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**Interactive Brokers Central Europe Zrt.**

*Separate Financial Statements  
and  
Independent Auditor's Report*

December 31, 2022

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Interactive Brokers Central Europe Zrt.

### *Report on the Audit of the Financial Statements*

#### **Opinion**

We have audited the financial statements of Interactive Brokers Central Europe Zrt. (the „Company”) for the year 2022 which comprise the statement of financial position as at December 31, 2022 – which shows a total assets of EUR 2,212,921 thousand –, and the related statement of recognized income, statement of comprehensive income – which shows a net profit for the year of EUR 42,795 thousand –, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS”), and the financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (the „Accounting Act”) relevant to the entities preparing financial statements in accordance with EU IFRS.

#### **Basis for Opinion**

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

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

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

### ***Key Audit Matters***

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

We have determined that there are no key audit matters to be communicated in our audit report.

### ***Other Information: The Business Report***

Other information includes the business report of the Company for 2022. Management is responsible for the preparation of the business report in accordance with the relevant provisions of the Accounting Act and other regulations. Our opinion on the financial statements provided in the section of our independent auditor's report entitled „*Opinion*” does not apply to the business report.

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

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

In our opinion, the business report of the Company for 2022 corresponds to the financial statements of the Company for 2022 and the relevant provisions of the Accounting Act in all material respects. As the Company is not subject to additional requirements under any other regulation in connection with the business report, we have not formulated an opinion on this matter.

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

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

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

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

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

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

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

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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***

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

#### ***Appointment of the Auditor and the Period of Engagement***

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 5 November 2020 and our uninterrupted engagement has lasted for 3 years.

#### ***Consistence with the Additional Report to the Audit Committee***

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on May 18, 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

#### ***Provision of Non-audit Services***

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

The engagement partner(s) on the audit resulting in this independent auditor's report is the signatory of the report.

Budapest, May 19, 2023



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

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

Registration number of statutory registered auditor: 007239

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Company Registration Number: 01-10-141029

**Interactive Brokers Central Europe Zrt.**

INDIVIDUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION

for the year ended 31 December 2022

# Interactive Brokers Central Europe Zrt.

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# Interactive Brokers Central Europe Zrt.

## Directors and Other Information

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### **Directors**

Miklós Hanti	Executive	Appointed on 23 September 2020
Gergely Gabler	Executive	Appointed on 16 February 2022

### **Supervisory Board Members (Non-Executive)**

Jenő Félegyházy-Megyesy	Independent	Appointed on 05 November 2020
László Czirják	Independent	Appointed on 05 November 2020
Dr. József Kapolyi	Independent	Appointed on 05 November 2020

### **Registered office**

1075 Budapest, Madách Imre út 13-14. A. ép. V. em., Hungary

### **Corporate office**

1075 Budapest, Madách Imre út 13-14. A. ép. V. em., Hungary

### **Auditor**

Deloitte Könyvvizsgáló és Tanácsadó Kft., 1068 Budapest, Dózsa György út 84/C, Hungary



# **Interactive Brokers Central Europe Zrt.**

## **Directors' Report**

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The Directors present their report and the annual financial statements of Interactive Brokers Central Europe Zrt. (the "Company") for the period from 1 January 2022 to 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

### ***Principal activities***

The Company, which is part of the Interactive Brokers Group, is an automated global electronic broker specialising in executing and clearing trades in stocks, options, futures, foreign exchange instruments, bonds, mutual funds, and exchange traded funds ("ETFs") on more than 135 electronic exchanges and market centres around the world and offering custody, prime brokerage, securities and investment lending services to clients.

The Company is regulated by the Hungarian National Bank ("MNB") which is a member of the European System of Central Banks ("ESCB"). The Company holds an Investment Firm license under Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers. This license was obtained on 12 December 2020.

### ***Business review***

The Company reported a net profit of €42.8 million for the period from 1 January 2022 to 31 December 2022. The net profit for the year was mostly driven by the company expanding the number of clients and higher net interest income.

The Company had €408.4 million in equity shareholders' funds, and net assets which included €137.5 million in cash and cash equivalents as at 31 December 2022.

### ***Capital management***

The Company is an investment firm and regulated by the Capital Requirements Regulation (CRR) – EU Regulation No 575/2013 of the European Parliament. The Company had regulatory excess capital of €351.2 million at 31 December 2022. Regulatory capital requirements have been met throughout the year ending 31 December 2022.

### ***Dividends***

No dividends are proposed for the year ending 31 December 2022.

### ***Corporate governance***

#### ***The Supervisory Board***

The Supervisory Board of Directors (the "Supervisory Board"), is the group of individuals chosen by the stockholders of the Company to promote their interests through the governance of the Company and to supervise the Executive Directors and the Chief Executive Officer ("CEO").

#### ***Internal accounting and financial controls***

The Directors are responsible for preparing the Directors' report and the Company's financial statements in accordance with applicable law. The Supervisory Board has established an Audit Committee that operates within specific terms of reference approved by the Supervisory Board. The Company's finance function is responsible for preparing the financial statements in accordance with IFRS and with respect to local legal requirements.

#### ***Audit Committee***

The Audit Committee is a separate committee that reports to the Supervisory Board. Its role is to oversee the adequacy of the internal control environment established by management in relation to the Company's businesses. The Audit Committee also assists the Supervisory Board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements, financial reporting process, and systems of internal accounting and financial controls. The Audit Committee draws on the work of the Company's Internal Audit Department and the Company's senior management team.

The Audit Committee was formed and was approved by the Supervisory Board in the first quarter of 2021.

# **Interactive Brokers Central Europe Zrt.**

## **Directors' Report**

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### *Risk Committee*

The Risk Committee is a separate committee that reports to the Supervisory Board. Its role is to review the Company's overall Risk Framework and advise the Supervisory Board on the Company's risk appetite by taking account of the current and future financial position of the Company. The Risk Committee also reviews amendments to the Company's risk policies including regulatory developments, and is responsible for overseeing all material aspects of the Company's risk management framework and corporate risk function, including the strategies, policies, procedures, processes, and systems established by management to identify, assess, measure, monitor and manage the major risks facing the Company. The Risk Committee draws on the work of the Company's Risk Department and the Company's senior management team.

The Risk Committee was formed and was approved by the Supervisory Board in the first quarter of 2021.

### *Remuneration and Nomination Committee*

The Remuneration and Nomination Committee is a separate committee that, in accordance with applicable laws, performs tasks related to remuneration and recruitment of senior officers. It is responsible for assisting the Supervisory Board on decisions regarding remuneration, including those which have implications for risk management of the Company.

The Remuneration and Nomination Committee was formally established in late 2022 but started its substantive activities in 2023.

### *Executive Committee*

The Executive Committee reports to the CEO and helps the CEO and make key decisions regarding the management of the Company, in line with the Company's strategic plan and as directed by the CEO.

### **Political donations**

The Company did not make any political donations during the year ending 31 December 2022.

### **Directors, Company Secretary and their interests.**

The names of the persons who were Directors at any time during the year ending to 31 December 2022 are set out on page 3. Neither the Directors, nor the Supervisory Board Members, have any beneficial interest in the share capital of the Company.

### **Accounting records**

The accounting records of the Company are available at 1075 Budapest, Madách Imre út 13-14. A. ép. V. em., Hungary. The responsible person for the supervision of the accounting records and tasks is Csaba Droppa (IFRS registration number: 209980).

### **Principal risks and uncertainties**

Information regarding the principal risks and uncertainties facing the Company and its management is described in "Note 3 – Risk management" of the financial statements.

### **Going concern**

The Directors have reviewed the business activities and financial position of the Company and have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors have prepared these financial statements on the going concern basis.

### **Auditor**

In accordance with the Section 40-41 § of the Act IV of 2006 on corporates and with the Section 155 § of the Act C of 2000 on accounting, a yearly audit is required for the Company's financial statements. The Company's auditor is Deloitte Könyvvizsgáló és Tanácsadó Kft.

The Directors have taken all requisite steps to make themselves aware of all audit information and to establish that auditors are aware of all such information and, so far as the Directors are aware, there is no relevant audit information of which the auditors are unaware.

# Interactive Brokers Central Europe Zrt.

## Directors' Report

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### Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations" (as defined in that legislation). The Directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the relevant obligations. A review of those arrangements and structures has been conducted in the financial year to which this report relates.

### Statement of Directors' Responsibilities in Respect of the Directors' Report and the Audited Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Directors present the financial statements in accordance with IFRS based on the Section 9/A. § (1) c) of the Act C of 2000 on accounting.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for the maintenance and integrity of the corporate and financial information relating to the Company. Legislation in Hungary governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position, and profit or loss of the Company and which enable them to ensure that the financial statements of the Company comply with IFRS. The Directors are also responsible for internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking all reasonable steps to ensure such records are kept by the Company. This enables the Company to ensure that the financial statements of the Company comply with the provisions of the Act C of 2000 on accounting.

The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report.

Approved by the Chief Executive Officer on 18 May 2023 and signed on behalf of the Company by:

Budapest, 18 May 2023



Miklós Hanti  
Chief Executive Officer



Gergely Gabler  
Deputy Chief Executive Officer

# Interactive Brokers Central Europe Zrt.

## Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
<b>Revenues</b>			
Commissions	4	34,663	26,586
Other fees and services	4	2,297	1,885
Other income	5	1,820	119
Total non-interest income		38,780	28,590
Interest income	6	87,711	14,052
Interest expense	6	(39,170)	(10,150)
Total net interest income		48,541	3,902
Total net revenues		87,321	32,492
<b>Non-interest expenses</b>			
Execution, clearing and distribution fees	7	20,347	14,105
Employee compensation and benefits	8, 9, 10	4,602	2,513
Occupancy, depreciation and amortisation	11	1,052	524
General and administrative	12	11,981	9,323
Customer bad debt		117	139
Total non-interest expenses		38,099	26,604
Profit before income taxes		49,222	5,888
Income tax expense	13	6,427	1,022
<b>Net profit</b>		42,795	4,866
<b>Comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income</b>		42,795	4,866

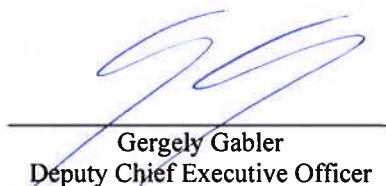
The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

Approved by the Chief Executive Officer on 18 May 2023 and signed on behalf of the Company by:

Budapest, 18 May, 2023



Miklós Hanti  
Chief Executive Officer



Gergely Gabler  
Deputy Chief Executive Officer

Company Registration Number: 01-10-141029

# Interactive Brokers Central Europe Zrt.

## Statement of Financial Position

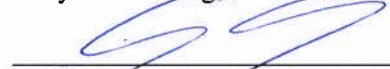
	Note	31 December 2022 € 000	31 December 2021 € 000
<b>Assets</b>			
Cash and cash equivalents	14, 15	137,474	89,801
Securities borrowed	14	71,912	62,015
Receivables from clients	14	1,172,057	1,134,397
Receivables from brokers and dealers	14, 22	813,212	80,773
Receivables from affiliates	14	217	67
Interest receivables	14	12,462	1,558
Total financial assets measured at amortised cost		2,207,334	1,368,611
Financial assets at fair value held for trading		202	5
Total financial assets measured at fair value through profit or loss		202	5
Property and equipment	16	3,021	1,881
Deferred tax assets	17	67	22
Other non-financial assets	18	2,297	2,381
<b>Total assets</b>		<b>2,212,921</b>	<b>1,372,900</b>
<b>Liabilities</b>			
Securities loaned	14, 22	72,253	62,015
Payables to clients	14, 22	1,716,236	518,039
Payables to brokers and dealers	14, 22	766	540,379
Payables to affiliates	14, 22	2,970	1,622
Interest payables	14, 22	4,623	1,035
Lease liabilities	14, 19	806	348
Current tax liabilities	14	5,413	1,009
Other financial liabilities	14, 20	1,471	2,865
Total financial liabilities measured at amortised cost		1,804,538	1,127,312
Paid but unregistered capital increase	23	-	110,000
<b>Total liabilities</b>		<b>1,804,538</b>	<b>1,237,312</b>
<b>Equity shareholders' funds</b>			
Share capital	23	4,683	2,383
Share premium account		356,400	128,700
Retained earnings		47,300	4,505
<b>Total equity shareholders' funds</b>		<b>408,383</b>	<b>135,588</b>
<b>Total liabilities and equity shareholders' funds</b>		<b>2,212,921</b>	<b>1,372,900</b>

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

Approved by the Chief Executive Officer on 18 May 2023 and signed on behalf of the Company by:



Miklós Hanti  
Chief Executive Officer



Gergely Gabler  
Deputy Chief Executive Officer

Company Registration Number: 01-10-141029

## Interactive Brokers Central Europe Zrt.

### Statement of Changes in Equity

	Share capital € 000	Share premium account € 000	Retained earnings € 000	Total € 000
<b>Balance at 31 December 2020</b>	1,083	-	(361)	722
Capital contribution	1,300	128,700	-	130,000
Net profit	-	-	4,866	4,866
Other comprehensive income	-	-	-	-
<b>Balance at 31 December 2021</b>	<u>2,383</u>	<u>128,700</u>	<u>4,505</u>	<u>135,588</u>
Capital contribution	2,300	227,700	-	230,000
Net profit	-	-	42,795	42,795
Other comprehensive income	-	-	-	-
<b>Balance at 31 December 2022</b>	<u>4,683</u>	<u>356,400</u>	<u>47,300</u>	<u>408,383</u>

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.



# Interactive Brokers Central Europe Zrt.

## Statement of Cash Flows

	Year ending 31 December 2022	Year ending 31 December 2021
	€ 000	€ 000
<b>Cash flows from operating activities</b>		
Net profit	42,795	4,866
Adjustments for:		
Deferred income taxes	(45)	14
Depreciation of property and equipment	644	269
Amortisation of costs to obtain contracts with clients	406	243
Bad debt expense	117	139
Change in operating assets and liabilities:		
Securities borrowed	(9,897)	(62,015)
Receivables from clients	(37,777)	(1,134,320)
Receivables from brokers and dealers	(732,439)	(80,647)
Receivables from affiliates	(150)	(67)
Interest receivables	(10,904)	(1,558)
Financial assets at fair value held for trading	(197)	(5)
Other assets	(322)	(2,540)
Securities loaned	10,238	62,015
Payables to clients	1,198,197	517,984
Payables to brokers and dealers	(539,613)	540,098
Payables to affiliates	1,348	1,424
Interest payables	3,588	1,035
Current tax liabilities	4,404	848
Other liabilities	(1,268)	2,810
<b>Net cash flows used in operating activities</b>	<b>(71,001)</b>	<b>(149,407)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,268)	(1,380)
<b>Net cash flows used in investing activities</b>	<b>(1,268)</b>	<b>(1,380)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(58)	(411)
Capital contribution	120,000	160,000
<b>Net cash flows provided by financing activities</b>	<b>119,942</b>	<b>159,589</b>
<b>Net increase in cash and cash equivalents</b>	<b>47,673</b>	<b>8,802</b>
Cash and cash equivalents at the beginning of the period	89,801	80,999
<b>Cash and cash equivalents at the end of the period</b>	<b>137,474</b>	<b>89,801</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash received as interest	76,807	12,494
Cash paid for interest	35,582	11,185

The accompanying notes on pages 11 to 35 form an integral part of these financial statements.

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

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### 1. Organisation of business

Interactive Brokers Central Europe Zrt. (the “Company”) is a private company limited by shares and is registered in Hungary. The Company was incorporated on 23 September 2020. The Company’s registration number is 01-10-141029 and the address of its registered office is 1075 Budapest, Madách Imre út 13-14. A. ép. V. em., Hungary.

The representatives of the Company required to sign the financial statements are Miklós Hanti (2627 Zebegény, Szőnyi István str. 25. Hungary) and Gergely Gabler (1112 Budapest, Bakfű utca 9).

The Company, which is part of the Interactive Brokers Group, is an automated electronic broker specialising in executing and clearing trades, through affiliated entities, in stocks, options, futures, foreign exchange instruments, bonds, mutual funds, CFD’s and exchange traded funds (“ETFs”) on more than 135 electronic exchanges and market centres around the world and offering custody, prime brokerage, securities and investment lending services to clients.

The Company is regulated by the Hungarian National Bank (“MNB”) which is a member of the European System of Central Banks (“ESCB”). The Company holds an Investment Firm license under Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers. This license was granted by the MNB on 12 December 2020.

The Company is wholly (100%) owned by IBG LLC (One Pickwick Plaza, Greenwich, CT, 06830, United States of America) (the “Parent”), a limited liability company organised in the United States of America (“U.S.”). The Company has several affiliates which are also majority owned by the Parent. The Parent and its subsidiaries, including the Company, are consolidated by Interactive Brokers Group, Inc. (“IBG, Inc.”), a publicly traded U.S. corporation.

### 2. Significant accounting policies

#### *Basis of presentation*

These financial statements are presented in Euro, which is the Company’s functional currency, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that have been issued by the International Accounting Standard Board (“IASB”) as adopted by the European Union. The level of rounding used in presenting amounts in the financial statement is thousand.

These financial statements have been prepared on a going concern basis and under the historical cost convention as modified to include the fair value of certain financial instruments to the extent required or permitted under the accounting standards and as set out in the relevant accounting policies.

#### *Use of estimates and assumptions*

The preparation of financial statements in conformity with IFRS requires the directors of the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosures in these financial statements and accompanying notes. These estimates and assumptions are based on judgment and the best available information at the time. Therefore, actual results could differ materially from those estimates. Such estimates include the allowance for credit losses, measurement of financial instruments, compensation accruals, income taxes, and contingency reserves, if any.

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

#### *New accounting standards and interpretations adopted in the current year*

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

- Amendments to IFRS 3 “Business Combinations”; IAS 16 “Property, Plant and Equipment”; IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Annual Improvements (effective for annual periods beginning on or after 1 January 2022),

The adoption of this amendment to the existing standards has not led to any material changes in the Company’s financial statements.



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### *New accounting standards and interpretations issued but not yet effective*

At the date of authorisation of these financial statements, there are new standards, amendments to the existing standards or interpretations which are issued by IASB and adopted by the EU and which are not yet effective:

- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 - Disclosure of Accounting policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023).

### *Standards and interpretations issued by IASB but not yet adopted by the EU*

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

- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to 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),
- Amendments to IFRS 17 “Insurance contracts” Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

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

### *Financial instruments*

#### *Recognition*

The Company recognises financial instruments when it becomes a party to contractual provisions of an instrument. The Company applies trade date accounting to all standard purchases and sales of nonderivative financial instruments.

#### *Classification and measurement*

Financial assets are classified based on the business model under which they are held and on their contractual cash flow characteristics. The business model reflects how the Company manages the assets in order to generate cash flows and achieve business objectives. Judgment is used in determining the business models. Financial assets are classified as measured at Fair Value Through Profit or Loss (“FVTPL”), unless certain conditions are met which permit measurement at Fair Value Through Other Comprehensive Income (“FVTOCI”), or amortised cost, as follows:

- FVTPL – financial assets measured at FVTPL are initially measured at fair value, with transaction costs being recognised in the statement of profit or loss. Subsequently, financial assets measured at FVTPL are measured at fair value with gains and losses recognised in the statement of profit or loss.
- FVTOCI – where the contractual terms of a debt instrument result in cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding, the debt instrument is classified as measured at FVOCI if it is held within a business model with the objective being achieved by both collecting contractual cash flows and selling financial assets. Gains and losses on financial assets measured at FVTOCI arising from changes in fair value are recognised in other

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comprehensive income except for credit losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets which are recognised in the statement of profit or loss. When a financial asset measured at FVTOCI is disposed of the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit or loss.

- Amortised cost – where the contractual terms of a debt instrument result in cash flows that are SPPI on the principal amount outstanding, the debt instrument is classified as measured at amortized cost if it is held within a business model that has an objective of holding financial assets to collect contractual cash flows. Financial assets measured at amortised cost are initially recognised at fair value plus directly related transaction costs and are subsequently measured at amortised cost using the effective interest method less allowance for credit losses, if any. Interest is recognised by applying the effective interest rate.

Financial liabilities are classified as either measured at FVTPL or measured at amortised cost, as follows:

- FVTPL – financial liabilities measured at FVTPL are initially measured at fair value, net of transaction costs. Subsequently, financial liabilities measured at FVTPL are measured at fair value with gains and losses recognised in the statement of profit or loss.
- Amortised cost – financial liabilities measured at amortised cost are initially measured at fair value, net of transaction costs. Subsequently, such financial liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to its initial carrying value.

### *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Company generally measures the fair value of financial instruments using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions. Exchange traded financial instrument's fair values at the end of the reporting period are measured using the respective exchange's closing prices. Fair values reflect the credit risk of the instruments and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate.

The Company applies the fair value hierarchy of IFRS 13, Fair Value Measurement, to prioritise the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are:

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.                              |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. |
| Level 3 | Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.   |

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If a market for a financial instrument is not active, the fair value of these financial instruments, which are generally comprised of securities that have been delisted or otherwise are no longer tradable, are valued by the Company based on internal estimates. Securities subject to corporate actions that have a determinable external price remain classified as Level 1 of the fair value hierarchy.

### *Impairment of financial assets*

At the end of each reporting period, the Company applies the simplified approach to the expected credit loss model to measure the allowance for credit losses on most financial assets classified at amortised cost. The expected credit loss model is forward looking. Measurement of the allowance for credit losses reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. The amount of the allowance for credit losses reflects changes in credit risk since the initial recognition of the financial instrument. When there is credit loss, the Company recognises the loss in the statement of profit or loss for the period.

### *Write-offs*

A financial asset and its related allowance for credit losses are normally written off in whole or in part when the Company considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Company have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered.

### *Derecognition*

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires, or the Company has either (i) transferred the contractual rights to receive the cash flows from the financial asset, or (ii) retained the contractual rights to receive the cash flows of the financial asset, but assumed a contractual obligation to pay the cash flows to one or more parties, subject to certain criteria. Transferred financial assets are derecognised if the purchaser has received substantially all the risks and rewards of the asset or a significant part of the risks and rewards combined with a practical ability to sell or pledge the asset. Financial liabilities are derecognised when extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expires).

### *Cash and cash equivalents*

The Company considers all highly liquid investments, with maturities of three months or less, that are not segregated and deposited for regulatory purposes or to meet margin requirements at clearing firms, to be cash equivalents.

The Company holds money on behalf of clients in accordance with the client money rules of the MNB. These client funds and corresponding liabilities are held off balance sheet since the Company does not have sufficient control of such client funds as they are held in a statutory trust with the clients as beneficiaries and the use of such client funds by the Company is severely restricted.

### *Securities borrowed and securities loaned*

Securities borrowed and securities loaned are recorded at the amount of the cash collateral advanced or received. Securities borrowed transactions require the Company to provide counterparties with collateral, which may be in the form of cash, letters of credit or other securities. With respect to securities loaned, the Company receives collateral, which may be in the form of cash or other securities in an amount generally in excess of the fair value of the securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as permitted contractually. Borrowed and loaned securities are due on demand and are subject to a three-day recall.

Rebates earned on cash collateral delivered or paid on cash collateral received are based on floating rates and are included in interest income and interest expense, respectively, in the statement of profit or loss.

### *Receivables from and payables to clients*

Client transactions are recorded on a trade date basis. Receivables from and payables to clients are measured at amortised cost and include amounts due on cash and investment loans, including futures contracts transacted on behalf of clients. Securities owned by clients, including those that collateralise investment loans or other similar transactions, are not reported in the statement of financial position. Receivables from clients that are determined by management to be uncollectible are recorded as customer bad debt expense in the statement of profit or loss.

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### ***Receivables from and payables to brokers and dealers***

Receivables from and payables to brokers and dealers are measured at amortised cost and include receivables and payables from unsettled trades, including amounts related to stocks, options, futures, contracts for differences (“CFDs”), and amounts receivable for securities not delivered by the Company to the purchaser by the settlement date (“fails to deliver”). Payables to brokers and dealers also include amounts payable for securities not received by the Company from a seller by the settlement date (“fails to receive”).

### ***Receivables from and payables to affiliates***

Receivables from affiliates includes payments made on behalf of affiliates primarily related to shared administrative costs based on service fee arrangements. Payables to affiliates include expenses paid by affiliates on behalf of the Company and shared administrative costs based on service fee arrangements. Receivables from and payables to affiliates are measured at amortised cost.

### ***Interest receivable and payable***

Interest is accrued on interest-earning assets and interest-bearing liabilities. Interest-earning assets consist of customer margin balances, balances held with banks and brokers and dealers, and other interest-bearing assets. Interest-bearing liabilities consist of customer credit balances, balances held with banks and brokers and dealers with negative interest rates, and other interest-bearing liabilities. Interest is included in interest receivable and interest payable in the statement of financial position.

### ***Property and equipment***

Property and equipment consist of right-of-use asset, computer equipment, office furniture and equipment and leasehold improvements. Property and equipment are recorded at historical cost, less accumulated depreciation and amortisation. Additions and improvements that extend the lives of assets are capitalised, while expenditures for repairs and maintenance are expensed as incurred. Depreciation and amortisation are computed using the straight-line method. Equipment is depreciated over the estimated useful lives of the assets. Right-of-use asset is depreciated over the shorter of lease term and useful life of the underlying asset. Computer equipment is depreciated over three to five years, and office furniture and equipment are depreciated over five to seven years. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the statement of financial position and any resulting gain or loss is recorded in other income in the statement of profit or loss. Fully depreciated (or amortised) assets are retired periodically throughout the year.

### ***Leases***

The Company reviews all relevant contracts to determine if the contract contains a lease at its inception date. A contract contains a lease if the contract conveys to the Company the right to control the use of an underlying asset for a period of time in exchange for consideration. If the Company determines that a contract contains a lease, it recognises, in the statement of financial position, a lease liability and a corresponding right-of-use asset on the commencement date of the lease.

The lease liability is initially measured at the present value of the future lease payments over the lease term using the rate implicit in the lease or, if not readily determinable, the Company’s secured incremental borrowing rate which is based on an internally developed yield curve using interest rates of third parties’ corporate debt issued with a similar risk profile as the Company and a duration similar to the lease term. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is initially measured at the value of the lease liability minus any lease incentives and initial direct costs incurred plus any prepaid rent. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of lease term and useful life of the underlying asset.

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Company recognises the lease payments on a straight-line basis over the term of the lease.

### ***Provisions and contingent liabilities***

Provisions and contingent liabilities are recognised when (i) the Company has a present obligation as a result of a past event; (ii) it is probable that an outflow of economic resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.



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## **Notes to the Financial Statements**

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### ***Offsetting***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a currently enforceable legal right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's principal trading activity.

### ***Revenue recognition***

#### ***Commissions***

Commissions earned for executing transactions are accrued on a trade date basis and are reported as commissions in the statement of profit or loss. Commissions are charged to clients for order execution services and trade clearing and settlement services. These services represent a single performance obligation as the services are not separately identifiable in the context of the contract. The Company recognises revenue at a point in time at the execution of the order (i.e., trade date). Commissions are generally collected from clients on trade date.

#### ***Other fees and services***

The Company earns fee income on services provided to clients, which includes risk exposure fees, minimum activity fees, and other fees and services charged to clients.

- Risk exposure fees are charged to clients who carry positions with market risk that exceeds defined thresholds. The Company recognises revenue daily as the performance obligation is satisfied at a point in time by the Company taking on additional risk of account liquidation and potential losses due to insufficient margin. Risk exposure fees are collected daily.
- Minimum activity fees are charged to clients that do not generate the required minimum monthly commission. The Company recognises revenue monthly as the performance obligation is satisfied at a point in time by servicing customer accounts that do not generate the required minimum monthly commissions. Minimum activity fees are collected monthly, in arrears.
- Other fees include currency holding fees, order cancellation or modification fees, position transfer and conversion fees, telecommunications fees, withdrawal fees, and data distribution forwarding fee, among others.

### ***Interest income and expense***

The Company earns interest income on interest-earning assets and incurs interest expense on interest-bearing liabilities, which are recorded based on the effective interest rate and are included in interest income and interest expense, respectively, in the statement of profit or loss. Interest is included in interest income when positive and in interest expense when negative in the statement of profit or loss.

### ***Foreign currency gains and losses***

Foreign currency balances are assets and liabilities in currencies other than the Company's functional currency (i.e., Euro). At every reporting date, the Company revalues its foreign currency balances to its functional currency at the spot exchange rate and records the associated foreign currency gains and losses in other income in the statement of profit or loss.

### ***Stock-based compensation***

The Company uses the fair value method to measure compensation expense for awards of restricted stock units of IBG, Inc. to its employees' participation in IBG, Inc.'s stock-based compensation plans at the date of grant. Grants, which are denominated in U.S. dollars, are communicated to employees in the year of grant, thereby establishing the fair value of each grant. The fair value of awards granted to employees are generally expensed as follows: 50% in the year of grant in recognition of the plans' post-employment provisions (as described below) and the remaining 50% over the related vesting period utilising the "graded vesting" method. In the case of "retirement eligible" employees (those employees older than 59), 100% of awards are expensed when granted.

Awards granted under IBG, Inc.'s stock-based compensation plans are subject to the plans' post-employment provisions in the event an employee ceases employment with the Company. The plans provide that employees who discontinue employment with the Company without cause and continue to meet the terms of the plans' post-employment provisions will be eligible to earn 50% of previously granted but not yet earned awards, unless the employee is over the age of 59, in which case the employee would be eligible

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to receive 100% of previously granted but not yet earned awards. Stock-based compensation expenses, net of credits for cancelled awards, are reported as employee compensation and benefits in the statement of profit or loss.

### *Income taxes*

The Company uses the liability method of accounting for current and deferred income taxes. Current income taxes are recognised based on taxable profits for the year. Deferred income taxes are recognised based on the expected tax consequences of differences between the carrying amounts of the statement of financial position items and their corresponding tax values, using the income tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets are recognised to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

### **3. Risk management**

#### *Overview*

The Company engages in activities which entail risk taking on a day-to-day basis. The Company is exposed to capital, liquidity, market, and credit risks in its financial management. The Company is also exposed to operational and technology risks arising from the highly automated nature of its business model and significant reliance on technology; and to regulatory compliance and financial crime and conduct risks arising from the Company's interaction with its clients, the markets within which it operates, and all relevant legal and regulatory obligations.

These risks are managed in accordance with established risk management policies and procedures. To accomplish this, the Management has established a risk management process that includes:

- a regular review of the risk management process by executive management and the Supervisory Board as part of its oversight role;
- defined risk management policies and procedures supported by a rigorous analytic framework; and
- articulated risk tolerance levels as defined by executive management, and approved by the Supervisory Board, that are regularly reviewed to ensure that the Company's risk taking is consistent with its business strategy, its capital structure, and current and anticipated market conditions.

#### *Risk governance*

The Company's approach to Risk Management is governed under its Enterprise Risk Management Framework ("ERMF"). The primary purpose of the ERMF is to support the Company in achieving its strategic objectives in a controlled manner. This framework provides the basis for the Company to execute its strategy, proactively manage its risk and determine appropriate use of capital through the organisation.

The ERMF governs the way the Company identifies and manages its risks. The Company engages in activities which entail risk taking in its business activities on a day-to-day basis. The ERMF is underpinned by a suite of risk policies that govern its approach to managing the key risks to which the Company is exposed, including capital, credit and liquidity risk. The Company's risk strategy focuses on identifying, assessing, monitoring, reporting, and mitigating the risks inherent to the business activities that the Company is exposed to. Given that the Company operates in a dynamic environment, the risk strategy attempts to be proactive, focusing on expected future and emerging risks. The Company is continuously developing systems and processes to identify and assess the risks to which it is exposed. This culminates into a risk appetite that is the basis on which controls are established to both manage the Company's risk and oversee the effectiveness of the Company's controls.

The ERMF is owned by the Company's Chief Risk Officer, who is responsible for reviewing its adequacy on, at least, an annual basis and presenting it to the Supervisory Board for review and approval. The adequacy of the ERMF is assessed against internal factors, including the Company's business model, business strategy, risk profile and existing risk appetite, and external factors including, but not limited to, changes to relevant laws, rules and regulations, developments in market structure and macroeconomic changes. The Supervisory Board is responsible for overseeing the implementation of the ERMF, as well as the overall risk strategy for the Company, including its risk appetite.

The Company's risk governance framework applies the standard three lines of defence model to organize its ownership and independent oversight of risks and controls. The first line of defence, the business functions, owns its risk exposures and is accountable for maintaining effective processes and systems to manage its risks in compliance with applicable laws, external

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regulations and internal requirements, including identifying control weaknesses and inadequate processes. The second line of defence is formed by the control functions, including the Enterprise Risk Management (ERM) function, separate from the business and reporting directly to the Company's CEO. Control functions provide independent oversight, challenge financial and non-financial risks arising from the Company's business activities, and establish independent frameworks for risk assessment, measurement, aggregation and reporting protecting against non-compliance with applicable laws and regulations. The third line of defence, Internal Audit, reports to the Audit Committee. Internal Audit assesses the design, operating effectiveness, and sustainability of processes to define risk appetite, governance, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal governance requirements.

### *Risk appetite framework*

The Company's Risk Appetite Statement is a foundational component of the ERMF and is aligned with the Company's strategy and business objectives. It is a key tool for aligning the business strategy, capital management, and risk.

The Supervisory Board is responsible for setting the risk appetite and approving the ERMF. The ERM function is responsible for leading the annual review and update of the framework and engaging with the business and other control functions to ensure that risk appetite is appropriately considered during the strategic planning process. The ERMF is considered by both management and the Board Risk Committee in advance of review and approval by the Supervisory Board.

### *Capital risk*

Capital risk is the risk of having inadequate funds to absorb unexpected financial losses, meet regulatory requirements/ratios or execute the Company's business strategy.

The management of this risk is focused on ensuring that the Company maintains or allocates appropriate levels of capital to ensure the Company meets its regulatory obligations and has sufficient loss absorption capacity for stressed conditions.

The Company considers its capital requirements under both normative and economic stresses and ensures it has a conservative capital buffer above its Pillar 1 and Pillar 2 requirements. Both the buffer and the suite of stress tests under the normative and economic perspective are reviewed for appropriateness on at least an annual basis with ongoing assessments being carried out by the Executive Risk Committee. The capital buffer in place is, in excess of regulatory capital requirements.

Overall, the Company's appetite for capital risk in pursuit of its strategic objectives is low. The Company will not undertake any strategic initiative that would cause capital levels to fall below desired levels. The Company's intent is to always maintain a conservative buffer above the regulatory minimum.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial position. The liquidity risk also includes the risk that the Company will be unable, on an ongoing basis, to borrow funds from either its Parent, or affiliated entities.

The Company monitors its daily liquidity needs and available collateral levels to ensure that an appropriate liquidity cushion, in the form of cash and unpledged collateral, is maintained at all times. As a general practice, the Company maintains sufficient levels of cash on hand as a buffer should it require immediately available funds for any reason.

Liquidity risk is managed on an ongoing basis through a review of the liquidity requirements on a business-as-usual and stressed basis. The Company has in place a specific appetite of unencumbered liquidity exceeding stressed liquidity requirements for a 30-day period.

- The Company has access to multiple internally defined tiers of unencumbered liquidity specifically: Tier 1: Cash on hand.
- Tier 3: Committed and uncommitted credit lines.

### *Market risk*

Market risk generally represents the risk of loss that may result from adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, commodities prices, and credit spreads. Market risk can be exacerbated in times of illiquidity where market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Market risk is inherent to the investment in financial instruments. The scope of the Company's market risk management procedures includes all market risk sensitive financial instruments.

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The Company's exposure to market risk is directly related to its role as a financial intermediary in client trading activities, however limited in scope of direct market risk activities. The Company's market risk policy incorporates the hedging of trades from its clients when the Company acts as principal and the management of foreign currencies exposures derived from its operational activities. Such exposures are monitored on a regular basis.

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will have an adverse effect on the Company's financial results. The Company is primarily exposed to interest rate risk on cash, investment loans to clients, and client credit balances. These risks are managed through the Company's investment policies.

### *Currency risk*

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. The Company actively manages its currency risk by using spot (i.e., cash) currency transactions, currency futures contracts, and currency forward contracts, as required.

### *Credit risk*

Credit risk represents the risk of loss resulting from the failure of a client or counterparty to meet its obligations under contractual terms.

### *Client credit risk*

The Company seeks to control the risks associated with its client investment lending activity by requiring clients to maintain collateral in compliance with regulatory and internal guidelines. Receivables from clients generated from investment lending activity are collateralised by client owned securities held by the Company. Clients' required margin levels and established credit limits are monitored continuously by risk management staff using automated systems. Pursuant to the Company's policy and as enforced by such systems, clients are required to deposit additional collateral or reduce positions, when necessary, to avoid automatic liquidation of their positions.

Investment loans are extended to clients on a demand basis and are not committed facilities. Factors considered in the acceptance or rejection of investment loans are the amount of the loan, the degree of leverage being employed in the clients' account and an overall evaluation of the clients' portfolio to ensure proper diversification or, in the case of concentrated positions, appropriate liquidity of the underlying collateral. Additionally, transactions relating to concentrated or restricted positions are limited or prohibited by raising the level of required margin collateral (to 100% in the extreme case). Underlying collateral for investment loans is evaluated with respect to the liquidity of the collateral positions, valuation of securities, volatility analysis and an evaluation of industry concentrations. Adherence to the Company's credit policies significantly limits the Company's credit risk exposure to investment loans in the event of a client's default. Under investment lending agreements, the Company may request additional margin collateral from clients and may sell securities that have not been paid for or purchase securities sold but not delivered from clients, if necessary.

### *Non-client counterparty credit risks*

In the normal course of business, the Company executes and settles, through affiliated entities, and finances various client securities transactions. Execution of these transactions includes the purchase and sale of securities which exposes the Company to credit risk arising from the potential that clients or counterparties may fail to satisfy their obligations.

The Company has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties. Financial institutional counterparties are subject to a credit review when a new relationship is entered into, and such credit review is updated on a regular basis. Maximum exposure limits are established for each counterparty.

### *Concentrations of credit risk*

Concentration risk is governed and managed under the Company's Credit Risk Framework and associated Client Credit and Counterparty Credit Policies. The overall objectives of the framework are to manage its credit risk in line with the overall risk appetite and conservative business strategy.

The Company differentiates its concentration risk between:



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- Client Concentration – potential concentration risk arising from (i) single or connected clients having significant exposures with the Company; or (ii) single or multiple clients having significant exposures to specific positions or market segments.
- Non-Client Counterparty Concentration – potential concentration risk arising from the placement of assets with third parties, credit institutions and clearing/custodial institutions.

The risk management objectives in relation client concentration revolve around minimising concentration risk through a sophisticated, automated conservative margining methodologies. The Company also has specific client concentration appetites and limits in place to ensure compliance with Investment Firm Regulations requirements.

The Company performs ongoing stressed analysis of potential concentrations its clients may have to specific positions/instruments, markets or market segments.

In relation to non-client counterparty concentration, the objectives are around only placing assets with approved systemically significant counterparties or intragroup affiliates.

There is a counterparty assessment process in place and specific limits around the placement of segregated assets with any specific counterparty. Client segregated assets are monitored on a daily basis with the funds transferred as required to ensure that the limits remain within appetite.

### ***Operational Risk***

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. To ensure a comprehensive assessment of all material risks to the Company, both technology risk and cyber (or information security) risk are designated as key risk pillars in the ERMF.

Operational risk is assessed and managed through the process of Risk Control Self Assessments and through ongoing event monitoring and reporting. The overall objective around operational risk is minimising the extent and impact of risk events. Operational risk is governed through the Company's Operational Risk Framework.

With respect to IT systems and processes, the overall object is to ensure availability of key systems and processes, minimising system downtime and having the appropriate back-ups and contingencies in place to deal with disruptions. This is managed through an IT risk framework and ongoing monitoring, assessment and contingency planning.

The Company outsources its IT processes and controls to the IB Group and is reliant on Group systems and processes to operate on a day-to-day basis. These outsourcing arrangements are governed by an appropriate outsourcing framework which includes strategy, policy, procedures and service level agreements.

### ***Conduct Risk***

The Company's objective is to manage conduct risk in a way that promotes the sustainable operation of the business, gives the Company local independence and autonomy while still being aligned with overall Group strategy.

In this context, the Company sets the following conduct risk objectives:

- A positive consumer-focused culture and "tone from the top" that is embedded and demonstrated within the Company.
- A Conduct Risk Framework that is fit for purpose and ensures that clients and other market participant's best interests are protected.
- Compliance with all relevant obligations.
- Treating clients and market participants, existing and new, in a fair and transparent manner.

To achieve its conduct risk objectives, the Company has a comprehensive governance framework in place aimed at identifying, managing and mitigating conduct risks.

Conduct risk is managed through ongoing reviews of relevant legislation and guidance, client communications and disclosures, to evaluate clarity of business terms, regulatory disclosures, and marketing communications. Furthermore, there are regular reviews of the Company's client inquiries to client services, to identify key topics and areas of focus for potential enhancements to the platform.

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### *Off balance sheet risks*

The Company may be exposed to a risk of loss not reflected in the financial statements to settle futures contracts of clients and certain over the counter contracts at contracted prices, which may require repurchase or sale of the underlying financial instruments in the market at prevailing prices. Accordingly, these transactions result in off balance sheet risk as the Company's cost to liquidate such contracts may exceed the amounts reported in the Company's statement of financial position.

### *Russia sanctions*

On 25 February 2022, the EU adopted Regulation 2022/328 as part of its package of sanctions and export controls imposed in response to the Russian government's actions involving Ukraine. This conflict is a significant geopolitical and economic event for the global economy and there is uncertainty over how the future development of this conflict will affect the Company. To date, the impact on the Company has been low. However, the potential future financial impact of these events cannot be fully determined at this time. The Company has implemented the required controls and monitoring of the sanctions and, as the ongoing invasion of Ukraine continues to unfold, the Company continues to monitor the development of the conflict and assess the potential impact on the Company's operations.

### **4. Revenue from contracts with clients**

The table below presents the components of revenue from contracts with clients for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Commissions	34,663	26,586
Other fees and services		
Currency holding fee	1,705	1,162
Risk exposure fees	271	366
Minimum activity fees	101	191
Other fees	220	166
Total other fees and services	2,297	1,885
Total revenue from contracts with clients	36,960	28,471

The table below presents the components of revenue from contracts with clients by geographical location of the Company's registered office, for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Geographic location		
Hungary	36,960	28,471
Total revenue from contracts with clients	36,960	28,471

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### 5. Other income

The table below presents the components of other income for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Foreign currency losses, net	23	(33)
Service fees charged to related parties <sup>(1)</sup>	1,851	192
Other, net	(54)	(40)
Total other income	<u>1,820</u>	<u>119</u>

(1) Service fees charged to related parties represent shared administrative costs, primarily related to client services, based on service fee arrangements. See Note 22 for further information on related party transactions.

### 6. Net interest income

The table below presents the components of net interest income for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Interest income		
Deposits with banks	17,460	630
Client investment loans	40,548	6,974
Securities borrowed	24,563	5,596
Affiliated brokers	3,493	184
Other interest income	1,647	668
Total interest income	<u>87,711</u>	<u>14,052</u>
Interest expense		
Deposit with banks – negative interest rate	1,966	2,148
Securities loaned	5,460	2,655
Affiliated brokers	30,362	4,402
Other interest expense	1,382	945
Total interest expense	<u>39,170</u>	<u>10,150</u>
Total net interest income	<u>48,541</u>	<u>3,902</u>

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### 7. Execution, clearing and distribution fees

The table below presents the components of execution, clearing and distribution fees for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Brokerage fees charged by affiliated brokers	17,947	13,745
Regulatory fees	1,823	287
Other fees	577	73
Total execution, clearing and distribution fees	<u>20,347</u>	<u>14,105</u>

### 8. Employee compensation and benefits expenses

The table below presents the components of employee compensation and benefits expenses for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Wages and salaries	3,501	2,003
Social security costs	522	325
Stock-based compensation expenses	542	176
Other	37	9
Total employee compensation and benefits	<u>4,602</u>	<u>2,513</u>

The table below presents the average number of employees by department for the period indicated. As at 31 December 2022, the Company had 96 full-time employees.

	Year ending 31 December 2022 No.	Year ending 31 December 2021 No.
Administration	18	7
Compliance	19	14
Client services	43	22
Risk	3	2
IT	4	3
Total average number of employees	<u>87</u>	<u>48</u>

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### 9. Directors' emoluments

The table below presents the directors' emoluments for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Wages and salaries	170	132
Stock-based compensation	38	35
Pension and post-retirement benefits	22	17
Other	-	4
Total directors' emoluments	230	188

### 10. Stock incentive plan

Under IBG, Inc.'s 2007 Stock Incentive Plan (the "Stock Incentive Plan"), up to 30 million shares of IBG, Inc.'s common stock may be issued to satisfy vested restricted stock units granted to directors, officers, employees, contractors and consultants of the Parent and its subsidiaries, including the Company. The purpose of the Stock Incentive Plan is to promote the Company's long-term financial success by attracting, retaining and rewarding eligible participants.

The Stock Incentive Plan is administered by the Compensation Committee of IBG, Inc.'s Board of Directors. The Compensation Committee has discretionary authority to determine the eligibility to participate in the Stock Incentive Plan and establishes the terms and conditions of the awards, including the number of awards granted to each participant and all other terms and conditions applicable to such awards in individual grant agreements. Awards are expected to be made primarily through grants of IBG, Inc.'s restricted stock units. Stock Incentive Plan awards are subject to issuance over time. All previous granted but unearned awards may be cancelled upon the participant's termination of employment or violation of certain applicable covenants prior to issuance, unless determined otherwise by IBG, Inc.'s Compensation Committee.

The Stock Incentive Plan provides that, upon a change in control, the Compensation Committee may, at its discretion, fully vest any granted but not yet earned awards under the Stock Incentive Plan, or provide that any such granted but not yet earned awards will be honoured or assumed, or new rights substituted by the new employer on a substantially similar basis and on terms and conditions substantially comparable to those of the Stock Incentive Plan.

IBG, Inc. is expected to continue to grant awards on or about December 31 of each year to eligible participants, including employees of the Company, as part of an overall plan of equity compensation. In 2021, the IBG, Inc.'s Compensation Committee approved a change to the vesting schedule for the Stock Incentive Plan. For awards granted on December 31, 2021 onwards, restricted stock units vest and become distributable to participants 20% on each vesting date, which is on or about May 9 of each year, assuming continued employment with the Company and compliance with non-competition and other applicable covenants. The vesting and distribution of grants prior to December 31, 2021 remain in accordance with the following schedule: (a) 10% on the first vesting date, which is on or about May 9 of each year; and (b) an additional 15% on each of the following six anniversaries of the first vesting.

For the year ending 31 December 2022, the Company's employees were granted 9,707 restricted stock units, with fair value of €695 thousand. The fair value was calculated using the total granted restricted stock units and the volume weighted average share price for the month ending 31 December 2022.

Compensation expense recognised in the statement of profit or loss for the year ending 31 December 2022 was €542 thousand. Estimated future compensation expense for unvested awards, net of credits for cancelled awards at 31 December 2022 is €221 thousand.

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

The table below presents a summary of the Stock Incentive Plan activity for the period indicated.

	Restricted stock units
Balance at 31 December 2020	912
Granted <sup>(1)</sup>	4,042
Distributed to employees	(88)
Cancelled	-
Balance at 31 December 2021	4,866
Granted	9,707
Distributed to employees	(1,357)
Cancelled	(82)
Balance at 31 December 2022	13,134

(1) Stock Incentive Plan number of granted restricted stock units related to 2021 was adjusted by 325 additional restricted stock units during the year ended December 31, 2022

### 11. Occupancy, depreciation and amortisation expenses

The table below presents the components of occupancy, depreciation and amortisation for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Office rent	103	80
Other occupancy costs	305	175
Depreciation of property and equipment	644	269
Total occupancy, depreciation and amortisation	1,052	524

### 12. General and administrative expenses

The table below presents the components of general and administrative expenses for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Professional services	397	635
Audit fees <sup>(1)</sup>	226	268
Service fees charged by related parties <sup>(2)</sup>	6,183	5,135
Amortisation of deferred costs <sup>(3)</sup>	406	243
Advertising fees	1,888	1,127
Other administrative expenses	2,881	1,915
Total general and administrative	11,981	9,323

(1) Audit fees is comprised of €130 thousand for audit of statutory financial statements.

(2) Service fees charged by related parties represent shared administrative costs, including client services, finance, and technological resources provided by affiliated entities based on service fee arrangements. See Note 22 for further information on related party transactions.

(3) Please refer to Note 18 for further information.

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### 13. Income taxes

The table below presents the analysis of the income tax expense for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Current tax	6,472	1,009
Deferred tax	(45)	13
Total income tax expense	<u>6,427</u>	<u>1,022</u>

The table below presents the reconciliation of the effective tax rate for the period indicated.

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Profit before income taxes	<u>49,222</u>	<u>5,888</u>
Income tax expense - Hungary corporate tax	4,314	848
Income tax expense – innovation and local business tax	1,967	160
Utilization of tax loss carry-forward	-	33
Tax effect of temporary differences	(55)	(19)
Permanent adjustments not previously recognized	201	
Total income tax expense	<u>6,427</u>	<u>1,022</u>

### 14. Financial instruments

#### *Financial assets and liabilities measured at fair value on a recurring basis*

The tables below present, by level within the fair value hierarchy (see Note 2), financial assets and liabilities, if any, measured at fair value on a recurring basis for the periods indicated.

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value held for trading				
Stock	202	-	-	202
Total financial assets at fair value held for trading	<u>202</u>	<u>-</u>	<u>-</u>	<u>202</u>
Total financial assets measured at fair value through profit or loss	<u>202</u>	<u>-</u>	<u>-</u>	<u>202</u>

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value held for trading				
Stock	5	-	-	5
Total financial assets at fair value held for trading	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total financial assets measured at fair value through profit or loss	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>



# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### *Financial assets and liabilities not measured at fair value*

The tables below present the carrying value, estimated fair value, and fair value hierarchy category of certain financial assets and liabilities that are not recorded at fair value in the Company's statement of financial position for the periods indicated. The tables below exclude non-financial assets, non-financial liabilities, and lease liabilities.

	31 December 2022	31 December 2021
	€ 000	€ 000
<b>Financial assets</b>		
Cash and cash equivalents	137,474	89,801
Securities borrowed	71,912	62,015
Receivables from clients	1,172,057	1,134,397
Receivables from brokers and dealers	813,212	80,773
Receivables from affiliates	217	67
Interest receivables	12,462	1,558
Total financial assets at amortised cost	<u>2,207,334</u>	<u>1,368,611</u>
<b>Financial liabilities</b>		
Securities loaned	72,253	62,015
Payables to clients	1,716,236	518,039
Payables to brokers and dealers	766	540,379
Payables to affiliates	2,970	1,622
Interest payables	4,623	1,035
Lease liabilities	806	348
Current tax liabilities	5,413	1,009
Other financial liabilities	1,471	2,865
Total financial liabilities at amortised cost	<u>1,804,538</u>	<u>1,127,312</u>

### *Financial assets and liabilities not measured at fair value*

The table below presents the carrying value, estimated fair value, and fair value hierarchy category of certain financial assets and liabilities that are not recorded at fair value in the Company's statement of financial position for the period indicated. Carrying value approximates fair value since the balances are short term in nature. The table below excludes non-financial assets and non-financial liabilities.



# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

31 December 2022

	Carrying Value € 000	Estimated fair value € 000	Level 1 € 000	Level 2 € 000	Level 3 € 000
<b>Financial assets</b>					
Cash and cash equivalents	137,474	137,474	137,474	-	-
Securities borrowed	71,912	71,912	-	71,912	-
Receivables from clients	1,172,057	1,172,057	-	1,172,057	-
Receivables from brokers and dealers	813,212	813,212	-	813,212	-
Receivables from affiliates	217	217	-	217	-
Interest receivables	12,462	12,462	-	12,462	-
<b>Total financial assets</b>	<b>2,207,334</b>	<b>2,207,334</b>	<b>137,474</b>	<b>2,069,860</b>	<b>-</b>
<b>Financial liabilities</b>					
Securities loaned	72,253	72,253	-	72,253	-
Payables to clients	1,716,236	1,716,236	-	1,716,236	-
Payables to brokers and dealers	766	766	-	766	-
Payables to affiliates	2,970	2,970	-	2,970	-
Interest payables	4,623	4,623	-	4,623	-
Lease liabilities	806	806	-	806	-
Current tax liabilities	5,413	5,413	-	5,413	-
Other financial liabilities	1,471	1,471	-	1,471	-
<b>Total financial liabilities</b>	<b>1,804,538</b>	<b>1,804,538</b>	<b>-</b>	<b>1,804,538</b>	<b>-</b>

31 December 2021

	Carrying Value € 000	Estimated fair value € 000	Level 1 € 000	Level 2 € 000	Level 3 € 000
<b>Financial assets</b>					
Cash and cash equivalents	89,801	89,801	89,801	-	-
Securities borrowed	62,015	62,015	-	62,015	-
Receivables from clients	1,134,397	1,134,397	-	1,134,397	-
Receivables from brokers and dealers	80,773	80,773	-	80,773	-
Receivables from affiliates	67	67	-	67	-
Interest receivables	1,558	1,558	-	1,558	-
<b>Total financial assets</b>	<b>1,368,611</b>	<b>1,368,611</b>	<b>89,801</b>	<b>1,278,810</b>	<b>-</b>
<b>Financial liabilities</b>					
Securities loaned	62,015	62,015	-	62,015	-
Payables to clients	518,039	518,039	-	518,039	-
Payables to brokers and dealers	540,379	540,379	-	540,379	-
Payables to affiliates	1,622	1,622	-	1,622	-
Interest payables	1,035	1,035	-	1,035	-
Lease liabilities	348	348	-	348	-
Current tax liabilities	1,009	1,009	-	1,009	-
Other financial liabilities	2,865	2,865	-	2,865	-
<b>Total financial liabilities</b>	<b>1,127,312</b>	<b>1,127,312</b>	<b>-</b>	<b>1,127,312</b>	<b>-</b>

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### *Maturity analysis of financial assets and liabilities*

The table below presents the expected maturity for financial assets and the remaining contractual maturity for financial liabilities. The table below is based on the undiscounted contractual maturities of the financial assets and liabilities.

	31 December 2022				Total € 000
	Up to 1 month € 000	1 to 3 months € 000	3 to 12 months € 000	More than 12 months € 000	
<b>Financial assets</b>					
Cash and cash equivalents	137,474	-	-	-	137,474
Securities borrowed	71,912	-	-	-	71,912
Receivables from clients	1,172,057	-	-	-	1,172,057
Receivables from brokers and dealers	813,212	-	-	-	813,212
Receivables from affiliates	217	-	-	-	217
Other financial assets	12,462	-	-	-	12,462
<b>Total financial assets</b>	<b>2,207,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,207,334</b>
<b>Financial liabilities</b>					
Securities loaned	72,253	-	-	-	72,253
Payables to clients	1,716,236	-	-	-	1,716,236
Payables to brokers and dealers	766	-	-	-	766
Payables to affiliates	2,299	-	190	481	2,970
Interest payables	4,623	-	-	-	4,623
Lease liabilities	-	-	-	806	806
Current tax liabilities	5,413	-	-	-	5,413
Other financial liabilities	985	486	-	-	1,471
<b>Total financial liabilities</b>	<b>1,802,575</b>	<b>486</b>	<b>190</b>	<b>1,287</b>	<b>1,804,538</b>

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

31 December 2021

	Up to 1 month € 000	1 to 3 months € 000	3 to 12 months € 000	More than 12 months € 000	Total € 000
<b>Financial assets</b>					
Cash and cash equivalents	89,801	-	-	-	89,801
Securities borrowed	62,015	-	-	-	62,015
Receivables from clients	1,134,397	-	-	-	1,134,397
Receivables from brokers and dealers	80,773	-	-	-	80,773
Receivables from affiliates	67	-	-	-	67
Other financial assets	1,558	-	-	-	1,558
<b>Total financial assets</b>	<b>1,368,611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,368,611</b>
<b>Financial liabilities</b>					
Securities loaned	62,015	-	-	-	62,015
Payables to clients	518,039	-	-	-	518,039
Payables to brokers and dealers	540,379	-	-	-	540,379
Payables to affiliates	1,405	-	58	159	1,622
Interest payables	1,035	-	-	-	1,035
Lease liabilities	-	-	-	348	348
Current tax liabilities	1,009	-	-	-	1,009
Other financial liabilities	2,636	-	229	-	2,865
<b>Total financial liabilities</b>	<b>1,126,518</b>	<b>-</b>	<b>287</b>	<b>507</b>	<b>1,127,312</b>

### Offsetting of financial assets and financial liabilities

The tables below present the amounts that have been offset in the Company's statement of financial position for the periods indicated, as well as those amounts that are subject to enforceable master netting agreements or similar agreements but do not qualify for netting. Amounts not offset in the statement of financial position relate to transactions where master netting agreement or similar agreement is in place with a right to set off only in the event of default, insolvency or bankruptcy, or where the offset criteria are otherwise not met.

December 31 2022

	Gross amounts	Amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Amounts not offset in the statement of financial position	Net amounts
<b>Offsetting of financial assets</b>					
Securities borrowed	71,912	-	71,912	(66,070)	5,842
<b>Total</b>	<b>71,912</b>	<b>-</b>	<b>71,912</b>	<b>(66,070)</b>	<b>5,842</b>
<b>Offsetting of financial liabilities</b>					
Securities loaned	72,253	-	72,253	(66,070)	6,183
<b>Total</b>	<b>72,253</b>	<b>-</b>	<b>72,253</b>	<b>(66,070)</b>	<b>6,183</b>

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

December 31 2021					
	Gross amounts	Amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Amounts not offset in the statement of financial position	Net amounts
Offsetting of financial assets					
Securities borrowed	62,015	-	62,015	(56,222)	5,793
Total	62,015	-	62,015	(56,222)	5,793
Offsetting of financial liabilities					
Securities loaned	62,015	-	62,015	(56,222)	5,793
Total	62,015	-	62,015	(56,222)	5,793

### 15. Cash and cash equivalents

The table below presents the components of cash and cash equivalents for the period indicated.

	31 December 2022 € 000	31 December 2021 € 000
Cash at banks	137,474	89,801
Total cash and cash equivalents	137,474	89,801

At 31 December 2022 there were deposits for clients held in segregated client bank accounts amounting to €1.4 billion which are not included in the statement of financial position since the Company does not have sufficient control of such client funds.

### 16. Property and equipment

The table below presents the activity for property and equipment for the period indicated.

	Computer equipment € 000	Office equipment € 000	Leasehold Improvements € 000	Right-of-use assets € 000	Total € 000
Gross carrying amount					
Balance at 31 December 2021	312	307	772	759	2,150
Additions	649	217	402	516	1,784
Retirement	-	-	-	-	-
Balance at 31 December 2022	961	524	1,174	1,275	3,934
Accumulated depreciation					
Balance at 31 December 2021	(64)	(12)	(41)	(152)	(269)
Depreciation expense	(196)	(51)	(133)	(264)	(644)
Retirement	-	-	-	-	-
Balance at 31 December 2022	(260)	(63)	(174)	(416)	(913)
Net book value					
Balance at 31 December 2021	248	295	731	607	1,881
Balance at 31 December 2022	701	461	1,000	859	3,021

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### 17. Deferred tax assets

The table below presents the activity for deferred tax assets for the period indicated.

	Tax loss carry-forward € 000	Temporary differences € 000	Total € 000
Balance at 31 December 2020	33	3	36
Recognised in profit or loss	(33)	19	(14)
Recognised in other comprehensive income	-	-	-
Balance at 31 December 2021	-	22	22
Recognised in profit or loss	-	45	45
Recognised in other comprehensive income	-	-	-
Balance at 31 December 2022	-	67	67

### 18. Other assets

The table below presents the components of other assets for the period indicated.

	31 December 2022 € 000	31 December 2021 € 000
Other non-financial assets		
Prepaid expenses	882	386
Deferred costs <sup>(1)</sup>	1,379	1,783
Deposits in escrow	10	3
Others	26	209
Total other non-financial assets	2,297	2,381

- (1) In connection with the establishment of the Company's business in Hungary, other Group affiliates referred some of their existing European Union clients to open accounts with the Company. The affiliates did not transfer any accounts to the Company but assisted with the account opening process and provided appropriate information to the Company. The affiliates also facilitated the transfer of the clients' assets held by them to their newly opened accounts with the Company. The Company paid a fee per account (referral fee) to the affiliates for the provision of these services under customer referral agreements. In order to match its costs and revenues, the Company deferred the initial cost of the referral fees and is amortising the costs over a period of 5 years from the end of the quarter in which the client accounts were opened with the Company.

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

### 19. Lease liabilities

All of the Company's leases are classified as finance leases and consist of real estate leases for corporate offices. As of 31 December 2021, the weighted-average remaining lease term on these leases is approximately 3 years and the weighted-average discount rate used to measure the lease liabilities is approximately 0.09%. The Company's lease agreements do not contain any residual value guarantees, restrictions, or covenants.

The table below reconciles the undiscounted cash flows to the present value of the lease liability for the period indicated.

	31 December 2022	31 December 2021
	€ 000	€ 000
Expiring on:		
2023	439	348
2024	117	-
Thereafter	251	-
Total undiscounted operating lease payments	807	348
Less: imputed interest	1	-
Present value of lease liabilities	806	348

### 20. Other liabilities

The table below presents the components of other liabilities for the period indicated.

	31 December 2022	31 December 2021
	€ 000	€ 000
Other financial liabilities measured at amortized cost		
Accrued expenses	543	520
Accounts payables	536	252
VAT and other non-income taxes	388	2,093
Others	4	-
Total other financial liabilities measured at amortized cost	1,471	2,865

### 21. Contingent liabilities

At 31 December 2022, the Company had no contingent liabilities.

### 22. Related party transactions

The Company's related party transactions are mainly conducted with its Parent and some of its affiliates, including Interactive Brokers LLC ("IBLLC"), registered broker dealer in the U.S.; Interactive Brokers (U.K.) Limited ("IBUK"), a registered broker dealer in the United Kingdom; Interactive Brokers Ireland Limited, a registered investment firm in Ireland; IBKR Financial Services AG, a registered securities dealer in Switzerland; Global Financial Information Services GmbH, a market data and research data provider registered in Switzerland; Interactive Brokers Hong Kong Limited, a registered securities dealer in Hong Kong; Interactive Brokers Securities Japan, Inc., a registered financial instruments firm in Japan; Interactive Brokers Canada Inc., a registered investment dealer in Canada; Interactive Brokers Australia Pty Limited, a registered securities dealer and futures broker in Australia; Interactive Brokers Singapore Pte. Ltd., a registered capital markets firm in Singapore; and Interactive Brokers Hungary Kft. ("IBH"), an information technology service provider registered in Hungary.

In the normal course of business, the Company enters into securities transactions such as trade execution with affiliates, primarily with IBLLC and IBUK. The Company also shares administrative costs, including office space, client services, finance, and technological resources with affiliates. All related party transactions have been executed under arm's length conditions.

# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

Included in the statement of financial position are the following amounts with related parties for the period indicated.

	31 December 2022			31 December 2021		
	Parent € 000	Affiliates € 000	Total € 000	Parent € 000	Affiliates € 000	Total € 000
<b>Assets</b>						
Receivables from clients	-	166	166	-	14	14
Receivables from brokers and dealers	-	807,770	807,770	-	74,743	74,743
Receivables from affiliates	-	217	217	-	67	67
Interest receivables	-	3,984	3,984	-	283	283
Total assets	-	812,137	812,137	-	75,107	75,107
<b>Liabilities</b>						
Securities loaned	-	72,253	72,253	-	62,015	62,015
Payables to clients	-	853	853	-	4,323	4,323
Payables to brokers and dealers	-	259	259	-	540,379	540,379
Payables to affiliates	873	2,097	2,970	478	1,144	1,622
Paid but unregistered capital increase	-	-	-	110,000	-	110,000
Interest payables	1	4,504	4,505	69	741	810
Total liabilities	874	79,966	80,840	110,547	608,602	719,149

Included in the statement of profit or loss are the following amounts with related parties for the period indicated.

	Year ending 31 December 2022			Year ending 31 December 2021		
	Parent € 000	Affiliates € 000	Total € 000	Parent € 000	Affiliates € 000	Total € 000
<b>Revenues</b>						
Commissions	-	542	542	-	25	25
Other income	8	1,857	1,865	-	194	194
Interest income	-	16,876	16,876	-	3,550	3,550
Interest expense	(237)	(35,295)	(35,532)	(564)	(6,423)	(6,987)
Total net revenues (expenses)	(229)	(16,020)	(16,249)	(564)	(2,654)	(3,218)
<b>Non-interest expenses</b>						
Execution, clearing and distribution fees	-	17,947	17,947	-	13,745	13,745
Occupancy, depreciation and amortisation	-	-	-	-	18	18
General and administrative	1,582	4,601	6,183	1,528	3,607	5,135
Total non-interest expenses	1,582	22,548	24,130	1,528	17,370	18,898

### Key management personnel compensation

Key management for the Company consists of those persons having authority and responsibility for planning, directing and/or controlling the activities of the Company, directly or indirectly. The Company considers key management personnel as the members of the Executive Committee. The table below presents the components of compensation for key management personnel for the period indicated.



# Interactive Brokers Central Europe Zrt.

## Notes to the Financial Statements

	Year ending 31 December 2022 € 000	Year ending 31 December 2021 € 000
Wages and salaries	770	626
Stock-based compensation	27	105
Pension and post-retirement benefits	100	82
Other	14	17
Total compensation expense	911	830

### *Transactions with entities controlled by key management personnel*

During the year ended 31 December 2022, the Company did not enter into transactions with entities that are directly or indirectly controlled or jointly controlled by the Company's key management personnel or their close family members and as of 31 December 2022, there were no outstanding balances related to such transactions. Furthermore, during the year ended 31 December 2022, entities controlled by key management personnel did not sell any goods or services to the Company, and therefore did not receive any fees from the Company. The Company also did not provide any services to such entities during the year ended 31 December 2022, and therefore also did not receive any fees from such entities.

### 23. Share capital

The table below presents the components of share capital for the period indicated.

	31 December 2022		31 December 2021	
	Number of shares	€ 000	Number of shares	€ 000
Authorised				
Ordinary shares with €1	4,682,637	4,683	2,382,637	2,383
Allotted, called-up and fully paid				
Ordinary shares with €1	4,682,637	4,683	2,382,637	2,383

### 24. Controlling party

The largest Group in which the results of the Company are consolidated is IBG, Inc. The audited consolidated financial statements of IBG, Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained on its website at <https://www.interactivebrokers.com>.

The smallest Group in which the results of the Company are consolidated is IBG LLC. Copies of the IBG LLC's audited consolidated financial statements are available to the public and may be obtained from its offices at One Pickwick Plaza, Greenwich, CT, 06830, United States of America.

### 25. Approval of financial statements

The financial statements of the Company were approved by the Chief Executive Officer on 18 May 2023.

### 26. Events after the reporting period

The Company has evaluated events after the reporting period through 18 May 2023, the issuing date of the financial statements.



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Company Registration Number: 01-10-141029

## **Interactive Brokers Central Europe Zrt.**

Business Report

for the year ended 31 December 2022

# Interactive Brokers Central Europe Zrt.

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# **Interactive Brokers Central Europe Zrt.**

## **Business Report**

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### ***Company overview***

Interactive Brokers Central Europe Zrt. (the “Company”) is part of the Interactive Brokers Group (the “Group”), which is an automated global electronic broker specialising in executing and clearing trades in stocks, options, futures, foreign exchange instruments, bonds, mutual funds, and exchange traded funds (“ETFs”) on more than 135 electronic exchanges and market centres around the world, offering custody, prime brokerage, securities and investment lending services to clients.

Interactive Brokers Group was started 40 years ago as a proprietary trading and market making firm. The Group has been offering brokerage services for 25 years and over that time has developed a state-of-the-art global technology platform and network that gives to the clients a low cost, highly efficient and safe way to trade and invest all around the world, allowing them to achieve superior returns through reduced trading costs and better execution prices.

The Company is regulated by the Central Bank of Hungary (“MNB”), which is a member of the European System of Central Banks (“ESCB”). The Company holds an Investment Firm license under Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers.

The Company was incorporated on 23 September 2020. After the MNB license was obtained on 12 December 2020 the Company started its operations on 28 December 2020.

### ***Business review***

The Company reported a net profit of €42.8 million for the period from 1 January 2022 to 31 December 2022. The net profit for the year was mostly driven by the Company expanding the number of clients and higher net interest income.

The Company had €408.4 million in equity shareholders’ funds, and net assets which included €137.5 million in cash and cash equivalents as at 31 December 2022.

### ***Russia Ukraine Conflict***

Russia invaded Ukraine on February 24<sup>th</sup>, 2022, with the invasion came numerous challenges to IBCE from a regulatory and reporting aspect. The European Union implemented various sanctions against the Russian Government and included Russian citizens especially in the financial services sector. The MNB had requested multiple reports with regards to financial and AML risks in relation to both Russian and Ukrainian citizens including sanctioned individuals. All requests were complied with by IBCE.

During 2022, as part of the ongoing risk monitoring, a Russia/Ukraine stress test was developed by IBCE to assess the impact of the ongoing conflict. While the impact on IBCE financially was immaterial, IBCE recognises that any potential escalation of the situation may have severe impacts on global financial markets and is keeping the stress test under regular review. However, it is not anticipated that the ongoing geo-political tensions will have any material impact on the IBCE strategy or business model.

### ***Future developments***

The Company intends to further expand the number of clients following a substantial growth in 2022.

### ***Capital management***

The Company is an investment firm and regulated by the Capital Requirements Regulation (CRR) – EU Regulation No 575/2013 of the European Parliament and the Investment Firm Regulation (IFR) – EU Regulation No 2019/2033 of the European Parliament. The Company had regulatory excess capital of €351.2 million at 31 December 2022. Regulatory capital requirements have been met throughout the year ending 31 December 2022.

### ***Risk management***

The Company engages in activities which entail risk taking on a day-to-day basis. The Company is exposed to capital, liquidity, market, and credit risks in its financial management. The Company is also exposed to operational and technology risks arising from the highly automated nature of its business model and significant reliance on technology; and to regulatory compliance and financial crime and conduct risks arising from the Company’s interaction with its clients, the markets within which it operates, and all relevant legal and regulatory obligations.

These risks are managed in accordance with established risk management policies and procedures. To accomplish this, the Management has established a risk management process that includes:

# Interactive Brokers Central Europe Zrt.

## Business Report

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- a regular review of the risk management process by executive management and the Supervisory Board as part of its oversight role;
- defined risk management policies and procedures supported by a rigorous analytic framework; and
- articulated risk tolerance levels as defined by executive management, and approved by the Supervisory Board, that are regularly reviewed to ensure that the Company's risk taking is consistent with its business strategy, its capital structure, and current and anticipated market conditions.

### *Going concern*

The Directors have reviewed the business activities and financial position of the Company and have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors have prepared the financial statements on the going concern basis.

### *Research and experimental development*

The Company did not make research and development activities in 2022.

### *Business premises*

The Company's seat is at Madách Trade Center, 1075 Budapest, Madách Imre út 13-14. A. ép. V. em., Hungary. All departments are located in this registered office, there are no other premises or branches of the Company.

### *Employment policy*

The Company had 96 full-time employees as at 31 December 2022. After the MNB license was obtained on 12 December 2020 the Company started its operation and its hiring process to provide sufficient workforce to service the expanding number of clients.

### *Events after the reporting period*

The Company has evaluated events after the reporting period through 18 May 2023, the issuing date of the financial statements. The Company did not note any events after the reporting period requiring disclosure in the financial statements.

Budapest, 18 May 2023



Miklós Hanti  
Chief Executive Officer



Gergely Gabler  
Deputy Chief Executive Officer