



BUDAPEST STOCK EXCHANGE PLC.

» ANNUAL REPORT

FOR THE BUSINESS YEAR ENDING 31ST DECEMBER 2023

MANAGEMENT REPORT AND FINANCIAL STATEMENTS

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EXECUTIVE SUMMARY OF THE YEAR 2023

In 2023, the Budapest Stock Exchange conquered new heights during an eventful year. This performance can be considered a great success, especially taking into account that the economic environment posed numerous challenges. A wave of inflation not seen in fifty years swept the world, due to the uncertain global market environment growth prospects worsened. Market volatility returned from time to time throughout the year: while the first half of the year saw global turbulence triggered by American bank failures, in the fall, shifts in expectations regarding the monetary policy of developed central banks caused a downturn in market sentiment. Geopolitical conflicts also overshadowed both the general and investment atmospheres.

However, the world's stock exchanges typically responded positively to external developments: volatility decreased compared to 2022, and prices took an upward direction. The Budapest Stock Exchange's primary stock index, the BUX, was no exception, and except for a stumble in February-March, it steadily rose throughout the year, culminating in record-breaking performances. The index closed at 60,620 points, representing a year-on-year increase of 38.4%, performing strongly compared to regional markets.

The year 2023 also brought development regarding the issuer community of BSE. The regulated market expanded with four new players: in the Premium category, realizing the Hungarian capital market's first euro-based introduction, the shares of Shopper Park Plus; in the Standard category, the introductions of Biggeorge Reit and Civita Group took place alongside the long-awaited introduction of the Budapest Stock Exchange itself becoming a listed company. The debut of BSE as a stock market issuer – besides being exemplary in promoting the benefits of public operation among domestic medium-sized enterprises – also supports the exchange's international efforts and owners' goals.

The Xtend market the „ante-room” of the regulated market, also expanded in 2023: with the introduction of Vertikal Group, Chameleon Smart Home, and STRT Holding, the platform now counts twenty issuers.

Similarly, a significant milestone for the SME sector was the successful closure of the Mentor Program during the year. Thanks to this initiative, encompassing training and advisory project elements and stock market preparation related to IPOs, funded by European Union sources, BSE has helped the development and strengthening of a total of 255 domestically owned medium-sized companies over the past years.

The bond market also marked a significant year for BSE, with 26 new bond issuances carried out worth 222 billion forints.

Overall, the regulated stock market capitalization increased by 105,5 billion forints, and the Xtend market capitalization by 21,8 billion forints during the year, resulting in another historic record: by the end of the year, the total stock market capitalization approached 15 thousand billion forints, unprecedented in the history of BSE.

Domestic households also played a part in this success, as direct retail stock holdings exceeded 2000 billion forints, of which nearly 70% were domestic stocks. While the share ownership of Hungarian private investors remains low compared to many European

countries, the proportion of BSE-listed stocks held by small investors increased, reaching nearly 1400 billion forints by the end of the third quarter.

In the area of sustainability, in sync with related European Union regulatory changes, BSE continued the efforts of recent years to promote the ESG mindset domestically, thereby steering companies towards sustainable operations. As a key milestone of this endeavor, the Exchange introduced its first Sustainability Report for the year 2022 and developed BSE's ESG strategy for the period between 2023 and 2025.

From a business perspective, the year was also successful: the Exchange's EBITDA amounted to 1361 million forints, and the net profit, including the profit attributable to BSE's share in the KELER Group, reached 5848 million forints.

All things considered, 2023 was a successful year for BSE, both in terms of business and strategic goals. The results achieved also set the direction for 2024, during which the Budapest Stock Exchange will support the growth of domestic companies through capital market financing opportunities. The primary goal remains to facilitate the development of the domestic capital market ecosystem, thereby supporting the prosperity of the Hungarian economy and households.

Barnabás Virág
Budapest Stock Exchange
Chairman

Richárd Végh
Budapest Stock Exchange
CEO

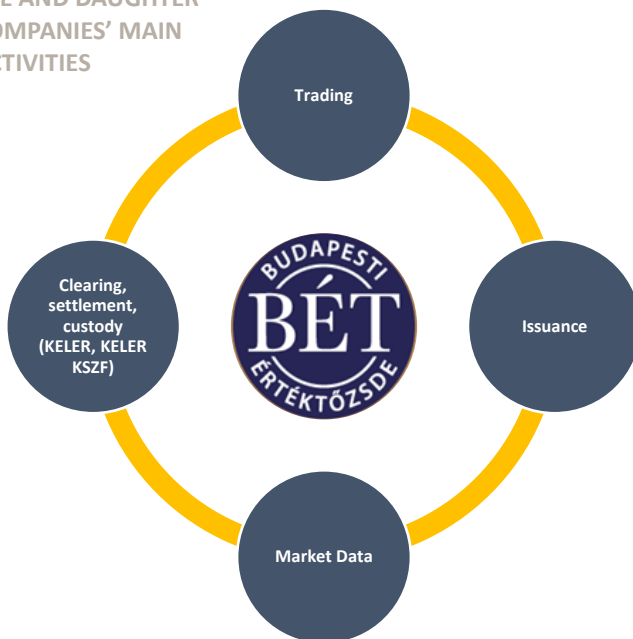
BUDAPEST STOCK EXCHANGE – AN INTRODUCTION

OUR MAIN OBJECTIVES AND OPERATION

The Budapest Stock Exchange Ltd. (BSE) serves as the central player in the domestic financial and capital markets, offering opportunities for economic actors to raise capital while also providing a wide array of investment instruments for investors. The Exchange's primary goal is to create a Hungarian economy built on stable and independent financing and to continuously develop the financial culture of the Hungarian people and the corporate sector.

As the successor of the first stock exchange in Hungary, founded 159 years ago in 1864, BSE plays a crucial role in the capital markets of Hungary and the Central European region alike. Thanks to dynamic development following its re-establishment in the 1990s, BSE today serves issuers of securities, traders, and investors from all over the world at the highest level of service standards, corresponding to those of developed markets.

BSE AND DAUGHTER COMPANIES' MAIN ACTIVITIES



Over the past more than three decades, the Budapest Stock Exchange has become one of the most innovative markets in the region, being the first to introduce, among other things, options and futures trading, the region's first listed exchange-traded fund, and among the first in Europe to use the central counterparty service, fundamentally determining the security of settlement, with the support of KELER.

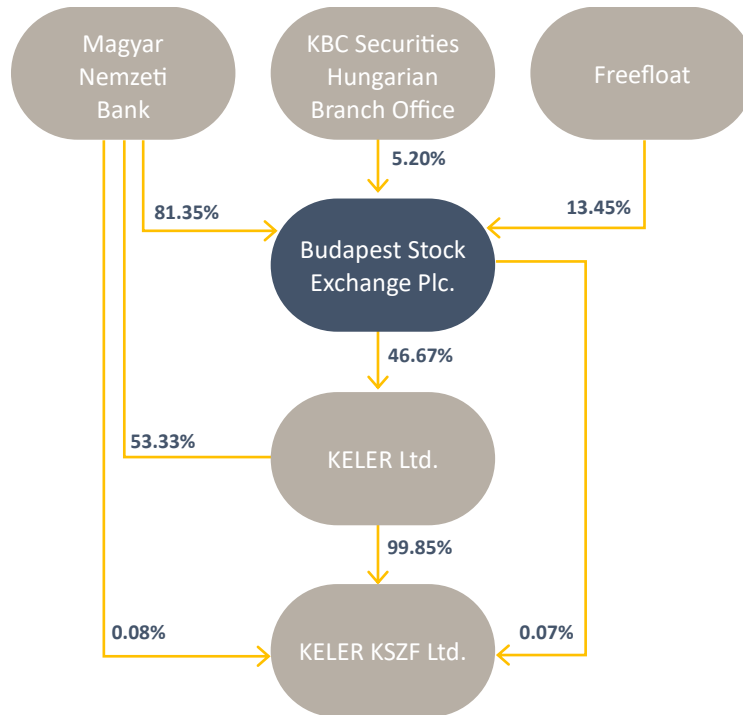
Today, the BSE offers investors a wide range of products. The palette includes not only the traditionally most popular domestic stocks and debt securities but also investment funds and structured products, as well as foreign stocks. On its derivatives market, alongside equity-based futures and options products, Europe's largest foreign exchange market operates, as well as a commodity market that is also unique in the Central and Eastern European region.

In summary, the Budapest Stock Exchange provides issuance opportunities for companies looking to raise capital, offers trading services to stock market member investment service providers, and in relation to these provides information services to capital market participants. Additionally, through its affiliated companies, KELER and KELER KSZF (KELER Group), it also participates in the securities depository, settlement, and clearing activities in the capital and energy markets.

The mission of the BSE is to increase the role of capital markets in Hungary, aiding the growth and competitiveness of companies, while also ensuring the prosperity of households, among whom the BSE, as a central player, enjoys a high degree of trust.

On November 20, 2015, the Hungarian National Bank signed a purchase agreement with the former owners of the Budapest Stock Exchange, the Austrian CEESEG AG and Österreichische Kontrollbank AG. As a result of the transaction, the MNB became the qualified majority owner of the BSE.

BUDAPEST STOCK EXCHANGE’S AND IT’S RELATED COMPANIES’ OWNERSHIP STRUCTURE AS OF 31ST DECEMBER 2023.



STRATEGY OF THE BUDAPEST STOCK EXCHANGE

At the end of 2020, closing the previous five-year period and building on its results, the BSE developed a new strategy for the period between 2021 and 2025. The BSE is currently implementing this strategy, adapting to the dynamically changing economic environment.

Although the role of capital markets in the Hungarian economy – even considering its level of development – is low, in recent years there has been increasing demand for capital market financing, new asset classes have appeared, and thanks to processes catalyzed by the BSE, the exchange has shown significant results in strengthening the ecosystem and developing new products. Despite the high-interest rate environment, which became international and domestic in 2022 and did not decrease in 2023, and uncertain geopolitical and macroeconomic factors, the BSE's position in this market is strong, and it could be one of the main beneficiaries of future capital market growth.

However, the BSE also faces challenges: economies of scale are one of the main drivers of consolidation processes seen in the sector, and the current size of Hungarian capital markets poses a strong constraint on the business model to shift towards data solutions and technological innovation. Within the value chain, value creation is continuously shifting towards information technology, data, energy market products, as well as depository and central counterparty activities causing a relative devaluation of the primary and secondary market business model. Furthermore competitive pressures have increased in the area.

However, these risks are also opportunities: the current underdevelopment presents the potential for significant organic growth. The BSE is placing greater emphasis on regional cooperation; several exchanges are in a similar situation, which could generate both revenue and cost synergies.

THE MAIN PILLARS OF THE FIVE-YEAR STRATEGY 2021–2025

STOCK EXCHANGE ON THE STOCK EXCHANGE

In addition to the many positive effects of listing (efficiency, transparency, broad ownership, fundraising opportunities, marketing element), the listing of BSE is also a milestone in the realisation of the strategic objectives of the owners, as the main owner, the MNB, intends to reduce its ownership in BSE in the future and, if market conditions are right, plans to attract new investors and make them interested in the success of the Hungarian and regional capital markets.

NEW BUSINESS LINES AND SERVICES

Index developments and other new stock exchange services (e.g. data services) will emphasise the ESG aspect in both the equity and bond asset classes – both for current and potential new BSE indices. Sustainability is becoming increasingly important both at home and abroad. The stock exchange is supporting this process on the domestic capital market in two ways. On the one hand, the BSE's role is to catalyse change as a central player in the capital market and to participate in the development of a green, sustainable capital market, and on the other hand, it is also opening up to the non-public capital markets by launching the new BSE Xmatch private placement platform.

FURTHER INCREASING THE ROLE OF THE CAPITAL MARKET IN THE HUNGARIAN ECONOMY – CONTINUE ON THE PATH STARTED

We expect that large corporates with a Hungarian decision centre will also make greater use of capital market solutions to financially underpin their strategic decisions. In addition to boosting the equity market, the development of the Hungarian corporate bond market is also key, while increasing non-equity trading revenues is also a key objective.

REGIONAL AND INDUSTRY COOPERATION

The consolidation processes among European infrastructure providers and the increasing economic weight of the region mark an inescapable strategic point for the Budapest Stock Exchange, which should address the various types of cooperation opportunities in the CEE region.

IT – INNOVATION AND SECURITY

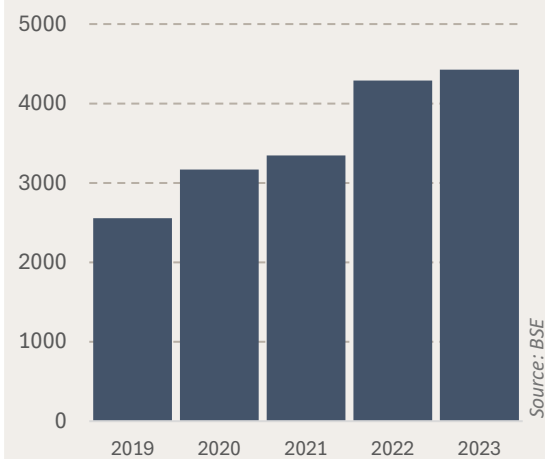
The strategic objective of the BSE's IT strategy is twofold: it is equally important to support the implementation of the business strategy and to meet the regulatory requirements concerning information technology. In order to manage these two objectives in an appropriate manner, we are already striving to select hardware and software solutions in the area of basic infrastructure that support IT operations in a reliable and automated, yet secure manner. In order to ensure the high availability required by the organisation's market-critical infrastructure role and the corresponding high quality requirements, BSE has continued to design and build its IT infrastructure using IT solutions from market-leading vendors.

OUR KEY BUSINESS FIGURES

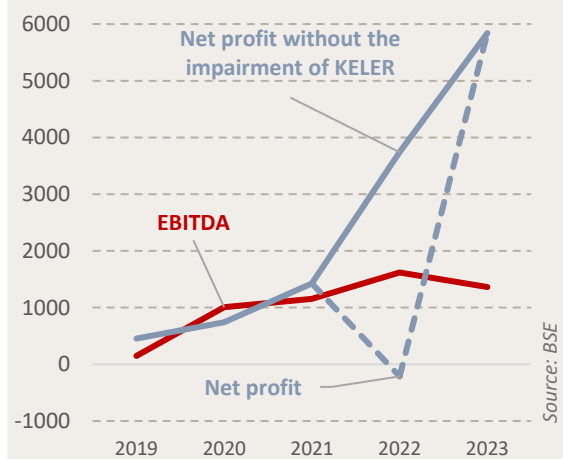
MAIN INDICATORS OF THE BUDAPEST STOCK EXCHANGE FOR 2023

- Stock market capitalisation at 31 December: HUF 14 898 billion
- Average daily turnover on the spot market: HUF 9.88 billion
- Number of issuing companies at year-end, total market: 155
- Net profit, including the KELER Group's profit attributable to BSE: HUF 5841 million
- EBITDA: HUF 1362 million
- Revenue at the end of December: HUF 3572 million
- Total annual revenue: HUF 4427 million
- Adjusted total revenue excluding subsidies: HUF 3699 million
- Total operating expenses: HUF 3066 million
- Adjusted expenses excluding subsidies: HUF 2338 million

BSE revenues and other income, 2019–2023
Million HUF



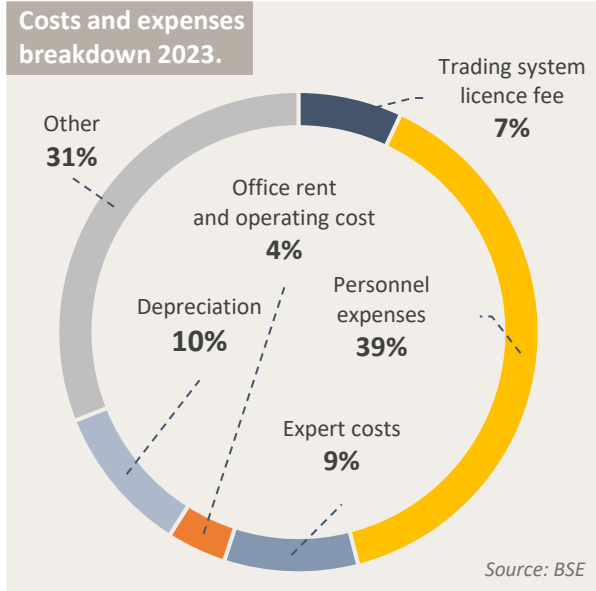
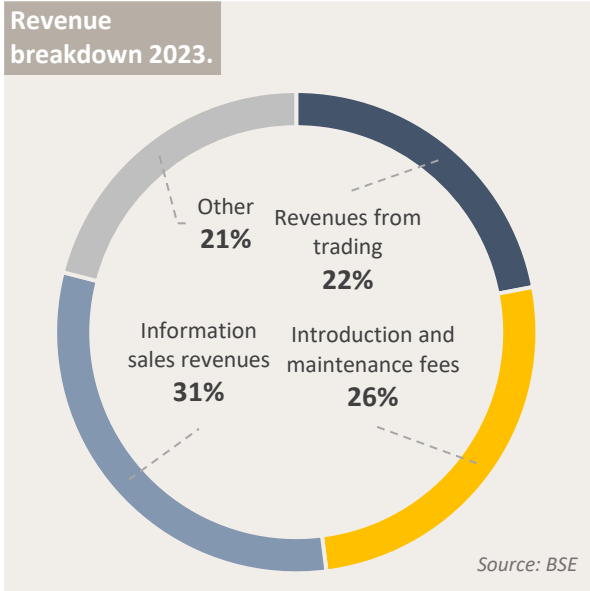
BSE performance indicators, 2019–2023
Million HUF



MAIN RESULTS OF BSE, Q1–Q4 (HUF MILLION)

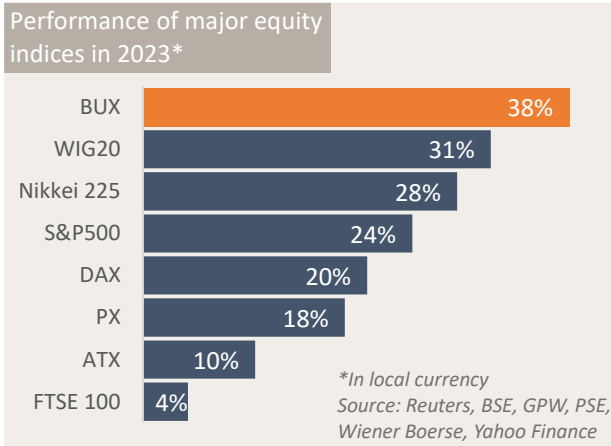
DESCRIPTION	2023	2022	CHANGE
Revenues	4 427	4 287	+3%
Revenues without subsidies (Adjusted revenues)	3 699	3 856	-4%
from this Revenues from Trading fees	989	1 412	-30%
from this Revenues from Exchange Issuer fees	1 157	1 057	+9%
from this Revenues from market data sales	1 357	1 196	+13%
Operating expenses before taxes, depreciation and amortisation	-3 066	-2 663	+15%
Operating expenses without subsidies (Adjusted)	-2 338	-2 232	+5%
from this Expenses for material costs	-4	-4	0%
from this Expenses of services used	-847	-784	+8%
from this Personnel costs	-1 342	-1 249	+7%
from this Expenses arising from miscellaneous other costs	-131	-195	-33%
from this Other expenses	-14	0	
Impairment losses and reversal	1	-5	
EBITDA	1 362	1 619	-16%
EBITDA/Revenues	38,1%	44,2%	-6,0%
Depreciation and amortization	-332	-316	+5%
EBIT	1 030	1 303	-21%
Profit attributable to BSE from KELER Group	5 128	2 448	+109%
Impairment losses/reversal of impairment of KELER Group	0	-3 953	
Result of financial operations	304	58	+424%
Income tax, business tax, innovation contribution	-621	-69	+800%
Net profit or loss	5 841	-213	

In the BSE's three main business areas, trading revenues generated 989 million HUF, listing and maintenance fees generated 1157 million HUF and information sales revenues generated 1357 million HUF. In the area of costs and expenses, personnel expenses amounted to 1342 million HUF, trading system licence fees to 238 million HUF and expert fees to 298 million HUF.



MARKET TRENDS

In recent years, the Russian-Ukrainian war and the energy crisis in Europe have determined the risks – and therefore market trends – which had an impact on 2023. Global economic growth has slowed, with annual GDP falling or stagnating in many countries. This was mainly due to historically record high inflation, which started to bounce back in 2023.



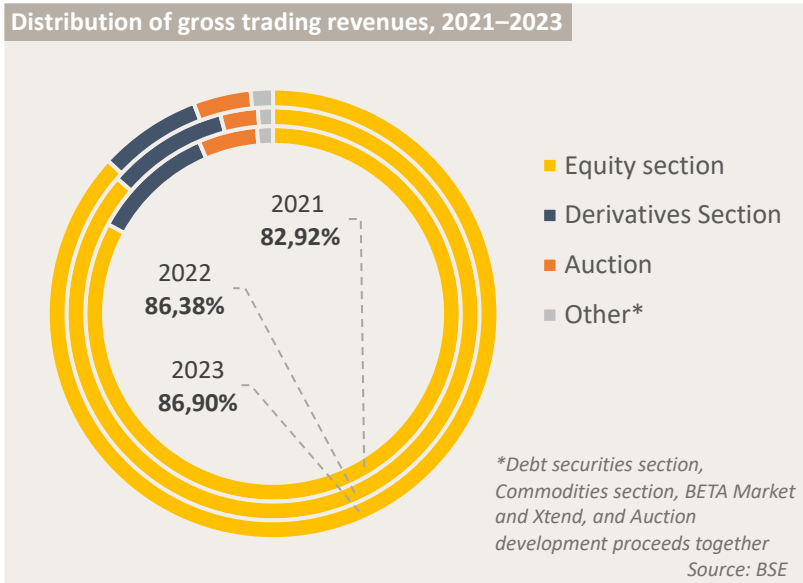
The effects of the war and Covid-19 were already diminishing in 2023, inflation forecasts were also on a downward trend and recession fears eased in the second half of the year. These are also reflected in the performance of the main equity indices: investors have started to return to equity markets, with all the main indices under review rising. It should be noted that the base effect should not be ignored, as there were strong declines in 2022. Internationally, the BUX outperformed the regional indices by 38%. The FTSE 100 rose the least, but this index also recorded a 4 percent gain. Overall, the domestic stock market has performed relatively well over the past year.

DETAILED SUMMARY OF OUR BUSINESS OPERATIONS IN 2023

TRADING BUSINESS

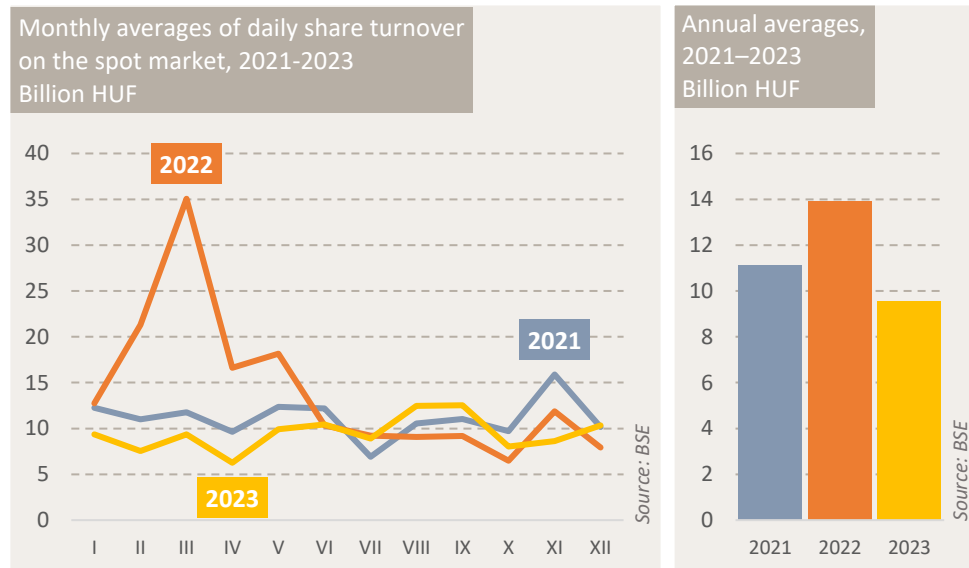
The equity market is the most important segment of the Budapest Stock Exchange, accounting for almost 90 percent of trading revenues each year. Equity market turnover fell by 30 percent compared to an outstanding 2022, and by 14 percent compared to 2021. The equity segment remains one of the most concentrated markets by international standards, with three blue chip companies accounting for the vast majority of turnover.

The second largest trading revenue is generated in derivatives, but in 2023 this represented only HUF 71 million HUF in turnover, 46 percent lower than the previous year. Trading revenues generated a total of 989 million forints in 2023, 30 percent lower compared to the outstanding 2022.

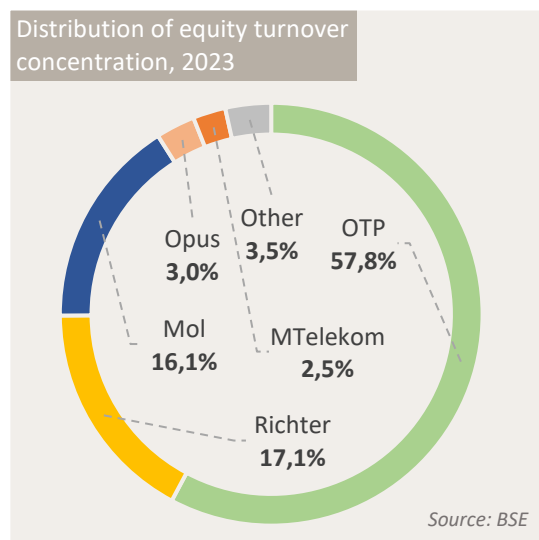


STOCK MARKET

Contradicting the stock market index, equity market turnover in 2023 was negative, with a daily average amounting to HUF 9.55 billion (excluding fixed and LIS), a 31% decrease compared to the previous year. It should be noted that the 2022 figure was due to the exceptionally high first half-year turnover, so it is worth comparing with 2021, where the decline was only 14 percent. Last year, the negative outlook for the domestic economy (inflationary pressures, economic contraction) continued to have an impact, but the second half of the year showed an improving trend in turnover.

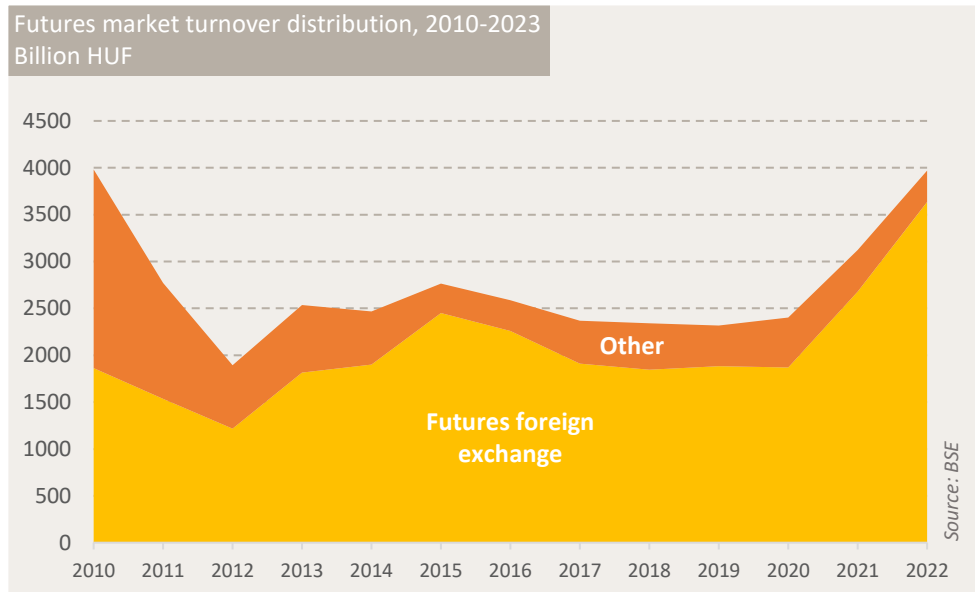


The turnover of small and mid-cap stocks increased compared to previous years, leading to a slight decrease in turnover concentration in the domestic stock market. The three blue chip stocks accounted for 91 percent of total turnover in 2023, more than 5 percentage points lower than the previous year. The main reasons for this are, among others, the more significant turnover increases of Opus and MTelekom.

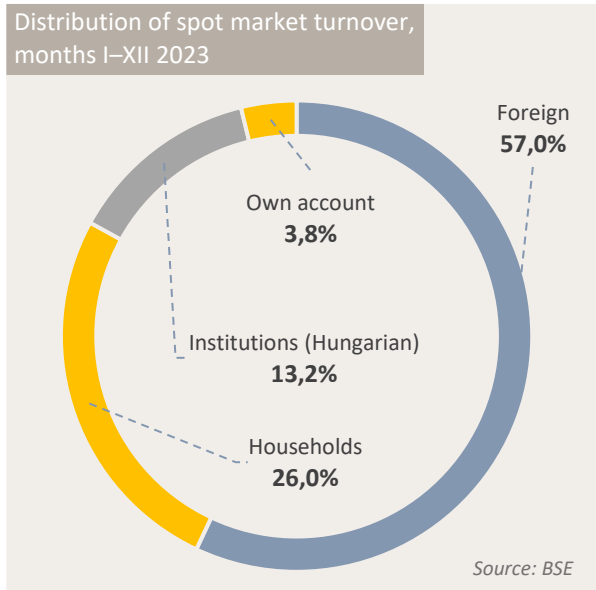
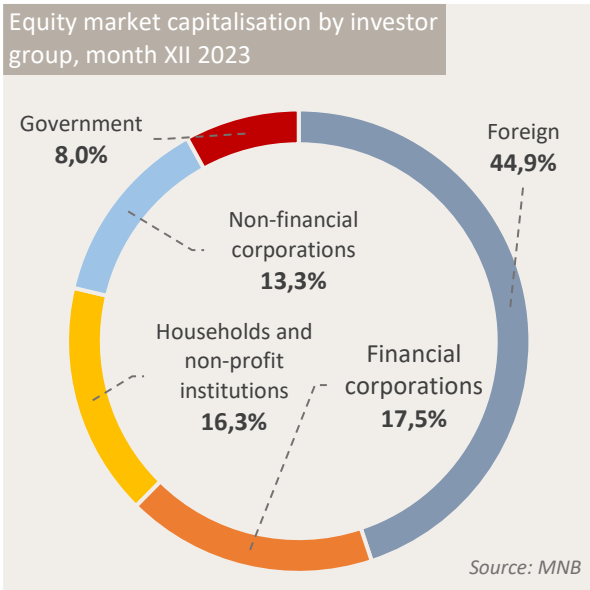


FUTURES MARKET

On a year/year basis, the futures market turnover in counted based on the exchange values fell by 52% in 2023. The main reason for this is that the turnover of the forward currencies, the engine of the futures market, also shrank by 52 percent. Compared to 2021, the decline is also significant, at 39 percent, with the forward currency sliding back below its 2020 level. For other derivatives, the downward trend continued, with only currency options increasing in value, with 5 times the volume traded in 2022, but still only a small fraction of total derivatives market turnover.



The Budapest Stock Exchange is an open market, easily accessible to foreign investors, as evidenced by their 57 percent share of turnover and 44.3 percent of share ownership. At the same time, the role of retail investors is also prominent, with more than 25 percent of turnover on the BSE being attributable to retail investors in 2023.



DATA SALES

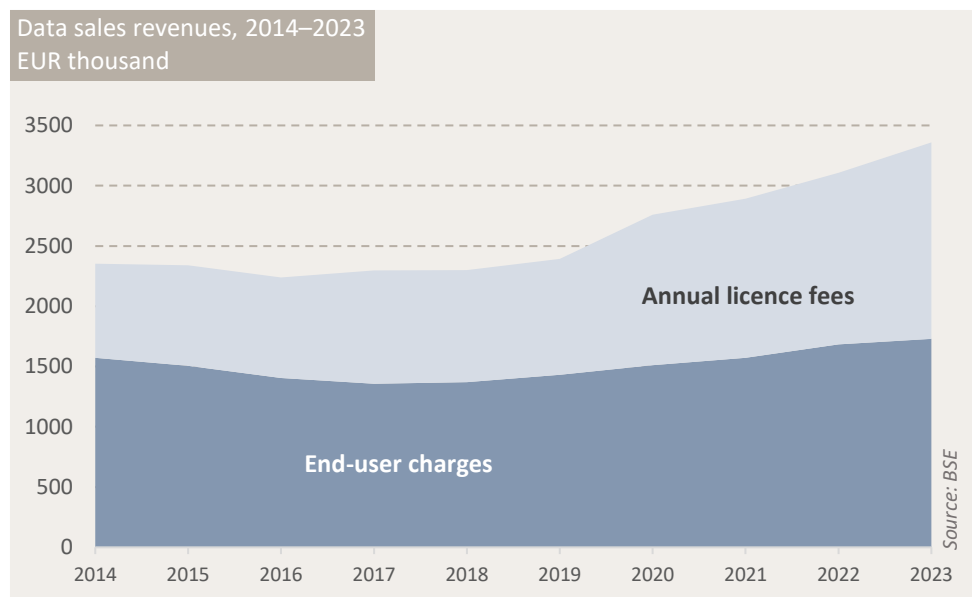
The figures relating to listed companies and stock exchange trading (in summary, stock market data) are of particular value to the various players in the capital market. The sale of this data is an important source of revenue for all exchanges, including the Budapest Stock Exchange. For the use of the data, the BSE charges a licence fee to end users of the data (typically professional or retail stock exchange traders) and for the use of the data in the IT systems of the investment services sector (non-display subscriptions) through various fee packages involving investment and information service providers.

Data sales revenues currently represent 31% of total BSE revenues, and their share is increasing step by step year on year.

Inflationary developments in the eurozone and in Hungary in recent years have justified a review of data sales pricing. In line with market practice, the tariffs were increased at the beginning of the calendar year, in January 2023, by an average of 10%.

During the financial year, the positive trend of several years continued, with a slight further increase in the number of partners contracted for annual licences. In line with the decline in volatility and trading volumes, the number of monthly end-users has been on a downward trend since September 2022.

Overall, data sales revenues were in line with plans.

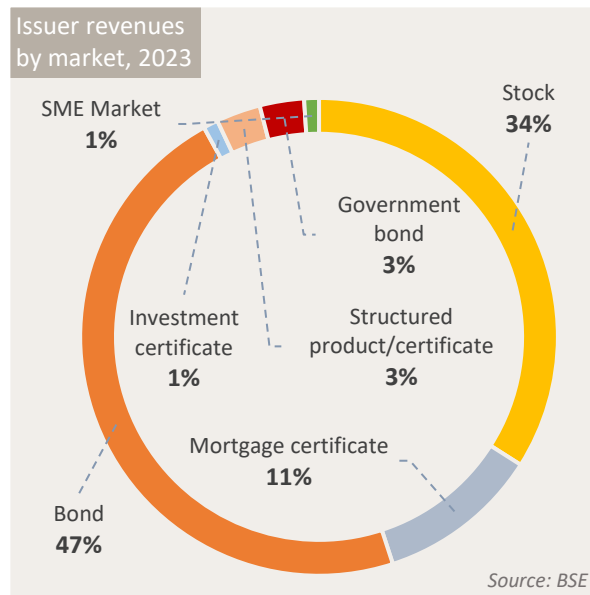


In August 2023, the Amsterdam-based joint venture EuroCTP BV was set up by the members of FESE, including BSE, with the aim of winning the concession for a future European consolidated data provider.

ISSUER SERVICES

The primary markets of the Budapest Stock Exchange provide the opportunity for companies of all sizes, mainly Hungarian, to raise funds for their growth. The BSE operates market segments specialising in equities, bonds and small and medium-sized enterprises. Its revenues from issuers consist partly of listing fees payable on admission to trading and partly of quarterly maintenance fees, depending on the capitalisation of the securities portfolio and, in the case of debt securities, their total nominal value.

The maintenance fees paid by equity issuers accounted for 34 percent of total issuer revenues in 2023 (up from 32 percent in 2022), while the share of revenues from bonds stood at 47 percent (up from 50 percent in 2022).



Issuer revenues reached HUF 1157 million in 2023, an increase of 9.5 percent compared to the previous year.

STOCK MARKET

In terms of issuer activity, 2023 is a positive year. New entrants to the regulated market included Civita Group, BSE, Biggeorge REIT and Shopper Park Plus Nyrt.

Shopper Park Plus, which made its debut at the end of the year, completed the largest IPO in recent years, with its shares entering the Premium category in value of €37.2 million.

In the regulated market, in addition to new listings, several listed companies raised significant capital, next to the aforementioned Shopper Park companies like MBH Bank Nyrt. raising more than HUF 24 billion and AutoWallis raising HUF 4.9 billion.

BSE STOCK MARKET LISTINGS AND FUND RAISINGS, 2019–2023

MARKET	INDICATOR	2019	2020	2021	2022	2023
REGULATED MARKET	Transaction value (HUF billion)*	348	14.5	32.6	1891.8	105.5
	Number of transactions (pcs)	14	9	15	13	10
	Issuers involved	<ul style="list-style-type: none"> • Akko • Alteo • AutoWallis • FuturAqua • MKB • Nutex • Opus • SET 	<ul style="list-style-type: none"> • AutoWallis • Nordtelekom • Nutex • Pensum • SunDell 	<ul style="list-style-type: none"> • 4iG • AutoWallis • Delta • EHEP • ENEFI • Elsőbbbségi • Eprolius • FuturAqua • Megakrán • Nutex • SET Group • Sundell 	<ul style="list-style-type: none"> • 4iG • Alteo • Amixa • AutoWallis • Delta • DM-KER • eSense • FuturAqua • Masterplast • MKB • Sundell • UBM • VIG 	<ul style="list-style-type: none"> • AutoWallis • BSE • Biggeorge REIT • Civita Group • FuturAqua • MBH • SET Group • Shopper Park Plus
XTEND STOCK MARKET	Transaction value (HUF billion)*	5	8	6.5	24.3	21.8
	Number of transactions (pcs)	2	3	6	23	8
	Issuers involved	<ul style="list-style-type: none"> • Cybergastro • GOPD 	<ul style="list-style-type: none"> • Cybergastro • DM-KER • Gloster 	<ul style="list-style-type: none"> • Épduferr • Gloster • NAP • OXO • Polyduct 	<ul style="list-style-type: none"> • Astrasun • Biggeorge • CDSys • Cybergastro • Energy Investment • Épduferr • EU-Solar • Gloster • Goodwill Pharma • Multihome • NAP • Naturland • Navigator • OXO • Valberg • ViVeTech 	<ul style="list-style-type: none"> • Chameleon Smart Home • Energy Investment • Gloster • Goodwill Pharma • STRT Holding • Vertikal Group

*At transaction price

Source: BSE

In the Xtend SME MTF market, 3 new issuers, Vertikal Group, Chameleon Smart Home and STRT Holding, were listed in 2023. For the Xtend MTF market, the new listings and the private placements (Gloster, Energy Investment, GoodWill Pharma Nyrt.) increased capitalisation by HUF 21.8 billion.

DEBT SECURITIES MARKET

The credit securities market continued its strong upward trend in 2023. In total, 92 new bonds were launched on the regulated market. EXIM introduced the largest volume of bonds on the BSE this year, but commercial banks were also particularly active. Overall, the capitalisation of the bond portfolio increased by 61% compared to the previous year, with the commercial bank portfolio growing 2.3 times in one year.

There was a slight decline (5.5 percent) in the mortgage bond market, as mortgage lending fell. During the year, 7 new mortgage bond issues were made, with a total capitalisation of over HUF 1 898 billion.

Government bond market capitalisation increased by more than 7.5 percent in the regulated market compared to 2022, reaching HUF 26 653 billion, with 12 new government bond issues and 221 new issues. Including the euro-denominated government bonds launched on Xbond, government bonds with a capitalisation of HUF 31 353 billion are traded on the exchange, an increase of 8 percent compared to the previous year.

Activity in the certificates market was more moderate in 2023 than a year earlier, but still 173 new certificates were introduced.

There was no activity on the BSE Xbond market last year, with a total of 116 bonds introduced since the end of 2022, with only small capital redemptions during the year.

The rise of sustainability and the increasing volume of green investments on the stock exchange has also helped to increase the number of green corporate bonds. At the end of 2023, 34 green securities (corporate bonds, mortgage bonds, government bonds, ETFs and Xbond corporate bonds) were traded; in addition to green corporate bonds and mortgage bonds, new green government bonds were introduced.

BSE CREDIT MARKET CAPITALISATION* AND XBOND LAUNCHES, 2019–2023

MEGNEVEZÉS	2019	2020	2021	2022	2023
Government securities (HUF billion)	16 090	19 993	21 254	24 797	26 653
Xbond government bonds (HUF bn)	–	–	3 262	4 222	4 700
Corporate bonds (HUF billion)	568	704	1 141	1 677	2 650
Mortgage bonds (HUF billion)	1 321	1 785	1 723	2 011	1 898
XBond bonds (HUF billion)	28	598	1 618	2 813	2 802
Number of Xbond bonds (pcs)	1	31	84	116	116
Number of Xbond issuers (pcs)	1	28	66	92	92
Green securities on BSE (pcs)**	–	2	20	29	34

*End-of-year closing price and EUR/Ft exchange rate; **Bonds, mortgage bonds, government bonds and Xbond market

Source: BSE

From an issuer's perspective, 2023 was a very successful year overall, with not only a significant increase in stock market capitalisation in both equity and debt securities, but also a further increase in the number of publicly traded companies.

ACTIVE YEAR ON THE BSE XTEND MARKET

A key element of BSE's strategy is the development of the capital market ecosystem among medium-sized companies. To this end, in 2017, we created a new market to support this segment, BSE Xtend, which aims to broaden the range of potential issuers and investors to include small and medium-sized enterprises.

Last year, three new companies entered the BSE Xtend market, now in its sixth year. At the beginning of the year, the Vertikal Group, a plastics manufacturing and waste management company, and Chameleon Smart Home, a smart home solutions provider, launched their shares on the capital market. At the end of the year, the shares of STRT Holding, which was named after Petya Balogh, began trading on the Xtend market after raising HUF 1.15 billion, one of the largest capital raises in its history. At the end of the year, 22 companies were traded on the BSE Xtend market.

INFORMATION TECHNOLOGY AND DIGITALISATION

Similar to the operating model of international and domestic financial and capital market service providers and institutions, BSE's business operations (including the services provided to our market partners) rely predominantly on various IT solutions. Consequently, one of the most important aspects is of course the continuous and reliable availability of these systems. However, in addition to operation and security, it is also necessary to ensure that these business IT applications are also developed in terms of functionality, so that they can meet current user requirements, security and other standards.

As in every year, ensuring high availability and meeting stringent regulatory requirements, required by the critical infrastructure role of central market operations, will be a priority in 2023.

Trading on BSE is basically conducted on two central trading systems: the Frankfurt T7 (formerly Xetra), provided and operated by WBAG and DBAG, and the MMTS systems, further developed and operated by BSE (technically, there are two of the latter: MMTS1 for OTC auctioning and MMTS2 for the exchange-traded derivatives market).

The availability ratio in 2023 was 100% for spot, derivatives and auction markets.

MAIN AREAS OF IT DEVELOPMENT IN 2023

Strengthening IT security

Due to the growing importance of cyber security, we are constantly improving our IT security capabilities and the BSE's protection system.

According to our plans, the strengthening of IT security infrastructures and applications, as well as the further training of our experts and the maintenance of the IT security awareness of our colleagues, will continue to play a central role in the next period.

Improving "data-driven" operations, increasing the weight of data warehouse solutions, improving data communication

BSE is constantly working to ensure that all business data is stored in central databases and then made available and analysable for all business units or stakeholders (essentially through the use of data warehouse infrastructure), so as to avoid the creation of data silos that generally undermine business operational efficiency.

Data warehousing and BI developments (analysis, reporting, including the mandatory reporting and data provision required by regulators) continued to play a key role in BSE's IT development activities in 2023.

As a result of internal operational optimisation in previous years, we have started to transform the systems that ensure real-time internal business data flows to a modern foundation. The main goal of the project is to create an architecture that simplifies data flows and serves emerging business needs quickly and cost-effectively.

Business process optimisation, automation

Changes to increase the digitalisation of our existing internal business processes and tasks, to replace manual work and thereby increase operational efficiency and reduce operational risk were given high priority in the annual development plan.

A DEVELOPING CAPITAL MARKET ECOSYSTEM

PARTNER NETWORK

An important strategic objective of the BSE is to work closely with all the players in the capital market, which is why the managers of the stock exchange and the staff of the acquisitions department hold hundreds of meetings with stakeholders every year. In the course of these discussions, they work together with regulators, stock exchange companies, investors, potential issuers, banks, consultants and the heads and representatives of foreign stock exchange organisations, among others. In addition to presenting our market development plans and strategy, the meetings also focus on feedback from market participants and their development needs.

In the context of our programmes to develop the capital markets ecosystem, the Acquisitions area staff contacted representatives of interested companies online and in person in 2023. The BSE50 publication, the ELITE training programme, BSE Xmatch and the Mentor Programme have all been used to provide information on the capital market and to help them identify the next step on their path to the stock exchange.

One of the BSE's strategic principles is to maintain ongoing contact with investors, which is why we also hold regular meetings with representatives of domestic venture capital funds and exchange-traded fund managers.

Nominated advisors, or NOMADs (Nominated Advisory), are an important part of the partner network, providing capital market knowledge and corporate finance expertise to help domestic medium-sized companies not only during the listing process, but also during the public operation. In the year 2023, KPMG Tanácsadó Zrt. and Univerz Invest Zrt. have joined the advisory circle, bringing the total number of active advisory relationships to 19.

IDENTIFICATION OF LISTED COMPANIES

In order to continuously expand the capital market ecosystem, the priority task of the BSE's acquisition area is to identify quantitatively among the players in the domestic SME sector those potential companies – domestically owned and managed – with whom it actively maintains contact, to familiarise them with current market trends and capital market processes, and to present the educational and fundraising opportunities available to them. In 2023, as in previous years, hundreds of companies were brought to the attention of BSE.

The Hungarian small and medium-sized enterprise sector is the engine of the Hungarian economy, and the stock exchange is therefore working to create an ecosystem in which the large number of participants from this sector, who play an important role in the national economy, can also join the capital market. An important task is to dispel the misconception that the stock exchange can only help the large corporate sector, and the BSE is therefore endeavouring to make its range of products tailored to the SME sector as widely known as possible.

Overall, by creating a BSE Xtend capital market segment tailored to SMEs and the many services that can be used in the process, the stock exchange offers domestic companies a

business development and fund-raising opportunity, alongside state subsidies and bank loans.

We have published "BSE50 – Fifty Hungarian companies' success stories" every year since 2016, providing an opportunity (and the attention of the business community) for companies that have achieved outstanding results in their operations. BSE50 companies are outstanding performers in their industry and have the growth potential to secure long-term growth, whether it is through expansion abroad, raising funds, listing on the stock exchange or developing their business.

With the eighth edition of the success stories in 2023, nearly 400 companies have now been featured in the publication. This group of companies forms the community of companies that can participate in the conference organised at the time of publication and in the BSE50 Club events, which are also held annually.

The latest edition was launched in October 2023 at a major corporate summit, the BSE50 conference. The event was attended by prominent figures from the domestic business community, representatives of the newly launched 50 companies and nearly 350 companies from previous years, as well as banking, investment and advisory players from the capital markets ecosystem. As usual, the event focused on the launch of the BSE50 publication, but the conference programme also included individual presentations and panel discussions. In addition to an assessment of the current market situation, the focus was on life on the stock exchange, the process of going public and the experiences of the process.

ELITE PROGRAMME, CORPORATE TRAINING ACTIVITY

The ELITE Programme, which currently brings together more than 1,400 companies from 23 European countries and has been a subsidiary of the Euronext Group since 2021, offers ambitious SMEs looking to grow, interactive training, networking opportunities and funding channels combined with ongoing mentoring.

In the framework of the partnership between ELITE and the Budapest Stock Exchange, launched in 2016, the BSE will supplement the English-language modules of the programme with educational events in Hungarian, tailored to the needs of the domestic market, where company managers can learn up-to-date and practical knowledge from the most prominent experts on the domestic capital market, as well as from representatives of issuers, investors and advisors.

Between 2017 and 2023, almost 60 domestic companies from all corners of the country and from different economic sectors, mostly from the BSE50 community, joined the ELITE Programme and completed the course. The Mentor Programme played a very important role here too, as 37 companies were able to take part in ELITE training courses under the GINOP or KMR programmes, with 100% funding. Of the companies that completed the programme, DM-KER, Megakrán, UBM Holding and, from January 2024, Gloster are listed on the BSE Standard market, having moved from the BSE Xtend market, while Astrasun, Goodwill Pharma and ViVeTech will be strengthening the BSE Xtend market. In addition to the equity segment, 7 members of the ELITE community are present on the BSE Xbond market with their corporate bonds. It can be seen that the ELITE Programme is a very important element of the stock exchange's range of services for SMEs, and is an effective way of helping ambitious medium-sized domestic companies to enter the public markets.

Last year, sustainability and ESG efforts played a prominent role in the life of BSE, and this was no different in our corporate education activities. Under the Mentor Programme, from 2022 onwards, almost 200 domestic SMEs were given the opportunity to take part in 100% subsidised, one-day ESG training courses delivered by some of the most prominent sustainability experts in the domestic market, accredited by BSE. The unanimously positive feedback was that these introductory training courses had a very strong awareness-raising

effect, not only helping to alleviate the growing day-to-day demand for information on sustainability issues among domestic SMEs, but also supporting them in meeting the customer, funder and regulatory requirements they are already facing or will face in the near future.

In addition, we are continuously looking for opportunities to collaborate with educational institutions, market advocacy organisations and other actors in the economy to jointly help domestic companies navigate sustainability and ESG issues. In the framework of these partnerships, the Exchange has been involved in several ESG education activities during 2023 as a professional partner and lecturer, and plans to continue its activities in this area in the future.

In 2024, the BSE intends to continue to place great emphasis on the education of domestic companies by developing a value proposition that effectively supports the strengthening and development of the domestic SME sector and the development of more and more companies that are ready for the stock exchange.

BSE XMATCH

Launched in 2019, our BSE Xmatch initiative aims to enable a wide range of domestic emerging companies, institutional investors and other relevant capital market players to build relationships and trust in a closed circle, thus helping SMEs to raise finance and complete successful private transactions. The exclusive BSE Xmatch events also provide an opportunity for companies seeking funding to make an investor presentation to representatives of the capital market ecosystem.

Our sixth BSE Xmatch event in March 2023 attracted more interest than ever before. Four companies were again able to present themselves to the audience: Naturland Holding Nyrt., Kermann Műszaki Fejlesztő Zrt., Goodwill Pharma Nyrt. and STRT Holding Zrt. Naturland and Goodwill Pharma were already present on the BSE Xtend as issuers seeking to strengthen their relationships with potential investors, while STRT Holding entered the mid-cap platform in December 2023 following a successful private placement.

Of the 21 companies that have presented at BSE Xmatch events since November 2019, 10 are now BSE Xtend issuers, and three are listed in the Standard category of the main market.

MENTOR PROGRAM

The development of the capital market requires support for the preparation of companies preparing to go public, and to this end the BSE, together with the Ministry of National Economy and several other state actors, launched the Mentor Programme. From 2018, the BSE Mentor Programme was available in the GINOP (Economic Development and Innovation Operational Programme) region, and from 2019 in the KMR (Central Hungary) region. Under this programme, SMEs could receive non-reimbursable support from the BSE to acquire the knowledge needed for capital market financing and to finance the costs of listing on the stock exchange. The new project elements of the Mentor Programme, launched in 2022, helped SMEs to gain insights into sustainability issues. The training and an ESG pilot programme aim to prepare companies for possible supplier, financing and investor expectations that will soon pose new challenges for domestic SMEs in their sustainability efforts.

In 2023, 91 companies participated in the one-day ESG training courses delivered by experts from accredited training institutions, and 39 companies uploaded their data to our database based on our ESG methodology in our ESG Pilot programme. Two companies met their targets in the Green Finance Framework project and two companies met their targets in the IPO project. Over the entire project period, the BSE supported a total of 279 companies under the various project components. As certain players took advantage of the

opportunities offered by the Mentor Programme in several project elements, 255 small and medium-sized enterprises with domestic ownership were helped to develop and strengthen over the entire project period.

The above-mentioned projects ended in 2023, so the programme has been a success and has fulfilled its objective of supporting a large number of domestic SMEs to improve their knowledge of capital markets and sustainability, and to access capital market financing and listing. We thank all our partners for their participation and support and look forward to continuing to find ways to support domestic SMEs in order to further broaden the reach of these objectives.

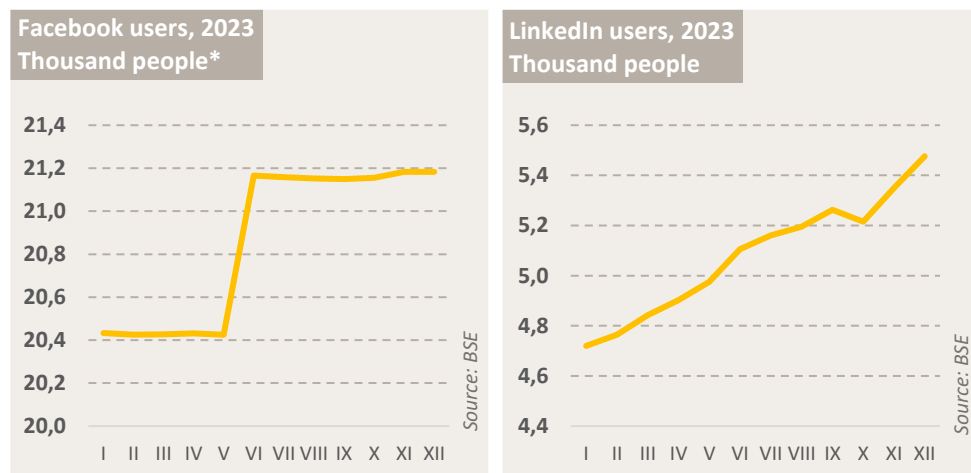
BRAND BUILDING, COMMUNICATION

PROFESSIONALLY FOCUSED PRESS COMMUNICATIONS, INCREASING SOCIAL MEDIA PRESENCE

In 2023, the Budapest Stock Exchange's communication activities continued to focus on expertise and market knowledge. The expansion of the capital market ecosystem and the BSE's related mid-cap initiatives, the promotion of equities as an investment instrument and the encouragement of the development of general financial awareness continued to be the main themes. As in previous years, the stock exchange's events, initiatives and role in the economy were regularly reported on almost all major online and offline media platforms, further building the BSE's image and professional standing. This is duly reflected in the number of media mentions, which in 2023 was still close to 13,000.

In the past year, BSE's press communications continued to focus on market trends and results, the expansion of the issuer base, the organisation of special events, and domestic and international cooperation. In addition, the Exchange's executives were regularly interviewed in the written press, as well as in a number of TV and radio appearances and podcasts.

Social media platforms also continued to grow. The number of followers on the Facebook page, which is the most used to reach and inform the public, exceeded 21,000, while LinkedIn, the primary professional social platform, now has over 5.5,000 followers, representing an organic growth of almost 20% compared to 2022.



*The sudden increase in June 2023 was caused by a methodological change: until then Facebook counted likes and followers separately, but from June onwards we only see the exact number of followers (only an estimate is available for likes).

In line with global corporate-business social media trends, the two platforms are increasingly diverging in BSE's communication: while Facebook is dominated by retail-focused messages, LinkedIn is the home of capital market topics requiring a deeper insight. X (formerly Twitter), which supports international communication, is also attracting more and more repeat visitors every month. The stock exchange's YouTube channel has also been very active, with the most popular videos being educational and professional conference content.

EVENTS – MAXIMUM SPEED

The online world is playing an increasingly important role in our lives, but the Budapest Stock Exchange continues to believe in the power of face-to-face encounters. We believe it is vital to maintain personal relationships with our partners, investors, issuers and companies already present on the Exchange, but we are also open to building relationships with companies that are just starting to look at the Exchange, and to providing advice where necessary.

In 2023, we continued to meet our partners, clients and investors on numerous occasions, celebrating several anniversaries, holding historic bell-ringing ceremonies, but also online events. In addition to our traditional awards gala at the beginning of the year, the BSE Leges and our BSE50 conference in the autumn, which is of particular importance to the SME market, we also held an exclusive bell-ringing on 21 June 2023, the 33rd anniversary of the Budapest Stock Exchange, to celebrate the fact that the BSE itself has gone public in the Standard category. In addition to two jubilee bells (BIF and MBH Mortgage Bank), the iconic bell of the stock exchange rang on six other occasions to celebrate the listing of Chameleon, Civita, Vertikal, Biggeorge REIT, Shopper Park Plus and STRT.

MARKET AND PRODUCT DEVELOPMENTS

RESEARCH-MARKET MAKING PROGRAMME

The BSE launched its research-market making programme in December 2017, which is aimed at supporting the shares of small and medium-sized companies. The primary objective of the programme is to provide liquidity and regular high-quality valuations for the securities included, with a view to developing a more efficient stock market.

On the service provider side, analyst/market makers that are members of the stock exchange's equity section are eligible to participate in the programme in 2023. A significant event of the year was that the BSE is now also participating in the initiative as an issuer on the quotation side. In terms of analysis, 5 investment providers followed 11 issuers, with a total of 44 major analyses and several smaller analyst commentaries and model updates over the course of a year.

On the price quotation side, there is also a new player: Concorde Értékpapír Zrt. quotes for BSE as an issuer, alongside OTP Bank Nyrt. As far as companies are concerned, three new entrants have been added to the programme: BSE, Graphisoft Park and Waberer's; of particular interest is that Graphisoft Park is the first euro-listed paper in this round.

PROGRAMME PARTICIPANTS FROM 2024 ONWARDS

INVESTMENT SERVICE PROVIDERS	SHARE ANALYSED	QUOTED SHARE
Concorde Értékpapír Zrt.	<ul style="list-style-type: none"> • ANY Biztonsági Nyomda • AutoWallis • CIG Pannónia • Duna House • Waberer's • Wizz Air 	<ul style="list-style-type: none"> • BSE
Equilor Befektetési Zrt.	<ul style="list-style-type: none"> • OPUS Global 	
MBH Bank Nyrt.	<ul style="list-style-type: none"> • Alteo • Masterplast 	<ul style="list-style-type: none"> • Alteo • Duna House • Masterplast
OTP Bank. Nyrt.	<ul style="list-style-type: none"> • PannErgy 	<ul style="list-style-type: none"> • ANY Biztonsági Nyomda • AutWallis • Gloster • Graphisoft Park SE • PannErgy • Waberer's
Wood & Company Financial Services a.s	<ul style="list-style-type: none"> • Graphisoft Park SE 	

Source: BSE

IMPROVING ISSUER SERVICES: RESPONSIBLE CORPORATE GOVERNANCE, DIGITALISATION AND EDUCATION

Strengthening effective responsible corporate governance among listed companies has been a key objective of BSE's strategy in recent years. The Exchange's Committee on Responsible Corporate Governance has been in operation since 2004 with the aim of guiding the further development of the recommendations, taking into account domestic professional needs, forthcoming EU legislation and general international trends, and representing professional views in the further development of company law.

The Board of Directors of the Stock Exchange, by its Resolution No. 11/2023, established the Sustainability and Corporate Governance Committee of the Budapest Stock Exchange, which, continuing the tasks of the former Responsible Corporate Governance Committee (performing tasks related to Corporate Governance), has added sustainability (ESG) issues to the Committee's remit, in particular:

- promoting and supporting the idea of sustainable and responsible corporate governance and developing best practices in this area, and maintaining and further developing the ESG Reporting Guidelines published by the BSE;
- Develop and improve market infrastructures and products that take ESG aspects into account;
- developing ESG transparency and best practices on the disclosure obligations of market participants.

Through the work of the Committee, the Exchange wishes to ensure that representatives of the profession are involved in decision-making on the recommendations in an organised framework, while maintaining BSE's proactive role. The Committee includes representatives of issuers, regulators (IM, GM, MNB) and the Exchange, as well as independent market experts.

The Sustainability and Corporate Governance Committee aims to continuously develop, adapt to the changing market and regulatory environment, the recommendations on ESG and corporate governance, their application, processing and presentation.

In 2019, the BSE created and made available on its website an online interface for uploading the Responsible Corporate Governance Reports, which was available for the first time in 2020. The purpose of this interface is twofold: firstly, to help issuers to complete the reports in a more uniform and correct manner and, secondly, to make it easier for the Committee to process the information contained in the reports and, in particular, to analyse it statistically. The latter also supports the process of compiling the annual monitoring report in accordance with the European Commission Recommendation 2014/208/EU, which has been made more concise and consistent, complemented by the use of visual tools (graphs, tables) to aid understanding.

The Responsible Corporate Governance Recommendations are continuously updated. They were most recently required to be supplemented due to the enactment of Act LXVII of 2019 on the promotion of long-term shareholder engagement, which was to be applied for the first time for 2020. Overall, based on the experience in 2023, it can be said that issuers' compliance with the Responsible Company Recommendations is steadily improving.

The BSE is determined to support issuers' operations with high-quality and useful professional events. As part of this, we regularly organise issuer forums on issues of topical interest to issuers, in particular on the main regulatory issues relating to disclosure requirements, extraordinary and inside information, and sustainability (ESG). Given the specificities of the SME segment, we also organise regular forums for these market

participants and stakeholders on specific topics. The events are always well attended and receive positive feedback.

BSE has also been involved in training programmes for many years – in the framework of the Budapest Institute of Banking (BIB), the Bankers' Training Institute and the ELTE Institute of Continuing Legal Education. From the point of view of issuer operations, the IR (investor relations) training programme, which is usually held twice a year for beginners and advanced professionals, is a key element of the BSE's professional programme management activities. In the course, we have sought to develop a meaningful programme for IR professionals with the help of speakers from BSE and the MNB, as well as practitioners and issuers. The programme has been integrated into the regular BIB courses, thus providing an opportunity for investor relations professionals to receive continuous training and to update their skills.

INTERNATIONAL INITIATIVES

Since 1999, Budapest Stock Exchange has been actively involved in the work of certain professional committees of the Federation of European Stock Exchanges (FESE), and since 2015 it has been a full member of the Federation. This membership facilitates the development of cooperation with other member exchanges and provides useful international experience, helping the domestic capital market to develop along European guidelines. The most important event of 2023 was the establishment in August of EuroCTP BV, an Amsterdam-based joint venture with FESE members, with the aim of the founding stock exchanges subsequently winning the concession for the future European consolidated data provider.

Last year, the BSE also held a number of face-to-face meetings with capital market investors in Vienna, Prague and Hong Kong, as well as several online meetings with global and regional fund managers interested in the Hungarian market. We have also participated in several international conferences in Europe and Asia and have sponsored investor conferences organised by leading investment service providers (e.g. Erste Group, Wood&Co events), which have also resulted in numerous investor meetings between domestic issuers and international investors.

BUDAPEST STOCK EXCHANGE WENT PUBLIC

On the 33rd anniversary of its re-establishment, Budapest Stock Exchange Nyrt. has entered the BSE Standard category as an issuer. This move is in line with the strategy to develop the domestic capital market and will ensure a sustainable long-term operating environment that supports value creation for the central player in the domestic capital market. It also supports the efforts of the majority shareholder, the Magyar Nemzeti Bank, to attract new investors to the exchange. The launch was accompanied by a ceremony at the BSE headquarters, at which György Matolcsy, President of the Magyar Nemzeti Bank, and Finance Minister Mihály Varga also gave speeches.

A total of 5 413 481 dematerialised registered ordinary shares of BSE, each with a nominal value of HUF 100, i.e. a total of 541 348 100 registered shares with a total nominal value of HUF 100, were admitted to the Standard category of the regulated market of the stock exchange through a technical listing. The IPO was supported by Andr k Feren i Kinstellar  gyv di Iroda, Concorde  rt kpap r Zrt., Erste Befektet si Zrt., OTP Bank Nyrt. and PwC Hungary as advisors. Being listed on the stock exchange is not only of exemplary importance in promoting the benefits of going public for Hungarian medium-sized companies, but also in furthering BSE's international ambitions and ownership objectives. The BSE is not the only stock exchange to list its shares on its own platform: in the region, the securities of the Warsaw, Bucharest, Zagreb and Sofia stock exchanges can also be traded on the markets of these countries.

SUSTAINABILITY – ESG DEVELOPMENTS AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

THE KEY ROLE OF SUSTAINABILITY, REGULATORY DEVELOPMENTS

Despite the uncertain geopolitical developments, the reorganisation of supply chains and high inflation, one of the most prominent phenomena today, which is also strongly affecting capital markets, is the rise of sustainability and the idea of sustainable business operations. Recently, economic operators have increasingly referred to sustainability criteria as ESG criteria, which include environmental, social and governance aspects that have a multi-dimensional impact on the operation of companies.

The spread of the ESG approach and its continued and dynamic increase in its impact on economic actors will not stop in 2023. Companies are under pressure from increasing expectations on ESG mainstreaming and communication from both investors and regulators. The EU regulatory framework continues to evolve, with the SFDR¹ provisions for financial market participants (website and pre-contractual and company-level disclosures on adverse sustainability impacts) coming into force in 2021, and the Level 2 RTS, originally scheduled for 2022, entering into force in January 2023, after a one-year delay.

The CSRD (Corporate Sustainability Reporting Directive), which directly affects EU issuers, will enter into force in 2022 and will regulate corporate sustainability reporting, amending the Directive on the disclosure of non-financial information. As a result of the legislation, large European and certain third country companies and listed companies operating in Europe will start mandatory reporting from 2024 (until 2029), with the largest European companies in the first year.

Meanwhile, in December 2023, the Hungarian ESG Regulation will enter into force to ensure sustainable financing and corporate responsibility. In addition to providing for the implementation of the above-mentioned EU CSRD in Hungary, it also covers the due diligence of suppliers, which is also the subject of the CSDD (Corporate Sustainability Due Diligence) Directive, which is pending adoption by the EU.

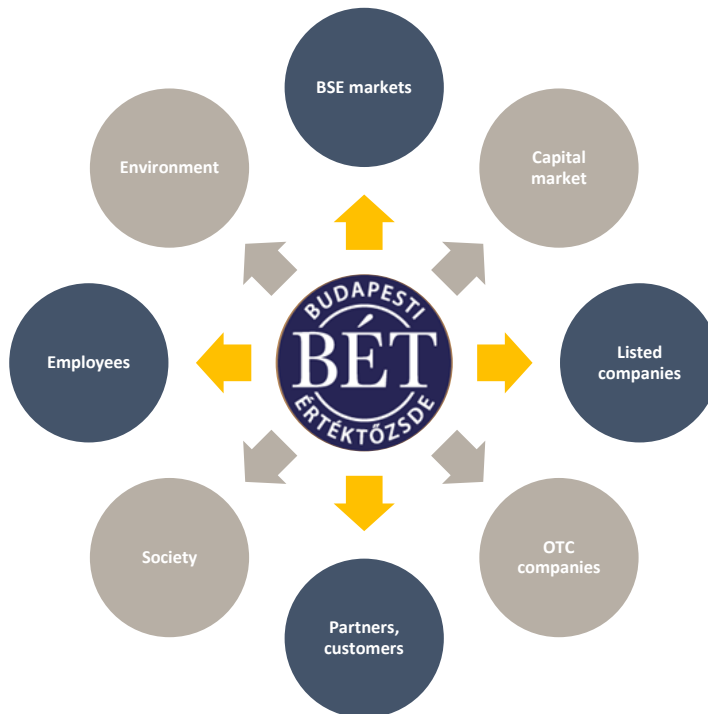
ESG regulation is also intensifying globally, particularly in the UK, North America and the more developed Asian markets and Australia. On the one hand, this regulatory phenomenon creates appropriate standards in capital markets and can lead investors to make more informed decisions, but at the same time, different investment rules across geographical regions will certainly pose challenges.

¹ Regulation (EU) No 2019/2088 of the European Parliament and of the Council of 27 November 2019 on disclosures in relation to sustainability in the financial services sector.

The 2020 Taxonomy Regulation² which sets out a common definition of what constitutes sustainable activities and provides a framework for reference for other sustainability legislation, will also be continuously updated with implementing details and amendments. It can therefore be said that the regulatory environment is changing very dynamically, forcing economic operators to react and take active action.

BSE'S SUSTAINABILITY STRATEGY

Sustainability is an increasingly prominent focus area in the stock exchange's strategy. In this context, the BSE sees its task as being to catalyse the green transition as a central player on the capital market and to actively contribute to the implementation of global sustainability goals, their adaptation on the capital market and the creation of the necessary tools and infrastructure. In addition, as a company, it seeks to integrate the principles of sustainable business operations into its strategy and activities. The BSE's ESG ambitions and its impact on sustainable development are therefore characterised by a specific dual role, which also defines its strategic objectives.



On the one hand, as an economic operator, it has a direct impact on its immediate living environment, its stakeholders, just like any other market player. In this context, its primary task is to assess these impacts, to assess and mitigate any negative impacts and, in the case of a positive environmental contribution, to increase them.

On the other hand, BSE is a central capital market institution, infrastructure provider and ecosystem builder, and as such has a strong indirect impact on its environment: it manages, guides and educates the players on the markets it operates, and has an impact on the Hungarian capital market, on OTC companies and, through them, on the economy, society and the environment. This latter indirect role may in some areas be even stronger than the direct effects of its own operations.

² Regulation (EU) 2020/852 of the European Parliament and of the Council (June 18, 2020) on the establishment of a framework for the promotion of sustainable investments and amending Regulation (EU) 2019/2088.

The ESG approach to the stock exchange started years ago, with the adoption of corporate governance best practice and recommendations, and since then the BSE has taken a number of steps in this direction, both in terms of market developments and its own operations. By drawing up its ESG strategy 2023-2025, the Exchange has translated these efforts into a structured form and an action plan with specific objectives. This action plan is called the ADEPT Strategy.

THE PILLARS OF THE ADEPT STRATEGY

A	Adaptation	Assessing and adapting to the impacts of climate change and societal challenges.
D	Dedication	A long-term commitment to achieving sustainable goals.
E	Education	Progressively prepare market actors for the green transition and sustainable development by creating an ESG knowledge centre to support companies.
P	Proactivity	Creating market infrastructures and business tools to support adaptation.
T	Transparency	Ensuring transparency in markets, supporting corporate ESG reporting.

COMMUNITY BUILDING

In recent years, the BSE has developed close professional partnerships and joined initiatives in order to better understand ESG issues (assessing risks and exploiting opportunities). The aim of these initiatives is to develop the role and best practices of stock exchanges and other market players in ESG development, to coordinate their activities and to create a supportive regulatory framework. BSE 2023 has played an active role in these partnerships.

In 2019, the Exchange joined the UN Sustainable Stock Exchanges Initiative, the principles of which are the guiding principles for its sustainability activities. The BSE is also actively involved in the Sustainability Working Group of the Federation of European Securities Exchanges (FESE), where it supports lobbying activities aimed at developing a sustainability regulatory framework. In 2023, BSE also continued its participation in the Business Council for Sustainable Development in Hungary (BCSDH), and worked closely with the KÖVET Association, the German-Hungarian Chamber of Industry and Commerce, the Sustainability Section of the Hungarian Economic Association (MKT), the ministries and the MNB. The aim of the joint projects is to provide support to domestic small and medium-sized enterprises to enable them to effectively meet the requirements of sustainable business operations.

In 2023, the Exchange presented at several national and international conferences on ESG issues (e.g. CEE Sustainable Finance Summit Prague; Class ESG Ecosystem) and organised several sustainability events to support the development of the corporate sector on ESG issues (ESG conference with the German-Hungarian Chamber of Industry and Commerce; Issuers' Forum on ESG; BSE-BCSDH ESG working group).

SUSTAINABILITY REPORTING, IMPROVING ESG TRANSPARENCY

The primary role of public markets is to ensure transparency for investors. This is a classic stock exchange task, which the BSE ensures through its listing rules, recommendations, monitoring of issuers and the application of sanctions in the event of breaches of disclosure rules.

The increasing demand for sustainability (non-financial) disclosure and the tightening of the relevant regulations are a new area not only for stock exchanges but for all professionals, which is challenging because of its interdisciplinary nature and its wide scope. Another important aspect is that the market for sustainable investment products is still developing in Hungary, and the lack of reliable, comparable data from the corporate side is a major obstacle to this development. The Exchange therefore gives top priority to the promotion of high quality corporate data.

In the framework of the Mentor Programme, BSE and Ernst & Young Hungary have also jointly developed an ESG rating methodology for SMEs, which helps calculate the environmental, social and governance indicators of domestic companies. Based on the methodology, BSE launched an ESG consulting pilot programme, for which 39 medium-sized companies successfully applied and completed the work leading to the rating with consultants accredited by the stock exchange. The company data have been entered into a pilot database developed by Opten, where domestic economic operators can access information on the sustainability of their companies.

EDUCATION, GUIDANCE

The BSE has recognised that the lack of knowledge on the subject is a major obstacle to sustainable development in the domestic market, and has therefore identified education as one of its most important functions. Its main objective is to increase the general knowledge of sustainability among market players as widely as possible.

The Mentor Programme, launched in 2022 and continued in 2023, enabled nearly 200 domestic SMEs to participate in a fully subsidised one-day ESG training course delivered by some of the most respected sustainability experts in the domestic market, accredited by the Budapest Stock Exchange.

SOCIAL ASSISTANCE (CSR)

The BSE's position and role on the market require it to engage in activities that are both socially important and strategically relevant, and which set an example for other capital market players. Our social commitment in recent years has focused on financial education and support for seriously ill children.

- The primary objective of the BSE e-Academies – free stock market courses for the general public – is to improve investor awareness.
- In the BSE Share Race stock market game, students can try their hand at trading on the real market with virtual money and real price information.
- The BSE has established the Kochmeister Prize, which is awarded every year at the stock analysis competition organised by the Association of Investment Experts in Hungary (CFA).
- The stock exchange is a professional sponsor of study competitions and contests such as the KEBA Stock Exchange Game.
- The BSE regularly invites secondary school and university students to the headquarters of the stock exchange, where they can listen to lectures by experts on the functioning of the stock exchange and the capital markets.
- For many years, the Exchange has supported the Csodalámpa Foundation, which grants wishes to children with serious illnesses.

ESG PRINCIPLES IN OWN OPERATIONS

As the latest milestone in its sustainability efforts, the Budapest Stock Exchange published its first Sustainability Report in 2023, which, in addition to reporting on the sustainability activities of the Exchange, also details the sustainability strategy for the period 2023-2025. Prepared in accordance with GRI (Global Reporting Initiative) standards, the report takes stock of the BSE's environmental and social impact.

The report describes the stakeholder analysis and identification of stakeholders carried out by BSE, the materiality analysis carried out for the company, **the relevant and important subjects** and the methodology used to identify them.

Relevant subjects	Responsible corporate governance, oversight of sustainability processes by governing bodies
	Risk management, business continuity, protection, safe and continuous operation of trading and related systems, ensuring regulatory compliance
	Employees' rights, welfare, sustainable working conditions and personal development
	Diversity, equal treatment, non-discrimination
Important subjects	Employment-health, safety
	Indirect effects of the stock exchange, regulatory and educational activities
	Energy consumption and CO2 emissions
	Waste and water usage

THE PROFILE OF KELER GROUP

KELER CENTRAL REPOSITORY

KELER was founded in 1993 by the Hungarian National Bank (MNB), the Budapest Stock Exchange (BSE) and the Budapest Stock Exchange and is currently owned by the MNB (53.33%) and the BSE (46.67%).

Its primary objective is to be an efficient back office for the Hungarian capital market, including the creation, modification and cancellation of securities, the maintenance of central securities accounts, the operation of the securities settlement system and the provision of other services.

In Hungary, KELER is a CSD authorised to provide basic CSD services and non-banking and certain banking ancillary services under the provisions of the EU CSD Regulation, the CSDR and the Hungarian Capital Markets Act. In addition to its CSD functions, and solely in support of its core business, KELER also provides cash settlement services to institutional clients and supports its clients in fulfilling their market reporting obligations.

Part of the activities carried out by KELER are primarily aimed at servicing the domestic capital market and secondarily at assisting in the settlement of securities transactions in foreign securities. All securities transactions concluded on BSE are settled by KELER.

MAIN SERVICE AREAS OF THE KELER

FUNDAMENTAL SERVICES

Central securities registry	Based on the data available to it, KELER keeps records of the securities issued by it, as well as of the securities notified, blocked and declared void to KELER that are subject to the Tpt.
Dematerialised securities services (origination, cancellation and other events)	KELER maintains a central securities account for all dematerialised securities issued by it and provides a range of services to issuers (initial issuance; re-issuance; partial or series cancellation; displacement; conversion and reconversion; exchange of certificates; daily creation/deletion of units; payment of consideration for conversion of shares into dematerialised shares).
Securities account management for institutional clients	KELER maintains a securities account for participants in the securities settlement system in order to debit and credit securities.
Settlement of securities orders	In relation to domestic securities, KELER settles regulated market transactions guaranteed and not guaranteed by the KELER Custodian, as well as transactions concluded outside the regulated market (e.g. OTC prompt, primary market and repo).

NON-BANKING SUPPLEMENTARY SERVICES

Services related to shareholder registers	Within this framework, KELER provides share register management, custodian, shareholder matching services, corporate event management, paying agent services and general meeting organisation.
Issue of ISIN code	KELER, as a national code issuer, issues an ISIN code for securities and derivative products, which is a unique code that allows the unique identification of securities, under the authorisation of the Tpt. (It appears under Code Issuance Services for Revenue.)
Participation in the settlement of international securities transactions	This includes the management of social events.
Handling of printed securities	Includes services relating to securities held in custody that have been printed.
Regular reporting services	Within the framework of the market reporting service, KELER supports its clients in fulfilling their reporting obligations in accordance with EMIR, REMIT, MIFID II and SFTR.

SUPPLEMENTARY BANKING SERVICES

Currency side settlement	Performs the currency-side settlement of securities transactions for institutional clients.
Deposit service	Clears spot commodity transactions through a depository service.
Deposit account	It holds a deposit account for issuers in certain cases.

THE STATE OF THE BUSINESS

In addition to general macroeconomic effects (inflation, monetary conditions, labour market developments, etc.), KELER's activities and management are mainly influenced by the portfolio of debt securities, the market value of equity securities and the related transactions and market developments. In the recent period, there has been a steady increase in the portfolio of securities, which has also affected the results of KELER.

EQUITY OF KELER ZRT., 2023 (MILLION HUF)

DENOMINATION	AMOUNT
Subscribed capital	4 500
Reserves	28 157
Profit after tax	5 118
Total Equity	32 657

The majority of KELER's revenues are derived from the custody of government securities issued in HUF and related securities transactions. Although the ratio of forint to foreign currency government debt deteriorated for KELER in the period under review (the weight of the latter increased), the increase in holdings and the non-inflationary fee increase still helped the depository to record revenues. Government measures for 2023 have significantly increased demand for government securities.

MAIN FINANCIAL DATA AND MANAGEMENT OF KELER ZRT. IN 2023

Fees and commissions from the activities of depositories and credit institutions

KELER's revenue from fees and commissions in 2023 exceeded HUF 9.2 billion, of which the account management service amounted to HUF 7.7 billion, the issuer service to HUF 630.1 million, the custodian service to HUF 606.3 million and the market reporting revenue to HUF 225.4 million.

Code issuance generated HUF 80.1 million, including HUF 63.2 million from LEI code issuance, which was discontinued in April 2023.

Infrastructure revenue

The revenue from the services provided to KELER KSZF amounted to HUF 331 million in 2023.

Interest result

The increased interest rate level in the forint market increased KELER's interest surplus to nearly HUF 3.6 billion, which is 190 percent of the total interest income of the year before.

Operating expenses

Strict cost control throughout the organisation continued to be a major contributor to sound financial management. This is also evidenced by the fact that the main operating expenditure of the Repository for 2023, excluding taxes on profit and loss, increased by 1 percent on a year/year basis, even with an increase of 11 percent in staff costs.

Compared to the base year, professional fees were up by HUF 195 million, while asset maintenance and depreciation were up by nearly HUF 90-90 million.

In 2022, a risk cost of HUF 100 million was recognised, in 2023 such a cost of HUF 3.7 million) was incurred.

Profit before tax

Including the dividend received from KELER KSZF and other financial results, the pre-tax result for 2023 was HUF 5898.7 million, double of the pre-tax result for 2022 (in numerical terms, 3.8 billion HUF more than the 2022 figure).

KELER's financial data are derived from internal accounting records.

KELER KSZF

The KELER KSZF Központi Szerződő Fél Zrt. EMIR authorisation entitles the company to operate as a central counterparty in all EU Member States for the specified asset classes. In addition, the company provides clearing services as a clearing house for the Budapest Stock Exchange, BETa, Xbond, Xtend, MTS Hungary, CEEGEX Central Eastern European Organised Natural Gas Market, the Gas Segment of HUDEX Hungarian Derivative Energy Exchange, the Hungarian balancing natural gas market operated by FGSZ Zrt. and the Trading Platform operated by FGSZ KP Kft. Furthermore, as a general clearing member of ECC, it provides sub-clearing services in the energy markets cleared by ECC as central counterparty. The KELER KSZF is exclusively supervised by the Magyar Nemzeti Bank, in close cooperation with ESMA, and also acts as a supervisory and resolution authority.

The main owner of KELER KSZF is KELER Zrt. with a 99.85 percent stake; the MNB holds 0.08 percent and the Budapest Stock Exchange 0.07 percent.

MAIN SERVICES AND MARKETS

KELER KSZF is a central counterparty under the Tpt. and EMIR. Currently, KELER KSZF provides clearing and related underwriting services to the 6 market operators already detailed above and to its general clearing business in partnership with ECC on several trading venues (EEX, EPEXSPOT, HUDEX/AM segment, HUPX Hungarian Organised Electricity Market, NOREXECO, PXE, SEEPEX, SEMOpx). The above activities of KELER KSZF can be basically divided into two service lines, which in fact cover the main 'markets' as follows.

CENTRAL COUNTERPARTY ACTIVITY

KELER KSZF provides clearing and related underwriting services as a central counterparty for the Budapest Stock Exchange, MTS S.p.A. and the Hungarian gas trading venues. As a central counterparty, it clears transactions concluded on the following trading venues, on the basis of agreements with cooperating counterparties:

TRADING VENUE	SETTLED TRANSACTIONS	OPERATOR
Budapest Stock Exchange	Stock, bond, currency derivative, interest rate, equity and commodity futures and option product	BSE
BETa Market	Stock and ETF MTF market	BSE
Xtend Market	Stock MTF marketc	BSE
Xbond Market	Bond MTF market	BSE
MTS Hungary	Bond MTF market	MTS S.p.A.
IT Platform	Balancing natural gas accounts	FGSZ Zrt.
Trading Platform	Spot natural gas market	FGSZ Kereskedési Platform Kft.
CEEGEX	Spot structured natural gas market	CEEGEX Zrt.
HUDEX/Gas segment	Regulated futures gas market	HUDEX Energiatőzsde Zrt.

GENERAL CLEARING ACTIVITY (GCM BRANCH)

KELER KSZF, as a general clearing member of European Commodity Clearing AG (ECC), has been providing sub-clearing services to energy market participants since July 2010 for spot and derivative energy market transactions cleared by ECC at the following trading venues:

- EEX (www.eex.com)
- EPEXSPOT (www.epexspot.com/en)
- HUDEX/electricity segment (www.hudex.hu)
- HUPX Hungarian Organised Electricity Market (www.hupx.hu)
- Norexco (www.norexco.com)
- PXE (www.pxe.com)
- SEEPEX (www.seepex-spot.rs/en)
- SEMOPx (www.semopx.com)

INCOME FROM OWN AND EXTERNAL STOCKS

In addition to fee income directly derived from its business activities, the KELER KSZF generates interest income from the investment and management of its own and external stocks.

THE STATE OF THE BUSINESS

In addition to the general macroeconomic effects (inflation, monetary conditions, labour market developments, etc.), the activities and management of the KELER KSZF are also decisively influenced by market developments in the capital and energy markets it serves. In recent years, various environmental influences and turbulences (such as Covid, the Russian-Ukrainian war, the energy crisis, inflation shocks, unexpected US and Swiss bank failures) have led to sudden market reactions and thus to increased volatility and, in many cases, increased turnover in the markets served by the clearing house. Although these events have consolidated to some extent, they will have an impact on the operations and profitability of the KELER KSZF in 2023.

EQUITY OF KELER KSZF ZRT., 2023 (MILLION HUF)

DENOMINATION	AMOUNT
Subscribed capital	3 423
Reserves	18 492
Profit after tax	6 231
Total Equity	21 915

Changes in the turnover of the markets served, the activity or more passive trading behaviour of clearing members, costs under pressure due to inflation have a direct impact on the results of the clearing house, while other factors of the economic environment (such as interest rates) or the level of own and debt holdings as a result of risks and actions capitalised on them have an impact on the profitability of the KELER KSZF through the investment result.

Overall, KELER KSZF – fulfilling its role as a guarantor and risk management institution – has shown a stable operation throughout the period. Despite the challenges of the economic crisis, it has been able to contain its costs, while its results have benefited from rising interest rates.

MAIN FINANCIAL DATA AND MANAGEMENT OF KELER KSZF ZRT. IN 2023
Fees and commissions from clearing house and guarantor activities

Derivative capital market turnover fees are lower than in the same period of the previous year. The spot capital market is also lagging behind, but this is due to turbulent trading in 2022. The spot market as a whole saw a record number of transactions in the year to December last year, unprecedented in the last ten years. Despite the decline in the number of cleared transactions, the clearing house recorded fee income of HUF 403 million in the multinet market and HUF 206 million in the derivatives market.

The year 2023 is characterised by lower commodity prices than in the previous year. The lower gas prices were also influenced by milder than usual weather, high reservoir levels and decreasing gas demand. Nevertheless, the company generated a gas market fee income of HUF 813 million, which is 45 percent above the previous year and resulted in a surplus of HUF 65 million compared to the budget.

Regarding the gas markets, the settled clearing turnover on the CEEGEX market was in line with expectations, while the derivative gas exchange HUDEX saw higher trading activity in the second half of the year, but the associated fee revenues were negligible. This trend, i.e. the shift towards spot trading and the marginalisation of derivatives in organised energy markets, is not only observed in the domestic but also in the international energy markets as a consequence of the energy crisis.

The clearing house's settled turnover in the energy market increased overall, while the composition of the market was dominated by spot market trades. The GCM market generated revenues of more than HUF 970 last year. Overall, KELER KSZF generated fee income of HUF 2393,3 million in 2023 on the core business presented.

Result on own and external portfolio management (asset-liability management)

The increase in the yield environment and, through it, the returns available on the capital of the KELER KSZF and on its investable client portfolios also contributed positively to the profitability of the company in 2023. On the positive side, profitability is crucially influenced by the size of the collateral portfolio to cover the exposures of the clearing house and the interest income realised on this portfolio. The latter was positively affected by the recent high level of both forint and euro interest rates. As a result, the decrease in the collateral (bail-in) portfolio, which evolved in line with the fall in energy prices, had less impact on the interest income from bail-in management, resulting in a direct result of bail-in management of HUF 4669.9 million, a record income.

Overall, investment and liquidity management activities contributed HUF 1443,4 million to the 2023 result.

The sharp decrease in other income (97%) is due to the significant reduction in foreign exchange risks, which had been a major challenge in previous years, which the central counterparty has managed to mitigate.

Operating expenses

The amount of operating expenses of HUF 1625 million is only 84 percent of the previous year. The amount of operating and volume-related costs directly related to last year's increased turnover and activity has been reduced in 2023 and, in addition to the planned achievement of staff-related expenses, savings are also observed in other operating expenses (including banking services, fees paid, commissions and professional fees).

Profit before tax

As a result of the effects described above, the profit before tax for 2023 is approximately HUF 7 billion, which is the largest amount in the history of the KELER KSZF.

The financial data of KELER KSZF are derived from internal accounting records.

OTHER DATA

EVENTS AFTER THE TURN OF THE YEAR

MACROECONOMIC ENVIRONMENT

The BSE plays an important role in the capital financing of domestic companies in particular, and the macroeconomic environment in Hungary has a significant impact on the willingness of these companies to list on the stock exchange, as well as on the investor perception of companies already listed. For this reason, a significant deterioration in macroeconomic indicators (e.g. GDP, sovereign risk, inflation, unemployment rate, household savings) could reduce the willingness of companies to raise capital, which would have a negative impact on the BSE issuer revenues. Although a deterioration in macroeconomic figures could boost the stock exchange's trading activity in the short term due to a sudden increase in market volatility, a sustained negative shift in indicators could reduce investor activity in the domestic market in the long term, with a concomitant fall in both BSE's revenues and profitability. It is important to note that foreign investors play a key role in BSE's trading activity, accounting for 57% of total spot secondary market turnover in 2023. Thus, if domestic macroeconomic indicators are unfavourable for these investor groups, this could have a significant impact on the BSE's operations.

RUSSO-UKRAINIAN CONFLICT

BSE continuously monitors this extraordinary situation and identifies its responsibilities in relation to it, and liaises with Magyar Nemzeti Bank (MNB), which has a supervisory role, in order to be able to take immediate measures to protect the legitimate interests of investors, the balance of the market and the operation of the stock exchange.

Based on the management's assessment, the current impact of the conflict on the Company's operations, liquidity and capital position does not have significant consequences, and therefore there is no uncertainty about the ability to continue as a going concern.

CHANGES IN CASH BALANCE

After the balance sheet date, HUF 497 million was transferred to BSE's bank account, in January 2024. The transfer was related to the closure of the EDIOP project.

ORGANISATION

At 31 December 2023, the number of employees at the Budapest Stock Exchange was 62, down from 63 at the end of 2022.

FINANCIAL INVESTMENTS

In accordance with the legal requirements, the BSE invests its available funds for a period of less than one year in deposits or government securities. The BSE has no debt, its cash and fixed-term deposits are stable and there is no liquidity risk.



FINANCIAL STATEMENTS

**ANNUAL SEPARATE FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION
FOR THE BUSINESS YEAR ENDED 31ST DECEMBER 2023**

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SEPARATE STATEMENT OF FINANCIAL POSITION

DESCRIPTION	NOTES	31.12.2023	31.12.2022
ASSETS			
Property, plant and equipment	12	288	275
Intangible assets	12	304	303
Right of use assets	13	854	868
Investments in associates measured using the equity method and investments in subsidiaries	14	16 890	12 100
Investments measured at fair value through other comprehensive income		1	0
Loans at amortised cost	15	18	13
Non-current assets		18 355	13 559
Inventories	15	6	9
Trade and other receivables	15	541	570
Prepaid expenses	15	32	29
Accrued revenues	15	1 244	632
Cash and cash equivalents	15	4 164	3 954
Current assets		5 987	5 194
TOTAL ASSETS		24 342	18 753
EQUITY AND LIABILITIES			
Subscribed capital (par value: HUF 100/share)	16	541	541
Retained earnings	16	20 654	15 240
Revaluation reserve originating from associates	16	12	-51
Total shareholders' equity		21 207	15 730
Employee benefit liabilities (non-current)	18	9	7
Non-current lease liability	13	825	887
Deferred tax liabilities	11	1 058	640
Non-current liabilities		1 892	1 534
Trade payables and other short-term liabilities	19	874	1 036
Current tax liabilities	19	53	91
Current lease liability	13	101	94
Prepaid revenues	19	58	60
Accrued expenses	19	156	205
Employee benefit liabilities (current)	18	1	3
Current liabilities		1 243	1 489
Liabilities		3 135	3 023
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		24 342	18 753

Budapest, 14 March 2024

 Richárd Végh
 Chief Executive Officer

 Katalin Sámel
 Financial Director

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

DESCRIPTION	NOTES	2023	2022 RESTATED
Revenue	7	3 572	3 665
Other income	7	855	622
Expenses for material costs	8	-4	-4
Expenses for services used	8	-901	-924
Personnel costs	9	-1 342	-1 249
Depreciation and amortisation	12, 13	-332	-316
Expenses arising from miscellaneous other costs	8	-805	-486
Other expenses		-14	0
Share in the profit or loss of associates	14	5 128	2 448
Impairment losses of associates	14	0	-3 953
Interest income		347	136
Other financial income	10	9	11
Finance expenses	10	-52	-89
Expenses from expected credit losses	15	1	-5
Profit/loss before taxation		6 462	-144
Income tax expense/income	11	-621	-69
Net profit or loss		5 841	-213
Other comprehensive income			
Of which items to be subsequently reclassified to profit or loss			
Share of other comprehensive income of associates	16	63	-13
Other comprehensive income		63	-13
Total comprehensive income		5 904	-226
Net profit/loss (HUF thousand)		5 840 498	-213 316
Net profit/loss (HUF million)		5 841	-213
Average number of shares		5 413 481	5 413 481
Earnings per share (EPS) (Ft/share)		1 079	-39
Diluted Earnings per Share (Ft/share)		1 079	-39

Budapest, 14 March 2024

 Richárd Végh
 Chief Executive Officer

 Katalin Sámel
 Financial Director

SEPARATE STATEMENT OF CHANGES IN EQUITY

DESCRIPTION	SUBSCRIBED CAPITAL	OTHER RESERVE	RETAINED EARNINGS	REVALUATION RESERVE ORIGINATING FROM ASSOCIATES	TOTAL SHAREHOLDERS' EQUITY
Financial Year Ended 31 December 2022					
Balance at 1 January 2022	541	0	15 955	-37	16 459
Net profit or loss/other comprehensive income for financial year 2022			-213	-13	-226
Dividends from retained earnings			-503		-503
Balance at 31 December 2022	541	0	15 239	-50	15 730
Financial Year Ended 31 December 2023					
Balance at 1 January 2023	541	0	15 239	-50	15 730
Net profit or loss/other comprehensive income for financial year 2023			5 841	63	5 904
Transactions with owners in their capacity as owners (contributions)			125		125
Dividends from retained earnings			-552		-552
Balance at 31 December 2023	541	0	20 654	12	21 207
Notes	16	4	16	16	16

Budapest, 14 March 2024

 Richárd Végh
 Chief Executive Officer

 Katalin Sámel
 Financial Director

SEPARATE STATEMENT OF CASH FLOWS

DESCRIPTION	NOTES	2023	2022
Cash flows from operating activities			
Profit before taxation		6 462	-231
Adjustments to reconcile net profit to operating cash flows			
Depreciation and amortisation	12, 13	332	316
Share of associated companies profit before taxation	14	-5 128	-2 448
Adjustment for interest expenses on leases	13	34	33
Provision/release of provision	17	0	-2
Reclassification to investing cash flows	10	-347	-136
Non-cash adjustment (unrealised fx gains/losses)	10	-10	56
Non-cash item: Lease liability and ROU derecognition	13	0	-28
Impairments and reversals	14, 15	-1	3 958
Other non-cash transactions	18	2	-3
Working capital adjustments:			
Net (increase)/decrease in trade and other receivables	15	-585	-397
Net (increase)/decrease in inventories	15	3	0
Net change in advances received on government grants	19	-128	190
Net increase/(decrease) in trade and other creditors	19	-69	102
Income tax paid	11	-258	-40
Net Cash from Operating Activities		307	1 371

Continued on next page.

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED ON)

DESCRIPTION	NOTES	2023	2022
Cash flows from investing activities			
Interest received	10	347	136
Purchase of intangibles, property, plant and equipment	12	-248	-417
Employee loans	15	-11	-19
Repayment of employee loans	15	3	1
Dividend received	14	401	0
Capital contributions of other participations	14	-1	0
Income from the sale of intangibles, property, plant and equipment	12	8	0
Net cash flow from investing activities		500	-299
Cash flows from financing activities			
IFRS 16 Leases – principal and interest payments	13	-132	-144
Dividends paid	24	-552	-503
Transactions with owners in their capacity as owners (contributions)	16	125	0
Net cash flow from financing activities		-559	-647
Net increase / (decrease) in cash and cash equivalents		247	425
Cash and Cash Equivalents at Beginning of Year	15	3 954	3 468
Unrealised exchange differences on cash and cash equivalents at year-end		-37	61
Cash and Cash Equivalents at End of Year	15	4 164	3 954

Budapest, 14 March 2024

 Richárd Végh
 Chief Executive Officer

 Katalin Sámel
 Financial Director

1. REPORTING ENTITY

Name of Company:	Budapesti Értéktőzsde Nyilvánosan Működő Részvénytársaság (Budapest Stock Exchange Public Limited Company)
Legal form:	Public Limited Company
Registered office and address of the company:	H-1013 Budapest, Krisztina körút 55. VI. emelet, Hungary
Company registration number:	01-10-044764
Country of registration and operation (applicable law):	Hungary
Par value and number of shares issued:	5,413,481 shares with a par value of HUF 100 each
Data of persons authorised to sign the report on behalf of the Company:	Richárd Végh, Chief Executive Officer Address: H-2040 Budaörs, Hegyalja utca 10/A
	Katalin Sámel, Director Address: H-1135 Budapest, Lehel utca 60. 6/1

Budapest Stock Exchange Plc. (hereinafter referred as: BSE or Company) was founded on 21 June 1990.

A key player on the Hungarian money and capital markets, Budapest Stock Exchange Plc. (BSE) provides economic operators with access to financial resources and offers investors a broad range of investment instruments. BSE's mission is to create a Hungarian economy based on stable and independent funding and to continuously develop the financial culture of the Hungarian population and corporate sector.

THE FOUR MAIN ACTIVITIES OF THE COMPANY:

- listing services,
- trading services,
- dissemination of market information, and
- product development.

The Company is operating under the relevant Capital Market Act. The Company's registered office: H-1013 Budapest, Krisztina körút 55., Hungary VI. emelet. The ownership structure of the Company is presented in Note 16.

The Company's controlling shareholder is Magyar Nemzeti Bank (MNB, the Hungarian National Bank; address: H-1013 Budapest, Krisztina körút 55).

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

These financial statements present BSE's financial position, financial performance and cash flows. The separate financial statements of the Company are prepared by BSE management and published after approval by the BSE Annual General Meeting.

The financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board (IASB). The Company has applied IFRSs as adopted by the European Union. IFRSs comprise IFRSs and IASs as well as IFRICs and SICs as developed by the Interpretations Committee. Management declares that these financial statements fully comply with IFRS as adopted by the European Union, including IASs, IFRICs and SICs.

On the basis of compliance with the conditions set out in Section 114/C (6) of the Hungarian Accounting Act, BSE applies IFRS financial statements for submission to local authorities from 1 January 2022.

B) GOING CONCERN PRINCIPLE

The management of the Company has concluded that the going concern requirement is met, i.e. there are no indications that BSE will cease or materially reduce its operations in the foreseeable future, which is beyond one year.

C) BASIS OF MEASUREMENT

The Company generally measures its assets at historical cost, except in situations where IFRSs require the element to be measured at fair value. Further disclosures on the basis of measurement are discussed in Note 3.

The methods used to measure fair values are discussed further in Note 3.

D) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been prepared in Hungarian forint (HUF) (the presentation currency), which is also the functional currency of BSE. All financial information presented in HUF has been rounded to the nearest million ("HUF million").

3. MATERIAL ACCOUNTING POLICY INFORMATION

A) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRSs, as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

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

In the statement of financial position, BSE applied estimates and historical information for the Impairment of receivables. Comparing the applied credit loss allowance model with the historical information there is insignificant difference in the amount of credit loss allowance.

For the annual depreciation rates of Intangible assets and Property, plant and equipment, please see Note 3. g) and h). Estimates and assumptions were also applied in the calculation of Employee benefits, according to BSE statistics.

BSE has applied estimates in the valuation of its investment in associates, which is further explained in d).

There are no other significant estimates in the financial statements.

B) BASIS OF PREPARATION

The current financial statements prepared by BSE are separate financial statements.

The Company's **associate company**, Central Depository and Clearing House (Budapest) Ltd ("KELER") (and its consolidated subsidiary, KELER CCP Ltd. ("KELER CCP")) are included in these financial statements using the equity method, whereby the investment was initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of net assets and impairment, if necessary. The statement of comprehensive income reflects the Company's share of the comprehensive income of the investee.

C) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currency (HUF) of BSE at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency of the Company at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined.

Foreign exchange gains or losses arising on retranslation are recognised in profit or loss.

D) INVESTMENTS IN ASSOCIATES

An associate is an entity over which the investor has significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Associate entities are accounted for using the **equity method** and adjusted by the necessary impairments.

BSE values its investments in associates using the equity method. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s profit or loss includes its share of the investee’s profit or loss and the investor’s other comprehensive income includes its share of the investee’s other comprehensive income. Dividends from the investment are recognised by BSE as a reduction of the investment, and any impairment losses in excess of the proportional profit or loss are charged to profit or loss.

If there is objective evidence that the net investment in an associate is impaired, the requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to BSE’s investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

E) IFRS 9 – FINANCIAL INSTRUMENTS

CLASSIFICATION AND MEASUREMENT

Trade and other receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost.

Cash and cash equivalents, which include cash at bank and deposits, are measured at amortised cost.

BSE has not designated any financial assets or liabilities as at fair value through profit or loss (there are no assets or liabilities where the fair value option had been chosen).

The **financial liabilities** of BSE comprise Trade and other payables.

IMPAIRMENT

BSE’s accounting for impairment losses for financial assets is driven by a forward-looking expected credit loss (ECL) approach. IFRS 9 requires BSE to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and for contract assets.

FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

At initial recognition, financial assets are classified at fair value, subsequently at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

With the exception of trade receivables that do not contain a significant financing component or for which BSE has applied the practical expedient, BSE initially measures a financial asset at its fair value (plus transaction costs in the case of financial assets not at fair value through profit or loss). Trade receivables that do not contain a significant financing component or for which BSE has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3) k) about Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

BSE's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In case of receivables the business model of BSE is cash flow collection. For securities the business model is primarily cash flow generation, without excluding selling the assets.

SUBSEQUENT MEASUREMENT

Financial assets at amortised cost (debt instruments)

This category is the most relevant to BSE. BSE measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

All gains and losses are recognised in profit or loss.

BSE's financial assets measured at amortised cost include cash and cash equivalents, trade receivables and loans given to employees.

Financial assets at fair value through OCI (equity instruments)

If a financial asset is an equity instrument and the purpose of holding the instrument by BSE is not trading, BSE may choose to measure it as at fair value through OCI.

In August 2023, BSE participated in the foundation of the company EuroCTP B.V., with 0,05% share. The financial asset has been classified as Fair value through OCI, as the purpose of holding the instrument is not trading.

IMPAIRMENT OF FINANCIAL ASSETS

IMPAIRMENT OF TRADE RECEIVABLES

For **trade receivables** and contract assets, BSE applies a simplified approach in calculating ECLs. BSE has established an ECL matrix (considering the historical credit loss experience of BSE). Historical willingness to pay was taken into account when determining the depreciation rates. Comparing the applied credit loss allowance model with the historical information there is insignificant difference in the amount of credit loss allowance. An impairment loss of 100% is recognised for receivables due in more than one year and a minimum of 1% for receivables due within one year.

DAYS LATE	CREDIT LOSS ALLOWANCE AS A % OF THE AMOUNT DUE
Under 90 days	1%
90–180 days	20%
181–365 days	50%
Over a year	100%

For cash and cash equivalents BSE considers the credit rating of Hungary and if the rating is considered appropriate (meaning default risk is low according to the rating agency definitions), impairment is considered to be immaterial and no impairment is recorded on cash and cash equivalents.

FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

BSE's financial liabilities include **trade and other payables**.

F) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The annual depreciation rates used for this purpose, which are consistent with those of the prior years, are:

Annual depreciation rates

DESCRIPTION	RATE
Investments implemented on leased property	6%
Electronic wiring, networks	8%
IT equipment	33%
Office furniture, equipment and installations	14.5%
Motor vehicles	20%

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Residual values are considered to be nil, except for Motor vehicles. Depreciation is not charged on tangible fixed assets which have not yet been brought into use and on land. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining other income or other expenses.

G) INTANGIBLE ASSETS

Software costs for the development and implementation of systems which enhance the services provided by BSE are capitalised and amortised straight line over their estimated useful lives.

Annual depreciation rates

DESCRIPTION	RATE
Rights and patents	10%
Licenses and software	20% or 33%

H) IMPAIRMENT

FINANCIAL ASSETS

For impairment of financial assets please see Note 3 e).

NON-FINANCIAL ASSETS

The carrying amounts of BSE's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

I) CASH AND CASH EQUIVALENTS

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Due to the insignificant risk, cash and cash equivalents are measured at the same value as bank statements.

J) EMPLOYEE BENEFITS

Wages and salaries include contributions to defined contribution schemes, on the basis of the decision of the employees. There are no defined benefit schemes at BSE.

Employees are entitled to jubilee benefits starting from the financial year 2016, after each 5 years of employment up to the 30th year. BSE measures the obligation according to IAS 19 Employee Benefits, in long-term liabilities, and any changes to the obligation are recognised against profit or loss.

BSE uses the projected unit cost method for calculating its obligation and uses its own statistics of fluctuation in the actuarial assumptions. For discounting, BSE uses market yield on government bonds.

K) REVENUE

The Company assesses and reviews its contracts with customers on an individual basis, and applies the 5-step model of the standard to the contracts entered into.

The Company does not recognise items collected and transferred on behalf of others as part of revenue, as control over them is not transferred to the Company. The Company recognises VAT as such an item.

CHARACTERISTICS OF THE DIFFERENT TYPES OF REVENUE OF BSE

Revenue comprises membership and other fees receivable from stockbrokers together with fees receivable in respect of the listing, clearing, registration and trading of quoted securities and related services.

SETTLEMENT PERIOD	AT THE GIVEN POINT IN TIME	IN A PERIOD (YEAR/MONTH/QUARTER)
Revenues from trading fees		
Annual admission fees		X
Trading fees (monthly)		X
Auctions	X	
Connection fees, licenses		X
Revenues from listing fees		
Listing (one-off) fee	X	
Quarterly fee		X
Revenues from sale of information		
Annual vendor fees		X
Monthly vendor fees		X
Other information services	X	X

Trading fees include an annual minimum fee (admission fee) and monthly transaction fee.

Companies pay an amount for the day of **listing**, and also a quarterly fee for **being listed**.

Information revenues include both annual and monthly fees depending on the product, according to the Regulations of BSE.

- Annual fees are recognised straight line over the 12 month period to which the fee relates.
- Admission fees are recognised at the time of admission to trading.
- Data, transaction, information and exchange charges are recognised in the month in which the data is provided or the transaction is effected.

All the revenues of BSE belong to a specific point or period in time that is usually a complete financial year, quarter or month. Revenues do not affect more than one financial year, as the frequency of issuing invoices of a contract generally cover a maximum of one calendar year.

TRANSACTIONS ACCOUNTED FOR ON A NET BASIS

BSE acts as an intermediary in some transactions, i.e. it resells the purchased service to a third party in an unchanged form. In such cases, BSE accounts for revenues and expenses on a net basis (such as the provision of secure lines to brokers).

Other transactions generate commissions or revenue splits that would not arise in the absence of the revenue realised (such as auction revenues or data sales audit commissions). The transactions listed are reported on a net basis by BSE.

L) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, dividend income (except for dividend from associates), and gains on the disposal of financial assets. Interest income is recognised in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that BSE's right to receive payment is established.

Finance costs include interest paid (including interest expense on leases under IFRS 16), impairment losses on investments in subsidiaries and foreign exchange losses.

The foreign exchange difference is presented on a net basis by BSE (separately for realised and unrealised items).

M) INCOME TAX

Income tax expense comprises current and deferred tax, from 2023 on local tax and innovation contribution are also classified as income tax (in prior years the latter two were classified as Operating Expense) – see 13a). Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base.

N) EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. These events are adjusting and non-adjusting events according to IAS 10.

All adjusting events after balance sheet date have been taken into account in the preparation of the financial statements of BSE.

All non-adjusting events, if any, are disclosed in the Notes to the Financial Statements, please see Note 23.

O) GOVERNMENT GRANTS

The main policy for recognizing government grants is that revenues/reimbursements of incurred costs should be accounted for in the same period, provided that there is reasonable assurance that BSE will comply with the conditions attaching to the grants and that the grants will be received. That is, if a certain expense is reimbursable from a government program, it should be recognized in the same financial year. Such items are presented as Other Income in the financial statements. The company accounts for government grants (all of which relate to compensation for costs and expenses) on a gross basis.

Financial statements are submitted to the counterparty providing the grant several times during the financial year. When the accounts are accepted, the grant is settled (usually by accounting for the reduction of the advance received). BSE may charge certain specific types of costs (personnel costs, bank guarantee, expert services) to the programme within the limits of the budget allocated to them. For details of the programme, see Note 7.

P) LEASES

In 2021 and 2022, the Company's property lease agreement was a contract that the Company determined, upon examination, to contain a lease. The current contract comprises an extension option but has no termination option and expires in February 2032 (the former lease agreement was terminated in February 2022, one year before its expiry). The Company used a lessee's incremental borrowing rate as allowed by the standards because the implicit interest rate in the transaction is difficult to determine.

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

RECOGNITION EXEMPTIONS

If the Company is a lessee under IFRS 16 in respect of a contract, it does not apply the general rules in the standard to leases of short duration (less than 12 months) and leases of low-value underlying assets, but recognises the lease payments as a charge to profit or loss on a spread basis.

MEASUREMENT OF RIGHT-OF-USE ASSET

The Company reports its assets used under leases as right-of-use assets in the balance sheet. The right-of-use assets are valued according to the cost model, with depreciation recognised primarily on the basis of the contractual term. The Company tests right-of-use assets for impairment in accordance with the IAS 36 rules.

4. CHANGES IN ACCOUNTING POLICIES AND ERRORS (IAS 8)

A) CHANGES IN ACCOUNTING POLICIES

IMPACT OF CHANGES OF IFRSS EFFECTIVE FROM 1 JANUARY 2023 AND THE INTRODUCTION OF NEW STANDARDS ON FINANCIAL STATEMENTS

New and amended standards and interpretations issued by the IASB and adopted by the EU that are effective from the current reporting period:

- **IFRS 17** Insurance Contracts; including Amendments to IFRS 17
- Amendments to **IFRS 17** Insurance contracts: Initial Application of **IFRS 17** and **IFRS 9** – Comparative Information
- Amendments to **IAS 1** Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to **IAS 8** Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to **IAS 12** Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to **IAS 12** Income taxes: International Tax Reform – Pillar Two Model Rules

The Company believes that the adoption of these standards and amendments to existing standards will not have a material impact on the Company's financial statements.

New and revised standards and Interpretations issued by IASB and adopted by the EU but not yet effective:

- Amendments to **IFRS 16** Leases: Lease Liability in a Sale and Leaseback (effective from 1 January 2024)
- Amendments to **IAS 1** Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent; Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date; and Non-current Liabilities with Covenants (effective from 1 January 2024)

Standards and interpretations issued by the IASB and not adopted by the EU:

IFRSs adopted by the EU currently do not differ significantly from regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards, amendments to existing standards and new interpretations that have not yet been adopted in the EU as at the date of disclosure of the financial statements:

- Amendments to **IAS 7** and **IFRS 7**: Supplier Finance Arrangements
- Amendments to **IAS 21** The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
- **IFRS 14** Regulatory Deferral Accounts
- Amendments to **IFRS 10** and **IAS 28**: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments

The Company believes that the adoption of these amendments to existing standards will not have a material impact on the Company's financial statements.

CHANGES IN ACCOUNTING POLICIES DUE TO BSE DECISION

BSE voluntarily changed its accounting policies regarding classification of Local business tax and Innovation contribution. In prior years, these taxes were classified as Operating expenses, however, BSE revised this classification and concluded that classifying these items as Income tax results in the financial statements providing reliable and more relevant information about the nature of the transactions.

According to IAS 12, income taxes are taxes based on taxable profit, and – although in case of BSE the type and amount of deductible expenses are very limited, the tax base of Local business tax and Innovation contribution are based on a specific net profit/loss (Revenues as defined in the appropriate laws, reduced by certain expenditures). According to IAS 8, the change of accounting policy should be applied retrospectively.

The reclassification only affects certain parts of the Statement of comprehensive income:

DESCRIPTION	2022 REVISED	2022 PREVIOUSLY REPORTED
Expenses arising from miscellaneous other costs	-486	-573
Profit/loss before taxation	-144	-231
Income tax expense/income	-69	18
Net profit/loss	-213	-213

Share capital and EPS ratios are not affected by the reclassification.

B) PRIOR YEAR ERRORS

There are no Restatements due to Prior year errors in the present Financial Statements.

5. FINANCIAL RISK MANAGEMENT

A) DISCLOSURE OF RISKS ACCORDING TO IFRS 7

RISK CHARACTERISATION AND SENSITIVITY ANALYSIS

BSE's activities expose it to risks arising from changes in market and financial conditions. These changes can affect profit or loss and the value of assets and liabilities. Financial risk management aims to continuously reduce risks through operating and financing activities.

BSE is exposed to the following risks arising from the use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This Note presents information about BSE's exposure to each of the above risks, BSE's objectives, policies and processes for measuring and managing risk, and BSE's management of capital. Further disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of BSE's risk management framework. The Board has established a risk management policy, which describes the responsibilities for developing and monitoring BSE's risk management policies.

BSE's risk management policies are established to identify and analyse the risks faced by BSE, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and BSE's activities. BSE, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

B) CREDIT RISK

Credit risk is the risk of financial loss to BSE if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Trade receivables and investment securities.

BSE has no significant concentrations of credit risk. BSE has guidelines in place to ensure that sales are made to customers with the right risk rating. Before BSE grants trading or issuer status to a client, the partner must comply with the requirements laid down in BSE's regulations. Partners who do not comply with BSE's regulations will be sanctioned in accordance with the regulations.

Since the adoption of IFRS 9, the accumulated impairment on trade receivables represents the estimation of credit risk of the current due receivables, as seen in Note 15.

The credit risk analysis shows the following positions:

DESCRIPTION	31.12.2023	31.12.2022
Non-overdue receivables	495	546
< 30 days	35	8
31–60 days	8	0
61–90 days	0	17
91–180 days	6	4
181–360 days	6	1
360 days <	14	18
Total (trade and other receivables, gross amount)	564	594

DEFINITION OF DEFAULT

BSE considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including BSE, in full.

Irrespective of the above analysis, BSE considers that default has occurred when a financial asset is more than 90 days past due unless BSE has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

SIGNIFICANT INCREASE IN CREDIT RISK

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, BSE compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, BSE considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industry in which BSE and its debtors operate, obtained from various external sources of actual and forecast economic information that relate to BSE's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- An actual or expected significant deterioration in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, BSE presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless BSE has reasonable and supportable

information that demonstrates otherwise. Despite the foregoing, BSE assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

BSE considers a financial asset to have low credit risk when the counterparty has a strong financial position and there are no past due amounts.

Currently, there are no significant financial assets where other procedures are applied than the simplified approach (i.e. trade receivables and the provision matrix).

WRITE-OFF POLICY

BSE writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under BSE's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

In case of **trade receivables**, BSE applies the provision matrix as presented in Note 3e) (i.e. grouping is applied for trade receivables).

For cash and cash equivalents BSE considers the credit rating of Hungary and if the rating is considered appropriate (meaning default risk is low according to the rating agency definitions), impairment is considered to be immaterial by BSE and no impairment is recorded on cash and cash equivalents.

C) LIQUIDITY RISK

Liquidity risk is the risk that BSE will not be able to meet its financial obligations as they fall due. BSE's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to BSE's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through credit facilities and the ability to close out market positions. The cash held by BSE is considered sufficient for liquidity management purposes, as the Cash balance has been significant throughout the financial year.

In accordance with legal provisions, BSE invests its free liquid assets as a deposit in the case of a period of less than a month, for a period of over a month it invests them in government securities or time deposits. BSE's liquid assets are stable. BSE has no bank or other loans and does not need external financing.

The Company manages liquidity risk by maintaining cash reserves and reserved borrowing options, by continuously monitoring planned and actual cash flow data, and by matching the maturities of financial assets and liabilities.

The liquidity analysis shows the following maturities:

AS AT 31 DECEMBER 2023	OVERDUE	DUE WITHIN 1 YEAR	DUE WITHIN 1–5 YEARS	DUE AFTER 5 YEARS OR IN A CERTAIN SITUATION	TOTAL	OF WHICH INTEREST
Loans at amortised cost	0	0	8	10	18	2
Trade and other receivables (gross)	69	495	0	0	564	0
Accrued revenues	0	1 244	0	0	1 244	0
Cash and cash equivalents	0	4 164	0	0	4 164	0
Total financial assets	69	5 903	8	10	5 990	2
Employee benefit liabilities	0	1	7	2	10	0
Non-current lease liability	0	0	422	403	825	0
Deferred tax liabilities	0	0	-2	1 060	1 058	0
Trade payables and other short-term liabilities	0	874	0	0	874	0
Current tax liabilities	0	53	0	0	53	0
Current lease liability	0	101	0	0	101	0
Accrued expenses	0	156	0	0	156	0
Total financial liabilities	0	1 185	427	1 465	3 077	0

Comparative data from the previous year:

AS AT 31 DECEMBER 2022	OVERDUE	DUE WITHIN 1 YEAR	DUE WITHIN 1–5 YEARS	DUE AFTER 5 YEARS OR IN A CERTAIN SITUATION	TOTAL	OF WHICH INTEREST
Loans at amortised cost	0	0	13	0	13	1
Trade and other receivables (gross)	49	545	0	0	594	0
Accrued revenues	0	632	0	0	632	0
Cash and cash equivalents	0	3 954	0	0	3 954	0
Total financial assets	49	5 131	13	0	5 193	1
Employee benefit liabilities	0	3	4	3	10	0
Non-current lease liability	0	0	410	477	887	0
Deferred tax liabilities	0	0	11	629	640	0
Trade payables and other short-term liabilities	0	1 036	0	0	1 036	0
Current tax liabilities	0	91	0	0	91	0
Current lease liability	0	94	0	0	94	0
Accrued expenses	0	205	0	0	205	0
Total financial liabilities	0	1 429	425	1 109	2 963	0

The tables above show that liquidity risk is low, since Financial assets due within one year provide coverage for Financial liabilities due both within and past one year.

D) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, will affect BSE's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

BSE operates mainly in Hungary, but it also has operations in foreign currencies (e.g. fees for data sales are set in EUR), which exposes it to foreign exchange risk. The fees applied by BSE are determined by internal rules approved by the Board of Directors.

Interest rate risk is the risk that the future cash flows of certain financial assets and liabilities will fluctuate because of changes in market interest rates. The Company analyses its exposure to interest rate risk dynamically, simulating different scenarios to calculate the impact of specific interest rate movements on its profit or loss. BSE operates with financial assets that do not bear significant interest rate risk.

For an interest rate sensitivity analysis of variable rate financial instruments, see Note 6 a).

E) CAPITAL MANAGEMENT

BSE's policy is to maintain a strong supply of capital in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital.

There were no changes in BSE's approach to capital management during the year.

BSE is not subject to externally imposed capital requirements, except for the minimal share capital that needs to be HUF 5 million.

6. FINANCIAL INSTRUMENTS: DISCLOSURES

A) INTEREST RATE SENSITIVITY ANALYSIS FOR VARIABLE AND FIXED RATE INSTRUMENTS

The Stock Exchange does not currently have variable rate instruments. In this part, the interest rate sensitivity of fixed rate instruments is presented.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables (if any) remain constant. The analysis was performed on the same basis for 2022.

DESCRIPTION	2023	2022
Interest income from banks	347	132
Average amount of Cash and cash equivalents	4 059	3 711
Average effective interest rate	8.55%	3.56%
Effect of change in interest rate (+1%)	41	37
Effect of change in interest rate (+5%)	203	186

Assuming that interest rates changed by 1%, income would have increased by HUF 41 million in 2023; a 5% change would have increased income by HUF 203 million.

B) FOREIGN EXCHANGE SENSITIVITY

The following tables show sensitivity to a possible change in the EUR/HUF exchange rate (with all other factors held constant). The estimated impact on BSE's profit before taxation is calculated by applying an annual average exchange rate deviation of +/-5% (net effect of income and expenses). The most significant EUR denominated revenue items are vendor fees. Among operating expenses and XETRA license fee, lease premises, certain professional services and software license fees. BSE has no significant transactions in other currencies.

YEAR	CHANGES IN THE EUR/HUF EXCHANGE RATE	IMPACT ON PROFIT BEFORE TAXATION
2022	+5%	43
	-5%	-43
2023	+5%	49
	-5%	-49

The impact on the year-end cash balance was also analysed:

DESCRIPTION	2023	2022
Year-end amount of cash and cash equivalents denominated in EUR (in thousands of EUR)	3 247	1 862
Year-end balance of cash and cash equivalents denominated in EUR (in millions of HUF)	1 243	745
Year-end EUR/HUF exchange rate	382.81	400.25
Effect of +5% EUR/HUF exchange rate change on year-end balance (unrealised exchange rate gain)	62	37
Effect of -5% EUR/HUF exchange rate change on year-end balance (unrealised exchange rate loss)	-62	-37

C) FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

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.

In many cases, the transaction price will equal the fair value. When determining whether fair value at initial recognition equals the transaction price, BSE shall take into account factors specific to the transaction and to the asset or liability.

Pursuant to IFRS 13, BSE presents the fair value hierarchy by three levels of measurement for its assets and liabilities measured at fair value, as follows, in order to enhance consistency and comparability.

The inputs used to measure the fair value of an asset or liability can be classified into different levels within the fair value hierarchy. In these cases, the fair value measurement is assigned in its entirety to the level in the fair value hierarchy in which the lowest level input that is significant to the overall measurement is included. In order to assess the significance of a particular input to the overall measurement, an assessment is required that takes into account factors relevant to the asset or liability.

Measurement level 1: Quoted and generally stock exchange prices on active markets for homogeneous assets or liabilities to which BSE has access at the time of valuation.

Measurement level 2: A measurement including inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Measurement level 3: A measurement that uses inputs other than directly observable inputs to value the asset or liability.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Company measures its financial instruments at amortised cost:

- Trade and other receivables
- Accrued revenues
- Cash and cash equivalents
- Employee benefit liabilities
- Non-current and current lease liabilities
- Trade payables and other short-term liabilities
- Accrued expenses

PRESENTATION OF ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE BY CLASSIFICATION INTO THE APPROPRIATE LEVEL OF THE FAIR VALUE HIERARCHY

BSE does not hold any financial instruments whose fair value could be determined at Level 1. The fair value of Cash and cash equivalents can be determined at Level 2 of Fair value measurement. All other instruments are included in Level 3 of Fair value measurement. The applied valuation technique for the financial instruments are found in the referred Notes:

- Loans at amortised costs: 3. e)
- Trade and other receivables; Accrued revenues: 3. e)
- Cash and cash equivalents: 3. i)
- Trade payables and other short term liabilities; Accrued expenses: 3. e)

Classification of financial instruments:

	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT AMORTISED COST	SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	FINANCIAL LIABILITIES AT AMORTISED COST	CARRYING VALUE	FAIR VALUE
31.12.2023						
Loans at amortised cost	0	18	0	0	18	18
Investments measured at fair value through other comprehensive income	0	0	1	0	1	1
Trade and other receivables	0	541	0	0	541	541
Accrued revenues	0	1 244	0	0	1 244	1 244
Cash and cash equivalents	0	4 164	0	0	4 164	4 164
Trade payables and other short-term liabilities	0	0	0	874	874	874
Accrued expenses	0	0	0	156	156	156
31.12.2022						
Loans at amortised cost	0	13	0	0	13	13
Trade and other receivables	0	570	0	0	570	570
Accrued revenues	0	632	0	0	632	632
Cash and cash equivalents	0	3 954	0	0	3 954	3 954
Trade payables and other short-term liabilities	0	0	0	1 036	1 036	1 036
Accrued expenses	0	0	0	205	205	205

7. REVENUES AND OTHER INCOME

REVENUES FROM STOCK EXCHANGE ACTIVITIES

DESCRIPTION	2023	2022
Revenues from trading fees	989	1 412
Annual admission fees	60	64
Fees of trading (monthly) and auctions	906	1 323
Connection fees, licenses	22	25
Revenues from listing fees	1 157	1 057
Listing (one-off) fee	60	177
Quarterly fee	1 097	880
Revenues from sale of information	1 357	1 195
Annual vendor fees	642	509
Monthly vendor fees	657	665
Other information services	58	22
Revenues from other services	69	0
Total Revenues	3 572	3 665

All income is recognised within the year, or, if the Company recognises income over a given period, on a simple pro rata basis.

OPERATING SEGMENTS

In case of BSE, there are no separable operating segments, since the following criteria are not met:

- Most of the operating expenses cannot be allocated to a specific business activity or specific business contract. Direct or indirect allocation of most expenses to cost centers is not possible. Therefore no discrete financial information is available.
- There are no segments the operating results of which are regularly reviewed by the chief operating decision maker of BSE in order to make a decision about resources to be allocated to the segment, or to assess its performance.

OTHER INCOME

DESCRIPTION	2023	2022
Revenue from government grants	796	524
from the above: Grants received (reimbursed grants)	728	431
from the above: Grants received (reimbursed BSE expenses)	68	93
Other income	59	98
Total Other Income	855	622

GOVERNMENT GRANTS

Total amount of non-repayable grants available under the EDIOP-1.1.7-2017-00001 programme: it was HUF 1,307 million after a budget increase in 2022, with the aim of implementing training and mentoring programmes and providing stock exchange preparation for IPOs for companies identified in the context of the call.

The mirror project of EDIOP, the “BSE Mentoring Programme in the Central Hungary Region” project targets the same stock exchange development elements by focusing on the central

regions. After the budget increase in 2022, the total amount was HUF 846,75 million may be used for this aim.

In 2023, both programs have expired, BSE has paid all relevant amounts to eligible partners, however, approvals are in progress with the Grantor.

Accrued income included items that will be recognised in future years as the project progresses (e.g. ELITE training courses started but covering several academic years) or that relate to the current year but are not yet accounted for until after 31 December. Revenues and expenses relate to the period in which they incurred economically, therefore the **costs of ELITE trainings that will be finished next year are accrued** between the years.

Other current liabilities include advances received but not yet invoiced, both for the EDIOP-1.1.7-2017-00001 programme and its mirror project for Central Hungary. The breakdown by nature of expense of the items charged to the project for a given year is given in the last section of the table.

There are no unfulfilled conditions and other contingencies attaching to government assistance recognised. Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them; and the grants will be received. Reasonable assurance means:

- the expense arised is in line with the government grant contracts
- the amount of the expense is in line with the maximum amounts to be granted
- interim reports of government grant payment claims have been approved.

DESCRIPTION	2023	2022
2019 EDIOP items	1	1
2020 EDIOP items	0	3
2021 EDIOP items	3	6
2022 EDIOP items	86	194
2023 EDIOP items	499	0
2019 CHR items	0	0
2020 CHR items	4	5
2021 CHR items	64	91
2022 CHR items	242	269
2023 CHR items	273	0
Total accrued income for projects	1 172	569
2022 EDIOP items (ELITE training)	0	6
Total prepaid expenses for projects	0	6
EDIOP advance	92	154
CHR advance	566	632
Total project advances received	658	786

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DESCRIPTION	2023	2022
Personnel expenses – EDIOP	39	45
Personnel expenses – CHR	24	33
Expert costs – EDIOP	14	9
Expert costs – CHR	4	7
Other costs – CHR	5	8
Aids to SMEs – EDIOP	442	125
Aids to SMEs – CHR	223	147
ELITE training – EDIOP	1	56
ELITE training – CHR	0	55
ESG training, workshop – EDIOP	21	11
ESG training, workshop – CHR	18	13
Total of items recognised for the project	791	509

8. OPERATING EXPENSES

DESCRIPTION	NOTES	2023	2022 RESTATED	2022 PREVIOUSLY REPORTED
Expenses for material costs		4	4	4
Expenses for services used		901	924	924
Expert fees		298	345	345
from the above: EDIOP/CHR related fees		50	132	
PR, marketing and sales costs		86	93	93
License fees		281	261	261
Leased office operating costs		122	113	113
Other services		114	112	112
from the above: EDIOP/CHR related fees		4	8	
Personnel costs		1 342	1 249	1 249
Wages and salaries		1 108	1 052	1 052
Contributions on wages and salaries		160	151	151
Other personnel type expenses		74	46	46
Depreciation and amortisation	12, 13	332	316	316
Depreciation charge of right-of-use asset		105	104	104
Amortisation of intangible assets, depreciation charge of tangible fixed assets		227	212	212
Expenses arising from miscellaneous other costs		805	486	573
Local business tax		0	0	76
Non-deductible VAT		128	183	183
from the above: EDIOP/CHR related fees		9	19	
EDIOP, CHR indirect grants		665	272	272
Other costs		12	31	42
Other expenses		14	0	0
Total operating expenses		3 398	2 979	3 066
Out of the above: Total EDIOP/CHR related, (to be) reimbursed items (reconciles to gov. grants in Other income)		728	431	

‘Expert fees’ contain the audit and other consultancy fees paid in 2023 and 2022 due to preparations for introduction to the BSE regulated market.

License fees include not significant and/or short-term (maximum 1 year) software and asset leases.

Other services include service expenses incurred in the normal course of the business.

Since the operating costs for the current year increased, the amount of non-deductible VAT also changed significantly.

9. EMPLOYEE INFORMATION

DESCRIPTION	2023	2022
Wages and salaries	1 108	1 052
Contributions on wages and salaries	160	151
Other personnel type expenses	74	46
Total	1 342	1 249

The average number of employees during the year was 62 (2022: 60). The above presented Employee costs are part of Operating expenses (Note 8). A significant part of other personal expenses includes employee Cafeteria benefits.

10. FINANCE INCOME AND EXPENSES

DESCRIPTION	2023	2022
Interest income from banks and other sources	347	136
Total Interest income	347	136
Realised gains on exchange rates	0	11
Unrealised gains on exchange rates	9	0
Total Other finance income	9	11

DESCRIPTION	2023	2022
Unrealised losses on exchange rates	0	56
Realised loss on exchange rates	18	0
Interest on lease liabilities (effective interest)	34	33
Total Finance expense	52	89

Interest income increased significantly due to the change in the yield environment: during 2023 the bank deposits were concluded at an annual interest rate of around 9-16%, in the previous year interest rates between 4-13% were typical.

Exchange gains include both realised exchange rate differences and differences on unrealised revaluations at year-end (year-end revaluations of bank accounts, trade receivables and payables, lease liability).

The increase in interest on the lease liability is due to the fact that in 2022 BSE signed a new lease agreement for a 10-year term, thus an effective interest on a significantly higher lease liability shall be realised.

11. TAXATION

DESCRIPTION	2023	2022 RESTATED	2022 PREVIOUSLY REPORTED
Current income tax expense	204	193	106
Corporate tax	119	106	106
Local business tax	74	76	0
Innovation contribution	11	11	0
Deferred tax expense/reversal	417	-124	-124
Origination of temporary differences	417	-124	-124
Income tax expense	621	69	-18

From 2017, the corporate income tax rate is 9%, therefore this rate is applicable for deferred tax calculations. Deferred taxes are non-cash items.

BSE voluntarily changed its accounting policies regarding the classification of Local business tax and Innovation contribution. In prior years, these taxes were classified as Operating expenses, however, BSE revised this classification and concluded that classifying these items as Income tax results in the financial statements providing reliable and more relevant information about the nature of the transactions. For further information, please see Note 4 a).

The reconciliation of actual income tax expense and tax bases and accounting profit is the following:

DESCRIPTION	2023	2022 RESTATED	2022 PREVIOUSLY REPORTED
Profit before tax (accounting profit)	6 462	-144	-231
Income tax expense	-621	-69	18
Effective tax rate	9,6%	-47,9%	7,8%
Corporate income tax reconciliation			
Corrections	-85	-87	0
Profit/loss before taxation incl. Corrections	6 377	-231	-231
Items increasing the tax base	285	4 192	4 192
from the above: impairment of KELER Group	0	3 953	3 953
from the above: Depreciation and amortisation acc. to IFRS	227	212	212
Items decreasing the tax base	-5 336	-2 695	-2 695
from the above: Share in profit/loss from associate	-5 128	-2 448	-2 448
from the above: Depreciation acc. to Income tax law	-180	-201	-201
Use of deferred losses for tax purposes	0	-89	-89
Corporate income tax base	1 326	1 177	1 177
Corporate income tax (9%)	119	106	106

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DESCRIPTION	2023	2022 RESTATED	2022 PREVIOUSLY REPORTED
Local business tax and innovation contribution reconciliation			
Base for local business tax and innovation contribution	3 689	3 794	–
Local business tax (2%)	74	76	–
Difference between Tax base and Accounting profit	-2 773	3 938	–
from the above: Profit and loss items excluding revenues	-2 890	3 809	–
other taxable income e.g. other income, nettings in revenues	176	186	–
other deductible expenses, e.g. material expenses, mediated services	-59	-57	–
Innovation contribution (0.3%)	11	11	–

The corporate tax base must be calculated from the pre-tax profit as defined in the IFRS, and certain items must be added or deducted during the calculation.

The provision for deferred taxation (liability) for the year is analyzed as follows:

DESCRIPTION	2023	2022
At the beginning of the year	640	764
Debited/(Credited) in net profit	418	-124
At end of the year	1 058	640

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 9%. The balance as at 31 December 2023 mainly represents the untaxed gain of investments in associated companies.

The derivation and source of the deferred tax is as follows:

DESCRIPTION	CARRYING AMOUNT 31.12.2023	TAX VALUE 31.12.2023	DIFFERENCE 31.12.2023
Property, plant and equipment	288	349	-61
Intangible assets	304	230	74
Right of use assets	854	854	0
Investments in associates measured using the equity method and investments in subsidiaries	16 890	5 115	11 775
Investments measured at fair value through other comprehensive income	1	1	0
Loans at amortised cost	18	18	0
Inventories	6	6	0
Trade and other receivables	541	566	-25
Prepaid expenses	32	32	0
Accrued revenues	1 244	1 244	0
Cash and cash equivalents	4 164	4 164	0
Employee benefit liabilities	10	0	-10
Non-current lease liability	825	825	0
Trade payables and other short-term liabilities	874	874	0
Current tax liabilities	53	53	0
Current lease liability	101	101	0
Prepaid revenues	58	58	0
Accrued expenses	156	156	0
Loss carry-forward	0	0	0
Total			11 755
Total deductible difference			-95
Total taxable difference			11 848
Total deferred tax assets			0
Total deferred tax liabilities			1 058

DESCRIPTION	CARRYING AMOUNT 31.12.2022	TAX VALUE 31.12.2022	DIFFERENCE 31.12.2022
Property, plant and equipment	275	269	6
Intangible assets	303	147	156
Right of use assets	868	868	0
Investments in associates measured using the equity method and investments in subsidiaries	12 100	5 115	6 985
Loans at amortised cost	13	13	0
Inventories	9	9	0
Trade and other receivables	570	594	-24
Prepaid expenses	29	29	0
Accrued revenues	632	632	0
Cash and cash equivalents	3 954	3 954	0
Employee benefit liabilities	10	0	-10
Non-current lease liability	887	887	0
Trade payables and other short-term liabilities	1 036	1 036	0
Current tax liabilities	91	91	0
Current lease liability	94	94	0
Prepaid revenues	60	60	0
Accrued expenses	205	205	0
Total			7 112
Total deductible difference			-34
Total taxable difference			7 147
Total deferred tax assets			0
Total deferred tax liabilities			640

12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

DESCRIPTION	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT					TOTAL
		INVESTMENTS IMPLEMENTED ON LEASED PROPERTY	IT EQUIPMENT	OFFICE FURNITURE, EQUIPMENT AND INSTALLATIONS	MOTOR VEHICLES	TOTAL PROPERTY, PLANT AND EQUIPMENT	
2023							
Cost							
as at 1 January 2023	1 863	166	536	71	22	795	2 658
Procurement, capitalisation	157	0	53	1	37	91	248
Scrapping, sale	-34	0	0	-1	-22	-23	-57
as at 31 December 2023	1 986	166	589	71	37	863	2 849
Depreciation and amortisation							
as at 1 January 2023	1 560	18	423	64	15	520	2 080
Charge for the year	156	16	50	2	3	71	227
Decrease due to de-recognition	-34	0	0	-1	-15	-16	-50
as at 31 December 2023	1 682	34	473	65	3	575	2 257
Carrying amount							
as at 1 January 2023	303	148	113	7	7	275	578
as at 31 December 2023	304	132	116	6	34	288	592
2022							
Cost							
as at 1 January 2020	1 697	46	474	109	22	651	2 348
Increase	166	163	86	2	0	251	417
Scrapping, sale	0	-43	-24	-40	0	-107	-107
as at 31 December 2022	1 863	166	536	71	22	795	2 658
Depreciation and amortisation							
as at 1 January 2022	1 423	46	390	101	15	552	1 975
Charge for the year	137	15	57	3	0	75	212
Decrease due to de-recognition	0	-43	-24	-40	0	-107	-107
as at 31 December 2022	1 560	18	423	64	15	520	2 080
Carrying amount							
as at 1 January 2022	274	0	84	8	7	99	373
as at 31 December 2022	303	148	113	7	7	275	578

Intangible assets comprise of the following:

- trademarks
- software licences
- softwares developed by BSE.

Trademarks are usually purchased for 10 years, hence they are depreciated through the registration timeframe. Software licences are normally purchased for 3 years and are depreciated likewise. Self-developed softwares are usually depreciated through 5 years.

There are no restrictions on title, and no property, plant and equipment is pledged as security for liabilities.

13. LEASES UNDER IFRS 16

The right-of-use asset was capitalised on the basis of the contract for the office leased by BSE. BSE moved its registered office in February 2022 to a new address. Therefore, the right-of-use asset recognised at the end of 2021, together with the related provisions and lease liability, is derecognised at that date. The net impact of the derecognition is included in Other income in HUF 28 million in 2022.

The right-of-use asset of the lease of the office in Krisztina körút 55. was included in the books in February 2022, together with the related lease liabilities. The right-of-use asset is depreciated using the straight-line method until February 2032.

DESCRIPTION	01.01.2023– 31.12.2023	01.01.2022– 31.12.2022
Gross amount		
as at 1 January	954	442
Correction due to indexation	91	0
Recognition of the right-of-use asset of the new office (Krisztina krt. 55.)	0	954
Derecognition due to relocation (Bank Center)	0	-442
as at 31 December	1 045	954
Depreciation		
as at 1 January	86	318
Depreciation charged (Bank Center)	0	18
Derecognition due to relocation (Bank Center)	0	-336
Depreciation charged (K55)	105	86
as at 31 December	191	86
Carrying amount		
as at 1 January	868	124
as at 31 December	854	868

The evolution of the related lease liability can be derived as follows:

DESCRIPTION	01.01.2023– 31.12.2023	01.01.2022– 31.12.2022
Opening balance	981	155
Payment to lessor (Bank Center)	0	-22
Interest incurred (Bank Center)	0	1
Derecognition due to relocation (BC)	0	-134
Recognition of new office leasing liability obligation (K55)	0	954
Correction due to indexation	91	0
Payment to lessor (K55)	-132	-122
Interest incurred (K55)	34	32
Year-end foreign exchange revaluation difference	-48	117
Lease balance on 31 December	926	981
Current lease liabilities	101	94
Non-current lease liabilities	825	887

Maturity analysis of Lease liabilities:

DESCRIPTION	AMOUNT
Liability due in 2024	101
Liability due in 2025	105
Liability due in 2026	109
Liability due in 2027	112
Liability due in 2028	116
Liability due after 2028	383
Total Lease liabilities	926

14. INVESTMENTS (INTERESTS IN OTHER ENTITIES)

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

Neither BSE, nor KELER Group is an investment company or has an interest in one. All companies publish their separate financial statements in accordance with the law that applies to them.

A) SUBSIDIARIES

There are no subsidiaries currently owned by BSE.

B) ASSOCIATES

NAME OF THE ENTITY	PLACE OF BUSINESS	OWNERSHIP INTEREST HELD BY BSE (%)		PRINCIPAL ACTIVITIES	TYPE OF RELATIONSHIP
		2023	2022		
KELER Zrt.	Hungary	46.67	46.67	Depository services	Associate
KELER KSZF Zrt.	Hungary	0.07	0.07	Clearing service	Associate

The Company holds an investment of 46.67% (2022: 46.67%) in KELER and an investment of 0.07% (2022: 0.07%) in KELER CCP Ltd. KELER CCP is 99.85% (2022: 99,85%) owned by KELER.

The value of the investment in the KELER Group changed in the standalone IFRS financial statements as follows:

DESCRIPTION	2023	2022
Opening balance (gross)	16 053	13 619
Share of current year net income	5 128	2 448
Share of other comprehensive income	63	-13
Dividends received	-401	0
Closing balance (gross)	20 843	16 053
Opening balance of impairment	-3 953	0
Impairment in current year	0	-3 953
Reversal of impairment	0	0
Closing balance of impairment	-3 953	-3 953
Opening balance (net of impairment)	12 100	13 619
Closing balance (net of impairment)	16 890	12 100

According to IAS 36, BÉT has to ensure that its assets are carried at no more than their recoverable amount. BSE has considered if there is any objective evidence that its net investment in the associate or joint venture is impaired. The circumstances that indicated possible impairment were the following:

- unfavorable macroeconomic environment
- effect of securities transaction tax introduced in 2022
- due to the high risk premium the evaluation of Hungarian assets generally lower.

In determining the value in use of the net investment, BSE estimated its share of the present value of the estimated future cash flows expected to be generated by KELER Group including the cash flows from the operations of the Group.

Based on the valuation of the companies and after considering the ownership percentage of BSE, the value of the associates is approximately equal to the closing balance at 31 December 2023. Given the insignificant difference, according to management judgment, the book value is appropriate, so neither accounting for impairment nor reversal of previous impairment is necessary.

15. CURRENT ASSETS

DESCRIPTION	2023	2022
Inventories	6	9
Trade and other receivables	541	570
Prepaid expenses	32	29
Accrued revenues	1 244	632
Cash and cash equivalents	4 164	3 954
Current assets	5 987	5 194

The Company had no significant value of inventory in 2023. These assets are not related to the Company's core business. The assets support the daily operation of the Company (stationery and other office related assets).

The amount of Impairment on trade receivables has changed according to the below:

DESCRIPTION	2023	2022
Gross amount of trade receivables	564	594
Accumulated impairment	-23	-24
Net amount of trade receivables	541	570

DESCRIPTION	2023	2022
Accumulated impairment as of 1 January	24	28
Net change of impairment	-1	-4
Accumulated impairment as of 31 December	23	24

The write off ratio of trade receivables is low and not significant. The income from credit losses write back amounted to HUF 1 million in 2023; in 2022 there was write off HUF 5 million, which represented 0.03% of annual revenues in 2023 (0.14% in 2022).

Starting in 2022, BSE has granted housing loans to its employees. The current amount of these loans is HUF 2 million included in Trade and other receivables. The non-current amount is in Non-current assets: Loans at amortized cost (HUF 18 million).

Cash and Cash Equivalents contains only the balance of the cash at bank and depository. Due to the insignificant risk, cash and cash equivalents are measured at the same value as bank statements as of 31. December 2023. Insignificant risk is corroborated by Fitch rating of the Hungarian state which was BBB on 15th December 2023. According to Fitch definitions BBB ratings indicate that expectations of default risk are currently low.

FREE CASH FLOW STATEMENT

Below we present the free cash flow statement, which is a cash flow excluding EDIOP and CHR government grant items. The basis of the statement is the statement of cash flows according to IFRS, adjusted by items not defined in IFRS.

ADJUSTED FREE CASH FLOW*	01.01.2023– 31.12.2023	01.01.2022– 31.12.2022	CHANGE IN %
Profit/loss before taxation	6 462	-231	
Share of the profit/loss of associates	-5 128	-2 448	+109.5%
Impairment losses of associates	0	3 958	
Other adjustments in profit/loss before taxation	10	236	-95.8%
Adjusted profit/loss	1 344	1 515	-11.3%
Working capital adjustments, income tax paid	-1 037	-145	+615.2%
Extraction of government grant items	722	74	+875.7%
Operating cash flow (adjusted, excluding grants)*	1 029	1 444	-28.7%
Cash flow from investing activities – excluding dividend received	99	-299	
Cash flow from financing activities, excluding dividend paid	-7	-144	-95.1%
Free cash flow (adjusted, excluding grants) and dividend received*	1 121	1 001	+12.0%
Dividend received	401	0	
Free cash flow (adjusted, excluding grants)*	1 522	1 001	52.0%

**Values are adjusted for the effects of EDIOP and CHR grant projects.*

Adjusted profit/loss, which is the result of profit/loss before taxation, share of the profit/loss of associates, impairment losses of associates and other adjusting items (e.g. depreciation, reclassification to cash flow from investing activities), is HUF 1,344 million and thus 11 % lower than the value in 2022.

The working capital corrections and the tax paid were HUF -1,037 million in 2023 and HUF -145 million in 2022, but these still include the effect of EDIOP and CHR subsidies, which must be excluded, as they are not part of normal operations. The net operating cash flow obtained after the adjustment is HUF 1,029 million in 2023.

Cash flow from investing activities without dividends received was HUF 99 million in 2023, due to lower CAPEX and higher interest income.

The amounts received from the MNB plays a role in the development of the financing cash flow in 2023: The listing of BSE serves both the interests of BSE as a company and MNB as the main shareholder, therefore BSE and MNB agreed that 20% of consultancy fees are chargeable to BSE and 80% to MNB (as the future selling owner), thus MNB reimbursed 80% of these costs to BSE. (BSE included 100% of the incurred costs in its profit/loss for the years 2021-2023.)

Free cash flow (excluding grants and dividend received) was HUF 1,121 million in 2023, which is 12% higher than the previous year. Including the HUF 401 million dividend received from KELER Group, free cash flow was HUF 1,522 million in 2023, which is 52% higher than the value in 2022.

After the balance sheet date, a further HUF 497 million was transferred to BSE's bank account, in January 2024. The transfer was related to the closure of the EDIOP project.

The above items are non-interest-bearing, except for cash equivalents, which bear interest when tied up. Interest income increased significantly due to the change in the yield environment: during 2023 the bank deposits were concluded at an annual interest rate of around 9-16%, in the previous year interest rates between 4-13% were typical.

For maturity analysis, see Note 5.

16. EQUITY

SUBSCRIBED CAPITAL

The Budapest Stock Exchange, originally established on 19 June 1990, was registered by the Metropolitan Court of Justice as a Court of Registration on 30 June 2002 under No. 01-10-044764 as a company limited by shares due to general succession.

The subscribed capital of the Company upon the foundation totalled HUF 550 million which consisted of registered ordinary shares issued in a dematerialised form, with a par value of HUF 100 each, all conferring equal and identical membership rights.

With its resolution No. 7/2003 dated 28 April 2003, the General Meeting decreased the share capital of the Budapest Stock Exchange Private Company Limited by Shares by withdrawing the shares of Garmond Capital Hungarian-American Service Providing Company Limited by Shares (i.e. by HUF 8,651,900 that is 86,519 shares with a par value of HUF 100 each). Thus the Company's subscribed capital fell to HUF 541,348,100. (Order No. 01-10-044764/24 of the Court of Registration, effective from 28 April 2003)

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2022: 5,413,481) ordinary shares with par value of HUF 100 each. All shares rank pari passu in the event of a winding up. The share capital represents shares held by the following shareholders:

DESCRIPTION	2023	2022
Magyar Nemzeti Bank	81.4%	81.4%
KBC Securities Hungary Branch Office	5.2%	5.2%
Concorde Értékpapír Zrt.	4.2%	4.2%
OTP Bank Nyrt.	2.7%	2.7%
Erste Bank Hungary Zrt.	2.3%	2.3%
Mol Nyrt.	2.2%	2.2%
Others (all under 2% share individually)	2.1%	2.1%
Total	100.0%	100.0%

Reconciliation of the number of shares outstanding at the beginning and at the end of the period. During the whole period there was no change in the number of shares, which was 5 413 481.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

On 7 June 2023, the Board of Directors of the Budapest Stock Exchange decides on the listing of the dematerialised, registered ordinary shares of the issuer Budapest Stock Exchange on the Equities Standard Market.

- Number of securities listed: 5 413 481
- Face value: HUF 100
- Listing price: HUF 2 906
- Code of security (ISIN): HU0000063078

The first day of trading was 21 June 2023 (Resolution No. 177/2023 of the Board of Directors of Budapest Stock Exchange Plc.)

RETAINED EARNINGS

Retained earnings include the cumulative amount of the profit after tax for each year. In 2023, payments from the owners, in their capacity as owners are also included in Retained earnings. These payments are offsetting expenses that arose at BSE, related to its listing on BSE, since a portion of these expenses are related to the interests of MNB, being BSE's owners.

REVALUATION RESERVE ORIGINATING FROM ASSOCIATES

This balance sheet line currently includes the items included in the revaluation reserve for instruments at fair value through other comprehensive income of the KELER Group, using the equity method, based on the 46.67% stake in the KELER Group.

EQUITY CORRELATION TABLE

114/B § of the Hungarian Accounting Act specifies that equity should be reconciled accordingly starting from the IFRS Equity.

DESCRIPTION	31.12.2023	31.12.2022
Equity under IFRS	21 207	15 730
+ Supplementary payments as liabilities under IFRS (+)	0	0
- Supplementary payments as assets under IFRS (-)	0	0
+ Sum of the deferred income from cash received and transferred to the capital reserve under legislation (+)	0	0
+ Sum of deferred income under IFRS from assets received (+)	0	0
- Sum of receivables from owners classified as equity instrument under capital contribution (-)	0	0
Total equity under IFRS	21 207	15 730

DESCRIPTION	31.12.2023	31.12.2022
Section 114 B (4) b) Share capital under IFRS		
Total share capital under IFRS		
Share capital according to the effective articles of association if classified as an equity instrument	541	541
Unpaid capital under IFRS	0	0
Section 114 B (4) h) Tied-up reserve		
Opening amount	0	0
+ Supplementary payments as liabilities under IFRS (+)	0	0
+ Unused reserve for development purposes net of tax (+)	0	0
Total tied-up reserve	0	0
Section 114 B (4) e) Retained Earnings		
+ Accumulated profit after taxation of previous years under IFRS that is not yet distributed among owners and not include other comprehensive income (+)	-1 142	-502
+/- Amounts recognised in Retained earnings under IFRS	0	0
- Supplementary payments as assets under IFRS (-)	0	0
- Unused reserve for development purposes, net of deferred tax (-)	0	0
+ Retained earnings as of the day before transition to IFRS, including transition corrections	15 955	15 955
Total retained earnings	14 813	15 453
Section 114 B (4) g) Profit after taxation		
Profit/loss after tax according to Section 114/A (9)	5 841	-213
Section 114 B (4) f) Revaluation reserve		
Accumulated and current year other comprehensive income from statement of other comprehensive income (+/-)	12	-51
Capital reserve		
Section 114 B Equity	21 207	15 730
- Share capital (-)	-541	-541
- Registered but unpaid capital (-)	0	0
- Tied-up reserve (-)	0	0
- Retained earnings (-)	-14 813	-15 453
- Profit/loss for the period (-)	-5 841	213
- Revaluation reserve (-)	-12	51
Total capital reserve	0	0

DESCRIPTION	31.12.2023	31.12.2022
Equity under 114 B		
Share capital	541	541
Registered but unpaid capital	0	0
Capital reserve	0	0
Retained earnings	14 813	15 453
Tied-up reserve	0	0
Revaluation reserve	12	-51
Profit/loss for the period	5 841	-213
Equity under 114 B	21 207	15 730
+ Retained earnings 114 B (5) b) available for distribution	14 813	15 453
+ Profit/loss for the period	5 841	-213
- Accumulated, unrealised profit from the increase of fair value of investment properties under IAS 40 (-)	0	0
Retained earnings available for distribution	20 654	15 240

17. PROVISIONS

DESCRIPTION	2023	2022
Opening balance	0	2
Additions	0	0
Amounts charged against provisions	0	-2
Closing balance	0	0

The estimated liability for restoration costs related to the lease contract (restoring the underlying asset to the condition required by the terms and conditions of the lease) is recognised as a provision. The provision originally made in 2019 was recognised against Right-of-use assets. Budapest Stock Exchange moved its registered office in 2022 to a new address, thus the provision was reversed, and no significant restoration costs were incurred. The costs relating to the relocation were recognised in the profit or loss, except for the custom design works of the new office, which were recognised in Property, plant and equipment. Based on the experience of the relocation in 2022, no new provision for restoration has been made in the new lease contract.

18. EMPLOYEE BENEFITS: JUBILEE BENEFITS

DESCRIPTION	2023	2022
Jubilee obligation as at 1 January	10	13
Interest cost	1	1
Current service cost	1	-3
Benefits paid	-4	-3
Actuarial gains/losses	2	2
Jubilee obligation as at 31 December	10	10
of which short-term	1	3
of which long-term	9	7

The sum of Current service costs and Actuarial gains/losses are included in Operating Expenses, under Personnel Expenses. For the turnover rate, BSE applied 11.6% in its estimates based on its own statistics. For discounting, the interest rate on currently available government bonds with a maturity of 15-20 years (currently 6.37%) is used. Jubilee benefits are awarded after 5, 10, 15, 20, 25 and 30 years of service on the stock exchange.

Of the long-term benefits, HUF 7 million will be due between 1 and 5 years, and HUF 2 million beyond 5 years (in 2022, the values of the two categories were HUF 3 million and HUF 7 million, respectively).

19. CURRENT LIABILITIES

DESCRIPTION	2023	2022
Accrued bonuses and expenses	155	205
Accruals, prepaid listing fees	58	60
Trade and other payables	111	119
Current lease liability	101	94
Advances received for project EDIOP and Central Hungarian	658	786
Current tax liabilities	53	91
Other tax items	106	131
Employee benefits	1	3
Current liabilities	1 243	1 489

The fair value of liabilities is close to their carrying amount. The above items do not bear interest (except for leases under IFRS 16).

20. TRANSITION TO IFRS

BSE prepares its separate financial statements for local company registration purposes according to the IFRS as adopted by the EU, starting from business year 2022. Beforehand, BSE prepared its financial statements for such purposes according to the Hungarian Accounting Act.

Please find the Equity reconciliation table according to 114 B of Hungarian Accounting Act in Note 16.

21. NOTES WITH REFERENCE TO 459/2015. GOVERNMENT DECREE (XII. 29.)

A. THE NUMBER OF COMPANIES WITH TRADING RIGHTS

The number of Exchange Members at the Budapest Stock Exchange Plc. totalled 22 as of 31 December 2023. At the end of 2023, 17 members in the Equities Section, 17 members in the Debt Securities section. Regarding the Derivatives Section: futures market - 12 members, options market - 10 members, 1 members in the Commodities Section had trading rights. At the end of the year there were 11 members in the BÉTa Market, there were 12 members in the Xtend Market and 10 members in the Xbond Market.

6 members have auction trading rights.

B. NEW EXCHANGE MEMBERS IN THE BUSINESS YEAR AND FEES PAID FOR THE TRADING RIGHTS

- Patria Finance a.s. – grants the right to trade on the Xtend Market effective as of August 4, 2023
- Patria Finance a.s. – grants the right to trade on the Béta Market effective as of August 9, 2023

C. TERMINATION OF EXCHANGE MEMBERSHIP IN THE BUSINESS YEAR

In 2023, not a single partner's stock exchange membership was terminated.

D. ANNUAL FEES PAID BY EXCHANGE MEMBERS OUT OF TOTAL REVENUES

Please see Note 7.

22. RELATED PARTY INFORMATION

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

BALANCE SHEET

NAME OF RELATED PARTY	ACCOUNT TYPE	2023	2022
	Trade accounts receivable	0.8	1.0
Magyar Nemzeti Bank		0.8	1.0
	Trade accounts payable	8.1	11.1
KELER Zrt.		0.9	1.4
Magyar Nemzeti Bank		1.5	5.0
MNB-Ingatlan Kft.		0.2	1.0
MNB-Biztonsági Szolgáltatások Zrt.		4.1	2.9
GIRO Elszámolásforgalmi Zrt.		1.4	0.8
	Other Balance Sheet items from owners	124.7	0.0
Magyar Nemzeti Bank		124.7	0.0

STATEMENT OF PROFIT OR LOSS

NAME OF RELATED PARTY	TRANSACTION TYPE	2023	2022
	Sale of goods and services to related parties	15.9	16.2
KELER KSZF Zrt.	Sponsorship	1.0	1.0
KELER Zrt.	Sponsorship	1.0	1.0
KELER Zrt.	Disclosure obligations	8.9	8.9
Magyar Nemzeti Bank	Dual training	0.5	1.2
Magyar Nemzeti Bank	Leased lines and accesses	2.1	4.1
Magyar Nemzeti Bank	Stock exchange activity revenue	0.5	0.0
Magyar Nemzeti Bank	Income from mediated activities	1.8	0.0
Magyar Nemzeti Bank	Other	0.1	0.0
	Purchase of services from related parties	167.4	100.0
GIRO Elszámolásforgalmi Zrt.	Lease fees	11.7	5.8
KELER Zrt.	Share register management	1.8	1.0
KELER Zrt.	Securities account management	0.4	0.4
KELER Zrt.	Data sales	8.0	8.0
KELER Zrt.	Other	2.5	1.8
KELER Zrt.	Securities Registration fee	0.0	1.3
Magyar Nemzeti Bank	Amounts paid to MNB as Supervisory Authority	6.4	6.0
Magyar Nemzeti Bank	Rental fees for events	2.4	3.3
Magyar Nemzeti Bank	Other	0.0	3.2
MNB-Ingatlan Kft.	Property rental and operating costs	118.7	58.2
MNB-Biztonsági Szolgáltatások Zrt.	Expert fees	9.6	9.8
MNB-Biztonsági Szolgáltatások Zrt.	Expenses related to events	4.6	0.0
MNB-Biztonsági Szolgáltatások Zrt.	Other	1.3	1.2

Management includes members of the Board of Directors and the members of the Supervisory Board.

MEMBERS OF THE BOARD OF DIRECTORS

- Barnabás Virág (from 21 December 2023)
- Richárd Végh
- dr. György Bacsa
- dr. Géza Máté
- Zsolt Kuti
- dr. Barna Fömötör
- Attila Bánfi
- *dr. Mihály Patai (until 21 December 2023)*

MEMBERS OF THE SUPERVISORY BOARD

- Lajos Bartha
- Károly Régely
- dr. Zsolt Zoltán Selmeczi-Kovács
- Róbert Cselovszki (from 26 April 2023)
- dr. Ilona Hardy (from 26 April 2023)
- *dr. Kolos Viktor Kardkovács (until 26 April 2023)*
- *Orsolya Kása (until 26 April 2023)*

MEMBERS OF THE AUDIT COMMITTEE

- Róbert Cselovszki
- dr. Ilona Hardy
- Károly Régely

KEY MANAGEMENT COMPENSATION

The key management of BSE are the executive members of the Budapest Stock Exchange's Board of Directors, Supervisory Board and members of the executive management.

Key management personnel remuneration is presented in the table below:

DESCRIPTION	2023	2022
Salaries including bonuses and social security Contributions	304	282
Company car allowance	2	2
Short-term employee benefits	306	284
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payment	0	0
Total remuneration	306	284

BSE did not have any transactions with related parties that would qualify as related parties only because of their key managers.

The controlling entity is the Magyar Nemzeti Bank. The list of its subsidiaries as of 31 December 2023 is the following:

SUBSIDIARY'S NAME	PLACE OF BUSINESS	OWNERSHIP INTEREST HELD BY THE CONTROLLING ENTITY (%)		PRINCIPAL ACTIVITIES
		2023	2022	
Magyar Pénzverő Zrt. (Hungarian Mint Plc.)	Hungary	100	100	Produce circulation coins
Pénzjegynyomda Zrt. (Hungarian Banknote Printing Shareholding Co.)	Hungary	100	100	Production of forint banknotes and secure documents
GIRO Zrt.	Hungary	100	100	Payment system operation
MNB-Biztonsági Szolgáltatások Zrt. (MNB-Security Services Plc.)	Hungary	100	100	Personal guarding and protection
MNB-Ingatlan Kft. (MNB-Real Estate Ltd.)	Hungary	100	100	Rental and operation of real estate
Pénzügyi Stabilitási és Felszámoló Nonprofit Kft. (Financial Stability and Liquidator Non-profit Ltd.)	Hungary	100	100	Perform the liquidation of financial institutions
Budapest Stock Exchange Plc.	Hungary	81.35	81.35	Official listings on the stock exchange
KELER Központi Értéktár Zrt. (KELER Zrt.)	Hungary	53.33	53.33	Depository services
KELER CCP Central Counterparty Zrt. (KELER CCP Zrt.)	Hungary	0.08	0.08	Clearing service
MNB-EduLab Kompetencia Központ Nonprofit Kft. (MNB-EduLab Nonprofit Kft.)	Hungary	100	100	Education, training
Bank for International Settlements (BIS)	Switzerland	1.43	1.43	Banking services to central banks, research activities
European Central Bank (ECB)	Germany	1.55	1.55	Central bank function
SWIFT	Belgium	0.03	0.03	Execution of financial transactions

23. EVENTS AFTER BALANCE SHEET DATE

MACROECONOMIC ENVIRONMENT

BSE plays an important role in the capital financing of domestic companies, so the domestic macroeconomic environment has a significant impact on the willingness of these companies to be listed on the stock exchange, and also has a major impact on the investor perception of companies already listed. For this reason, a significant deterioration in macroeconomic indicators (e.g. GDP, sovereign risk, inflation, unemployment rate, household savings) could reduce the propensity of firms to raise equity financing, which would have a negative impact on the issuing revenues of BSE. Although a deterioration in macroeconomic figures could boost BSE trading activity in the short term due to a sudden increase in market volatility, a sustained negative shift in indicators could reduce investor activity in the domestic market in the long term, with a concomitant fall in both BSE revenues and profitability. It is important to point out that foreign investors play an important role in the BSE's trading activity, accounting for 57% of total spot secondary market volume in 2023. Thus, if domestic macroeconomic indicators turn out unfavourable for these groups of investors, this could have a significant impact on the BSE's operations.

RUSSO-UKRAINIAN CONFLICT

BSE continuously monitors this extraordinary situation and identifies its responsibilities in relation to it, and liaises with Magyar Nemzeti Bank (MNB), which has a supervisory role, in order to be able to take immediate measures to protect the legitimate interests of investors, the balance of the market and the operation of the stock exchange.

Based on the management's assessment, the current impact of the conflict on the Company's operations, liquidity and capital position does not have significant consequences, and therefore there is no uncertainty about the ability to continue as a going concern.

CHANGES IN CASH BALANCE

After the balance sheet date, HUF 497 million was transferred to BSE's bank account, in January 2024. The transfer was related to the closure of the EDIOP project.

24. PROPOSED AND APPROVED DIVIDENDS

After the results of 2022, dividend of HUF 552 175 062 has been paid by BSE in the business year 2023 (dividend per share: HUF 102). Depending on the decision of the General Meeting, the BSE plans to pay HUF 606 309 872 in dividends (HUF 112 per share) in 2024 with regard to the year 2023.

25. CSRD

Sustainable thinking and ESG (environmental, social, governance) principles play a key role in the business world. Budapest Stock Exchange Plc. (BSE) has developed its own strategy in this regard, including

- assessing and adapting to the impacts of climate change and societal challenges;
- a long-term commitment to achieving sustainable goals;
- progressively preparing market actors for the green transition and sustainable development;
- creating market infrastructures and business toolkits to support transition and adaptation;
- ensuring the transparent functioning of markets, supporting corporate ESG reporting.

The company also volunteered to prepare its **first sustainability report** according to the standards of the GRI 2021 framework applicable from 2023 and SAS 2018 standards issued for stock exchanges and commodity exchanges, in which ESG criteria were prioritised in terms of exchange operations.

- **Corporate governance** aspects (responsible corporate governance, oversight of sustainability processes by management bodies; risk management, business continuity, protection of trading and related systems, ensuring safe and continuous operation, ensuring statutory compliance) were ranked the highest;
- followed by **social topics** (employee rights, well-being, sustainable working conditions and personal development; diversity, equal treatment, non-discrimination; occupational health, safety and indirect impacts of the stock exchange, regulatory, educational activities)
- and then by **environmental impact** (energy use and carbon dioxide emissions; waste and water use).

Following the most common global goals cited by stock exchanges and the recommendations of the SSE, BSE sets the following 5 UN global goals in its sustainability activities:

- gender equality,
- decent work and economic growth,
- responsible consumption and production,
- climate action
- and partnership to achieve these goals.

The recommendations are evaluated based on specific indicators, most of which have already been met by BSE.

The first time when CSRD extends the sustainability reporting obligation to listed SMEs (and as such, to BSE as well), is for the 2026 business year.

26. AUDITOR-RELATED DISCLOSURES

Under Act C of 2000 (Hungarian Accounting Act), BSE is required to have its financial statements audited by an auditor. These financial statements have been audited by Deloitte Könyvvizsgáló és Tanácsadó Kft. (H-1068 Budapest, Dózsa György út 84/C; tax number: 10443785-2-42; registration number with the Chamber of Hungarian Auditors: 000083).

The person responsible for carrying out the audit: Tamás Horváth (auditor certificate number: 003449).

The statutory audit fee for 2023: HUF 23 million. The auditor didn't perform other activities for BSE. Furthermore the auditor perform work in the amount of HUF 11.7 for the audit of the interim balance sheet.

27. AUTHORISATION OF FINANCIAL STATEMENTS FOR DISCLOSURE

Disclosure of the Company's annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2023 is due upon approval of the Annual General Meeting.



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