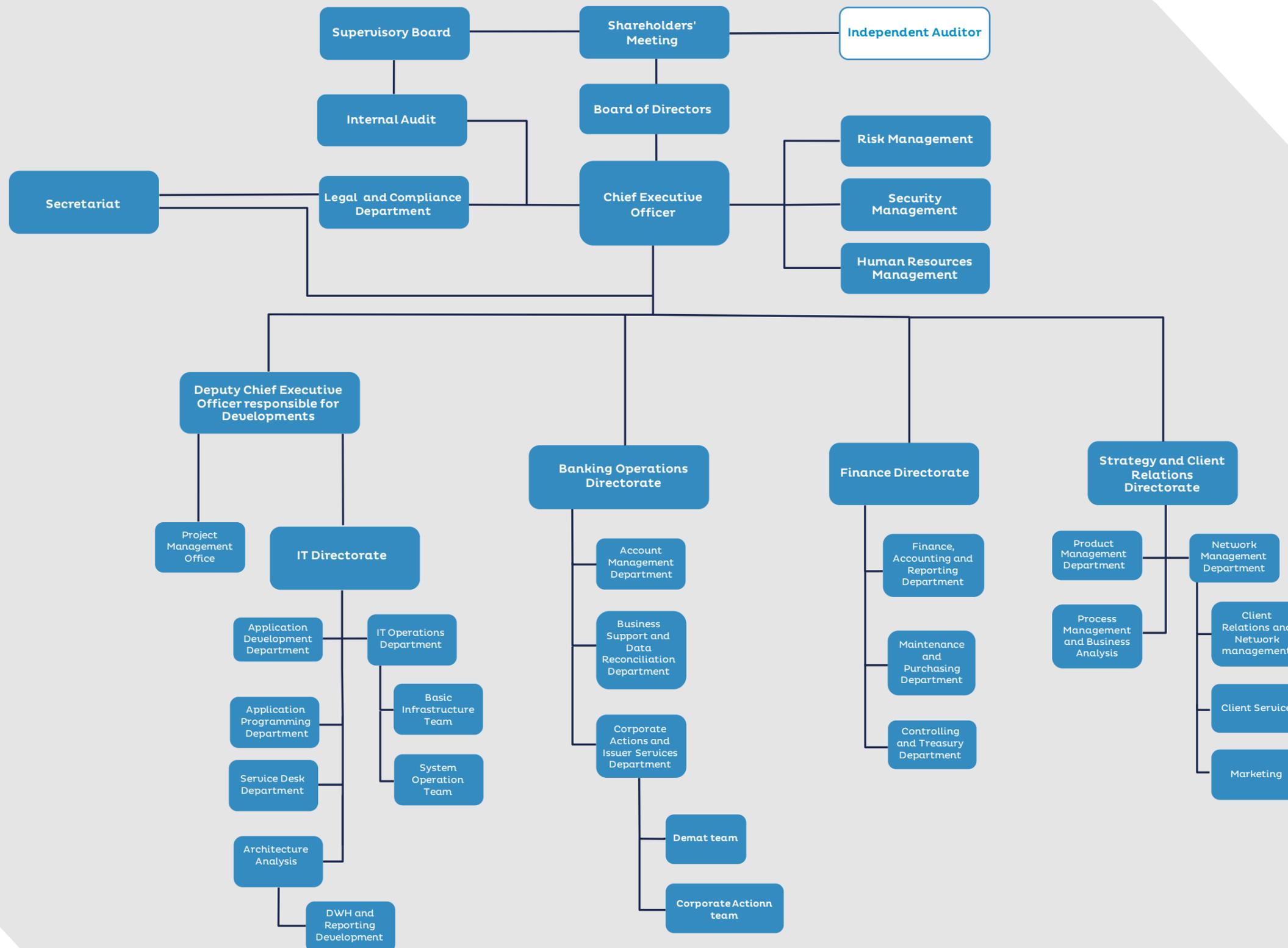
The KELER Group's own Green Office Programme aims at embedding environmental awareness in the corporate culture in the long term, reducing energy and paper consumption at company level and establishing a system of selective waste collection. The Group is also committed to the principle of responsible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

Continuous monitoring of the central printing fleet and data analysis ensure lower paper consumption for printing. And a motion-sensing lighting system in the leased building optimises power consumption, and the installation of low-flow taps in wet rooms will help reduce water consumption.

In 2023, KELER Ltd. prepared its ESG Sustainability Strategy related to its business strategy. In developing its ESG strategy, KELER Ltd. focused on the sustainable development goals of the UN, such as actions against climate change, health and well-being, quality education and reducing gender inequality. In line with its strategic objective of national excellence, KELER considers it a priority to improve the digital maturity of

ORGANIZATIONAL STRUCTURE

(AS OF 31 DECEMBER 2023)



MANAGEMENT



MR GÁBOR HORVÁTH
Chief Executive Officer



MR LÁSZLÓ BERÉNYI
Deputy Chief Executive Officer
responsible for Developments



MS TÍMEA BARTAL
Director of Strategy
and Client Relations



MR ISTVÁN HERCZEGH
Director of Finance



MS ORSOLYA TÓTH
Director of Banking Operations

MEMBERS OF THE MANAGEMENT

Chief Executive Officer

Mr Gábor Horváth
from 29 November 2022 until 29 March 2023
Instead of the CEO of KELER Zrt.,
Deputy Chief Executive Officer responsible for Developments
CEO from 29 March 2023

Director of Operations

Gábor Horváth
until 29 March 2023
Instead of the CEO of KELER Zrt.,
Deputy Chief Executive Officer responsible for Operation

Mr Orsolya Tóth
from 29 March 2023

GENERAL INFORMATION

Effective between 1 January 2023 and 31 December 2023

Ownership structure

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

BOARD OF DIRECTORS

Chairman:

Mr Zsolt Selmeczi-Kovács dr.

Members of the Board of Directors:

Mr Csaba Kornél Balogh
Mr Zsolt Kuti
Mr Richárd Végh
Mr István Máté-Tóth
Mr Gábor Horváth
Mr László Berényi (from 24 January 2023)

Supervisory Board Chairman:

Mr Róbert Taczmann

Members of the Supervisory Board:

Mr Klára Pintér (until 25 April 2024)
Mr Lóránt Varga
Mr Balázs Visontai
Mr Bálint Ádám Gergely
Mr Gábor Péter Nagy (from 25 April 2024)

CONTACT

CONTACT

Address: Rákóczi út 70-72., 1074 Budapest,
Hungary

Mailing address: H-1426 Budapest, POB 57

Phone: +36 1 483 6100

Fax: +36 1 342 3539

E-mail: keler@keler.hu

Home page: www.keler.hu

CENTRAL CLIENT SERVICE

Monday to Friday from 9.00 until 15.00

Phone: +36 1 483 6240

Phone: +36 30 481 4331

E-mail: ugyfelszolgalat@keler.hu

SERVICE DESK

Available from 7.00 until 20.00

(Monday - Friday)

Phone: +36 1 483 6228

Phone: +36 1 483 6120

