



Consolidated Financial Statements under IFRS as adopted by the EU and Independent Auditor's Report

For the year ended 31 December 2018

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Table of Contents

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position as at 31 December 2018	2
Consolidated Statement of Profit or Loss and other comprehensive income for the year ended 31 December 2018	3
Consolidated Statement of Changes in Shareholders' equity for the year ended 31 December 2018	4
Consolidated Statement of Cash Flow for the year ended 31 December 2018	5
Notes to the Consolidated Financial Statements	6 – 26

Independent Auditor's Report

To the Shareholders of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság

Opinion

We have audited the accompanying 2018 consolidated annual financial statements of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements" section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Other matters

The Group's consolidated annual financial statements as at 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 21 June 2018.

Responsibilities of management and those charged with governance for the consolidated annual financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated annual financial statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Budapest, 19 November 2019

Szabó Gergely
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Consolidated Statement of financial position

	Notes	31 December 2018 HUF million	31 December 2017 HUF million
ASSETS			
Property, plant and equipment	13	178	209
Intangible assets	13	332	164
Investments accounted for using the equity method	14	13 188	13 492
Non-current assets		13 698	13 865
Inventories	15	4	6
Trade and other receivables	16	250	135
Current tax assets	16	12	3
Prepaid expenses	16	49	26
Accrued revenues	16	309	272
Securities held to maturity	16	0	0
Cash and cash equivalents	18	1370	754
Current assets		1 994	1 196
TOTAL ASSETS		15 692	15 061
EQUITY AND LIABILITIES			
Share capital	19	541	541
Reserves	20	2576	2576
Retained earnings		11 012	10 757
Accumulated other comprehensive income		-217	0
Total shareholders' equity		13 912	13 874
Employee benefits	8	9	9
Total non-current liabilities		9	9
Trade and other payables	21	837	200
Prepaid revenues	21	63	64
Accrued expenses	21	141	165
Deferred tax liability	12	730	749
Total current liabilities		1 771	1 178
Total liabilities		1 780	1187
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		15 692	15 061

Budapest, 19 November, 2019


Richárd Végh
CEO


Katalin Sámel
Financial Director



The accompanying notes to the financial statements on pages 6 to 26 form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and other comprehensive income

	Notes	2018 HUF million	2017 HUF million
Revenues	6	2 555	2 256
Other income	6	181	202
Reversal of impairment on receivables		10	6
Operating expenses	7	-2 823	-2 250
Impairment on receivables		0	-4
Financial income	10	12	4
Financial expense	11	-6	-1
Share of profit/loss from associate	14	746	-1 353
Net profit/loss before taxation		675	-1 140
Income tax	12	17	107
Net profit/loss for the year		692	-1 033
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Changes of fair values of financial instruments through OCI (Associate)		8	0
Income taxes of other comprehensive income		1	0
Other comprehensive income		9	0
Total comprehensive income for the year		701	-1 033

Budapest, 19 November, 2019


Richard Végh
CEO




Katalin Sámel
Financial Director

The accompanying notes to the financial statements on pages 6 to 26 form an integral part of these financial statements.

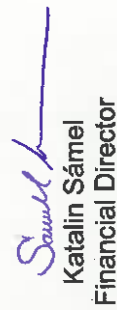
Statement of changes in Shareholders' equity
For the year ending 31 December 2018
(in million HUF)

Consolidated Statement of changes in equity

	Share capital	Reserves	Retained earnings	Accumulated OCI	Total shareholder's equity
Financial Year Ended 31 December 2017					
Balance at 1 January 2017	541	2 576	11 790	0	14 907
Profit/loss for financial year 2017			-1 033	0	-1 033
Balance at 31 December 2017	541	2 576	10 757	0	13 874
Financial Year Ended 31 December 2018					
Balance at 1 January 2018	541	2 576	10 757	0	13 874
Change of accounting policy (IFRS 9)			-4		-4
Change of accounting policy (Associate)			-433	-226	-659
Profit/loss for financial year 2018			692	9	701
Balance at 31 December 2018	541	2 576	11 012	-217	13 912

Budapest, 19 November, 2019


Richard Végh
CEO


Katalin Sámel
Financial Director



The accompanying notes to the financial statements on pages 6 to 26 form an integral part of these financial statements.


Statement of Cash Flows
For the year ended 31 December 2018
(in million HUF)

Consolidated Statement of Cash Flows

	Notes	2018 HUF million	2017 HUF million
Cash flows from operating activities			
Net profit for the year		692	-1 033
Adjustments to reconcile net profit to operating cash flows:			
Depreciation and amortisation	7	171	119
Share of associated companies profit before taxation	14	-746	1 353
Income tax expense adjustment	12	-17	-107
Impairment (and reversal of impairment) on receivables		-10	-2
Employee benefits	9	0	-2
Réclassification to investing CF		-499	-8
Working capital adjustments:			
Net (increase)/decrease in trade and other receivables	16	-178	-38
Net (increase)/decrease in inventories		2	-1
Net increase/(decrease) in trade and other creditors	21	612	159
Income tax paid	12	-2	-20
Net Cash from Operating Activities		25	420
Cash flows from investing activities			
Interest received	10	0	8
Government grants received		499	0
Purchase of intangibles, property, plant and equipment	13	-308	-219
Dividend received	10	400	0
Sale of intangible, property, plant and equipments	13	0	1
Purchase/sale of securities	17	0	350
Net cash flow from investing activities		591	140
Cash flows from financing activities			
Net cash flow from financing activities		0	0
Net increase / (decrease) in cash and cash equivalents		616	560
Cash and Cash Equivalents at Beginning of Year	18	754	194
Cash and Cash Equivalents at End of Year	18	1 370	754

Cash and Cash Equivalents contains only the balance of the cash at bank.

Budapest, 19 November, 2019



 Richard Végh
CEO
 
 Katalin Sámel
Financial Director

The accounting policies and explanatory notes on pages 6 to 26 form an integral part of the financial statements.

1. REPORTING ENTITY

Budapest Stock Exchange Ltd. (hereinafter referred as: "BSE" or "the Company") was founded on 21 June 1990. The four main activities of the Company are 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 is located at Szabadság tér 7, Budapest, Hungary. The ownership structure of the Company is presented in Note 18.

The Company's controlling shareholder is National Bank of Hungary (address: 1054 Budapest, Szabadság tér 9.)

BSE has one subsidiary as of 31. December 2018, Budapest Institute of Banking (BIB) Zrt. BIB has been consolidated into the current Consolidated Financial Statements, as if BSE and BIB were one sole entity. Therefore the consolidated accounts of BSE and BIB are further referred to as the „Group”.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as adopted by the EU and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), as adopted by EU. These consolidated financial statements have been prepared for informational purposes and are not intended to be filed with local Authorities.

These consolidated financial statements - on the basis of the authorization of the Board of Directors - were approved by the Chief Executive Officer on 19 November 2019.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- financial assets at fair value through OCI are measured at fair value

The methods used to measure fair values are discussed further in Note 5.

c) Functional and presentation currency

These consolidated financial statements are presented in Hungarian Forint ("HUF"), which is the Group's functional currency. All financial information presented in HUF has been rounded to the nearest million („MHUF").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, income 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 consolidated statement of financial position, the Group applied estimates regarding Impairment on receivables, according to the payment history of its customers and other relevant factors, like market information and client correspondence. Estimates and assumptions were also applied in the calculation of Employee benefits, according to Group statistics (the basis of the calculation is explained in Note 3. II. h).

The consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis.

b) Basis of preparation

BSE has founded a subsidiary in the summer of 2017, in order to modernise the system of financial trainings and examinations. The BSE General Meeting held on 27th July 2017 approved the foundation of the new company, that provides education and is called Budapest Institute of Banking Zrt. (BIB). As the Group has no exemption under IFRS 10, it prepares consolidated financial statements starting from the business year 2017, where BIB is consolidated, being 100% subsidiary of BSE.

Subsidiaries are consolidated from the date at which BSE gained control. The Group controls a company when it is exposed to, or has rights to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary.

The financial statements of BSE and BIB used in the preparation of the consolidated financial statements are prepared as of the same date.

In preparing consolidated financial statements, the Group combines the financial statements of BSE and BIB line by line by adding together like items of assets, liabilities, equity, income and expenses.

In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:

The carrying amount of the BSE's investment in BIB and BSE's portion of equity of each subsidiary are eliminated; Intragroup balances, transactions, income and expenses shall be eliminated in full. Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

Associates are those entities in which the Company has significant influence, but no control, over the financial and operating 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 are initially recognised at cost.

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

acquisition change in the Company's share of net assets. The income statement reflects the Company's share of the results of operations of the investee.

c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that 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 currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of instruments fair valued through OCI, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

d) IFRS 9 - Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 with the modified retrospective approach, with the initial application date of 1 January 2018.

The change did not have material impact on the Group's financial statements. The nature of the adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group.

The following are the changes in the classification of the Group's financial assets:

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

The Group has not designated any financial assets or liabilities as at fair value through profit or loss.

There are no changes in classification and measurement for the Group's **financial liabilities** (trade payables).

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

The statement of financial position as at 1 January 2018 was adjusted (see Consolidated Statement of Changes in Equity), resulting in decreases in Trade receivables at HUF 4 million.

(c) Accounting policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

• **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3) j) 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.

The Group'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.

• **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective 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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not currently classify any assets into debt instruments at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

• **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

- **Impairment of financial assets**

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 16.

Impairment of trade receivables

For **trade receivables** and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of other financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

- **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

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.

The Group's financial liabilities include **trade and other payables**.

- **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

- **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

- **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

- **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Group currently has no items to which the offsetting would be applicable.

- **Fair values of financial assets and liabilities**

For those financial assets and liabilities that are not measured subsequently at fair value, like trade receivables and trade payables, the carrying amount is a reasonable approximation of fair value (in line with IFRS 7 29.a).

e) 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.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

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 rates used for this purpose, which are consistent with those of the prior years, are:

Leasehold premises and related expenditure	6%
General electrical equipment	14.5% - 20%
Computer systems	33%
Office furniture, fittings and other equipment	14.5% - 20%
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. 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 and 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.

f) Intangible assets

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

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

g) Impairment

I. Financial assets

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

II. Non-financial assets

The carrying amounts of the Group'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.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss, as other expense.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

In respect of assets other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Employee benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

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

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

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

i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. The following specific recognition criteria must also be met before revenue is recognised:

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.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

Operating 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.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15. However, the Group does not have such specific elements of its contracts with customers that would result in any material differences compared to the classification and measurement applied so far. This means that the retrospective application from 1 January 2017 has not resulted in any restatements or different accounting treatment of our revenues.

One of the reasons for the above is that all the revenues of the Group 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.

Trade receivables are non-interest bearing and are generally on terms of 8 to 30 days.

Identifying a contract

The criteria for identifying a contract according to IFRS 15 do not change our previous identification. The Group normally has approved contracts in writing, with identifiable rights of each party and identifiable payment terms. Contracts do have commercial substance and it is probable that the Group will collect the considerations.

There are no:

- Variable revenues: fees of services are fixed, there are no options or guarantees that may result in the revenues to be containing variable components
- Significant financing components
- Non-cash considerations in exchange for services
- Amounts payable to the customers
- Performance obligations to be identified separately
- Material costs to obtain or fulfil a contract.

Principal versus agent consideration

The Group has certain contracts with customers that require the Group to purchase the service for itself from its suppliers. In such cases, the Group retains the risks of providing the service and quality of the service, and also bears credit risks of its customers. Although the Group and its customers agree on the services and its prices in a separate agreement from that of the service provider, the Group does not exercise discretion in establishing the price for the services provided. Such services are priced the same as purchased, with only a small service fee to cover the administration costs of BSE. According to these criteria, the Group acts as a principal in these contracts and is eligible to recognize both Revenues and Cost of sales of these contracts, therefore no change in the recognition and measurement of its Revenues and Cost of Sales is required compared to the previous years.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

k) Finance income

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

l) Income tax

Income tax expense comprises current and deferred tax. 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. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

From 2010 financial intermediaries are obliged to pay a banking tax, currently levied at 5.6% of their adjusted net revenue of the second year before the tax year (currently 2016). The tax shall be recognized as operating expenses as it is not a net income based but a revenue based tax.

m) 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 consolidated financial statements of the Group.

All non-adjusting events – if any - are disclosed in the Notes to the Financial Statements, please see Note 22.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

n Government grants

The main policy for recognizing government grants is that revenues/reimbursements of incurred costs should be accounted for in the same period. 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.

o) Leases

The Company has numerous contracts that relate to the right of using a specific software or other item. In order to properly determine whether the arrangement contains a lease, the Company identifies an asset, for which it has purchased a right to use the item for an agree period of time, in exchange for payment, or series of payments. The lease can either be a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset, or it can be an operating lease (all other leases).

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

The lease transfers ownership of the asset to the lessee by the end of the lease term.

The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date of the option exercisability. It is reasonably certain, at the inception of the lease, that the option will be exercised.

The lease term is for the major part of the economic life of the asset even if the title is not transferred.

At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

IAS 17 also lists 3 indicators that could also lead to lease being classified as a finance, but those are not always conclusive:

If the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee.

Gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments).

The lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent.

The Company takes all circumstances into consideration that may indicate that the transaction includes a lease and determines the outcome according to its overall substance.

Please see the estimated effect of IFRS 16 on the financial statements in Section 23.

p) Changes in accounting policies (IAS 8)

The Group has adopted IFRS 9 starting from 1 January 2018. For further details on the adoption and effects of IFRS 9, please see Note 3D.

The associates of the Company have also adopted IFRS 9 as of 1 January 2018 with modified retrospective approach. Therefore, the Group's share of the adjustment has an effect of HUF -433 million on Retained earnings and HUF -226 million on OCI as of 1 January 2018.

4. FINANCIAL RISK MANAGEMENT

a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 the Group's activities. The Group, 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 the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consumer's receivables from customers and investment securities.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any individual customer or financial institution other than the State.

After 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 16.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Cash held by the Group are considered to be sufficient for liquidity management purposes.

In accordance with legal provisions, the Group 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. The Group's liquid assets are stable, and the Group believes its liquidity risk is low.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Group'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.

The Group operates domestically only and is not exposed to significant foreign exchange risk. The Group prices are set by internal rules as authorized by the Board or by the Members. The Group operates with financial assets that do not bear significant interest rate risk, if any.

e) Capital management

The Group's policy is to maintain a strong capital base so as 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 the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements, except for the minimal share capital that needs to be 5 MHUF.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

5. PRESENTATION OF FINANCIAL INSTRUMENTS

a) Interest rate sensitivity analysis for variable rate instruments

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 is performed on the same basis for 2017.

	2018 HUF million	2017 HUF million
Interest income from banks	12	2
Average amount of Cash and cash equivalents	1 062	474
Average effective interest rate	1,14%	0,42%
Effect of change in interest rate (+1%)	11	5

Assuming that interest rates changed by 1%, income would have increased by HUF 11 million in 2018.

b) Foreign exchange sensitivity

The Group operates generally in its functional currency and is not exposed to significant foreign exchange risk.

c) Basis of determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments.

Other financial instruments

The fair value of all other financial instruments is estimated to be equal to the carrying amount of these financial instruments. These assets include cash, trade and other receivable and payables.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

6. REVENUES AND OTHER INCOME

	2018 HUF million	2017 HUF million
Revenues from trading fees		
Annual admission fees	66	67
Fees of trading (monthly) and auctions	973	944
Connection fees, licenses	51	39
Revenues from listing fees		
Listing (one-off) fee	45	41
Quarterly fee	362	355
Revenues from sale of information		
Annual vendor fees	306	290
Monthly vendor fees	438	423
Other information services	45	34
Revenues from other services	269	63
Total Revenues	2 555	2 256

Other services include sub-contracted services, and the income of BIB.

	2018 HUF million	2017 HUF million
Other income	181	202
Total Other Income	181	202

Other Income in 2017 contains a HUF 136 million, one-off item, which relates to the Distribution of founder assets of an elected court of the financial sector, 'Pénz- és Tőkepiaci Állandó Választottbíróság', which was liquidated as of 31. December 2017.

The HUF 181 million other income in 2018 includes HUF 110 million related to government grants. The program (which started in the last quarter of 2017) are transferred to Hungarian SME-s that are ready to deepen their knowledge on different financing methods, including the equity market, and those companies that are actually issuing their shares at BSE. In order to successfully bring about the project, labor expenses are incurred in the project at BSE itself, which are reimbursable in the program.

Government grants

Nature and extent of government grants in the financial statements: In 2017, only HUF 18 million have been accrued as government grants related to the program (GINOP-1.1.7-17-2017-000001 and Mentoring program in the Central Hungarian Region), while in 2018 the amount grew to HUF 110 million, as the program has gone live. The Company has not benefited directly from any other government programs. There are no unfulfilled conditions known to the Company related to the grant that would affect the recognition of these other income items.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

7. OPERATING EXPENSES

	Notes	2018 HUF million	2017 HUF million
Personnel expenses	8	1 185	1 008
Banking tax		123	121
Rental		127	195
Services utilised		149	62
Strategy development services		190	215
Non-deductible VAT		140	108
Depreciation of property, plant and equipment, intangibles	13	171	119
PR, marketing costs		270	145
Communication expenses		6	8
Material costs		7	6
Maintenance costs		21	22
Travelling expenses		17	16
Licence fees		174	96
Other administration expenses		196	87
Local business tax		45	43
Total		2 823	2 250

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

8. EMPLOYEE INFORMATION

	2018 HUF million	2017 HUF million
Wages and salaries	908	760
Social security costs	209	203
Other personnel type expenses	68	45
Total	1 185	1 008

The average number of employees during the year was 59 (2017: 57). The above presented Employee costs are part of Operating Expenses (Note 7).

9. JUBILEE BENEFITS

	2018 HUF million	2017 HUF million
Jubilee obligation as at 1 January	9	11
Interest cost	0	0
Current service cost	0	2
Benefits paid	-2	-2
Actuarial gains/losses	2	-2
Jubilee obligation as at 31 December	9	9

The sum of Current service costs and Actuarial gains/losses are included in Operating Expenses, under Personnel Expenses.

10. FINANCIAL INCOME

	2018 HUF million	2017 HUF million
interest income from banks	0	2
Foreign currency gains	12	0
Other financial income	0	2
Total	12	4

11. FINANCIAL EXPENSES

	2018 HUF million	2017 HUF million
Realised foreign exchange losses	6	1
Total	6	1

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

12. TAXATION

	2018 HUF million	2017 HUF million
Current tax expense		
Corporate income tax	2	20
	2	20
Deferred tax expense/reversal		
Origination of temporary differences	-18	-127
	-18	-127
Taxes on Other comprehensive income		
Current tax on fair value reserve of financial assets (FVTOCI)	-1	0
Total income tax expense	-17	-107

From 2017, the tax rate is flat 9%, therefore this rate is applicable for deferred tax calculations.

The reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	2018		2017	
	%	HUF million	%	HUF million
Net profit before taxation		675		-1 140
Applicable tax rate	9,0%	61	9,0%	0
Deferred tax effect on total tax expense / benefit				
Effect of equity accounting for associate KELER Group		-27		-122
Miscellaneous items		-51		15
Total income tax expense (+) / benefit (-)	-2,5%	-17	9,4%	-107

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

	2018 HUF million	2017 HUF million
At beginning of the year	749	876
Debited/(Credited) in net profit	-19	-127
At end of the year	730	749

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 9%. The balance at 31 December 2018 mainly represents the untaxed gain of investments in associated companies.

There are no unrecognized tax assets or liabilities.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

13. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

2018	Computer softwares and other intangible assets	Leasehold premises and related expenditure	IT - equipment	Office furniture fatures and other equipment	Motor vehicles	Total
HUF million						
Cost						
1 January 2018	1 289	45	306	191	38	1 869
Additions	268	0	108	2	0	378
Disposals and charge offs	-13	0	0	-72	0	-85
31 December 2018	1 544	45	414	121	38	2 162
Depreciation						
1 January 2018	1 124	22	247	93	10	1 496
Charge for the year	101	10	42	12	6	171
Eliminated on disposals	-14	0	0	-2	0	-15
31 December 2018	1 212	32	289	104	16	1 652
Net book value						
1 January 2018	165	23	59	98	28	373
31 December 2018	332	13	125	17	22	510

2017	Computer softwares and other intangible assets	Leasehold premises and related expenditure	IT - equipment	Office furniture fatures and other equipment	Motor vehicles	Total
HUF million						
Cost						
1 January 2017	1 181	42	291	118	38	1 670
Additions	108	3	35	73	0	219
Disposals and charge offs	0	0	-20	0	0	-20
31 December 2017	1 289	45	306	191	38	1 869
Depreciation						
1 January 2017	1 060	13	238	82	3	1 396
Charge for the year	64	9	28	11	7	119
Eliminated on disposals	0	0	-19	0	0	-19
31 December 2017	1 124	22	247	93	10	1 496
Net book value						
1 January 2017	121	29	53	36	35	274
31 December 2017	165	23	59	98	28	373

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

There are some fully amortized intangible assets in the records of the Company, that are still in use. The five greatest items are all softwares of trading transactions, with initial values HUF 805 million in total.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

14. INVESTMENTS

Name of the entity	Place of business	Ownership interest held by BSE (%)		Principal activities	Basis of consolidation
		2018	2017		
Budapest Institute of Banking Zrt. (BIB Plc.)	Hungary	100	100	educational activity	subsidiary
KELER Zrt. (KELER Ltd.)	Hungary	46.67	46.67	depository services	associate
KELER KSZF Zrt. (KELER CCP Ltd.)	Hungary	0.09	0.13	clearing service	associate

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The Company holds an investment of 46.67% (2017: 46.67%) in KELER and an investment of 0.09% (2017: 0.13%) in KELER CCP. KELER CCP is 99,81% owned by KELER. Investments in the IFRS consolidated financial statements changed as follows:

	2018 HUF million	2017 HUF million
Opening balance	13 492	14 845
Share of post acquisition profit/loss	746	-1 353
Effect of changes in acc. policies (IFRS 9)	-659	0
Share of other comprehensive income	9	
Dividend received	-400	0
Closing balance	13 188	13 492

The aggregated IFRS consolidated financial information of **KELER** as at 31 December is as follows:

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

	2018 HUF million	2017 HUF million
Current assets	155 783	135 885
Non-current assets	1 792	1 073
Total assets	157 575	136 958
Current liabilities	129 316	107 942
Non-current liabilities	0	120
Total liabilities	129 316	108 062
Total shareholders' equity	28 259	28 896
Revenues	7 359	6 947
Net profit/loss for the year	1 611	-2 987
Other comprehensive income	19	86
Total comprehensive income	1 630	-2 900

There are no publicly available quoted market prices for the purposes of valuation of KELER shares.

The financial information of BIB as at 31 December is as follows (the balances and transactions between BIB and BSE were eliminated for the purposes of the Consolidated Financial Statements):

	2018 HUF million	2017 HUF million
Current assets	151	69
Non-current assets	63	17
Current liabilities	115	6
Non-current liabilities	0	0
Total shareholders' equity	99	80
Revenues	298	12
Net profit for the year	18	0

BIB does not prepare financial statements under IFRS, but under Hungarian Accounting Standards.

15. Inventories

The Company has no significant value of inventory in 2018. These assets are not related to the Company's core business. These assets support the daily operation of the Company (stationery and other office related assets).

16. OTHER CURRENT ASSETS, INCLUDING TRADE RECEIVABLES

	2018 HUF million	2017 HUF million
Trade and other receivables	250	135
Total Trade and other receivables	250	135

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

	2018 HUF million	2017 HUF million
Gross amount of trade receivables	280	175
Accumulated impairment	30	40
Net amount of trade receivables	250	135

	2018 HUF million	2017 HUF million
Accumulated impairment as of 1 January	40	39
Net change of impairment	-10	1
Accumulated impairment as of 31 December	30	40

	2018 HUF million	2017 HUF million
Prepaid expenses	49	26
Total Prepaid expenses	49	26

	2018 HUF million	2017 HUF million
Accrued revenues	309	272
Total Accrued revenues	309	272

	2018 HUF million	2017 HUF million
Company income tax	12	3
Total current tax assets	12	3

17. CASH AND CASH EQUIVALENTS

	2018 HUF million	2017 HUF million
Deposit and current accounts	1 370	754
Total	1 370	754

18. SHARE CAPITAL

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2017: 5,413,481) ordinary shares with par value of HUF 100. All shares rank pari passu in the event of a winding up. The share capital represents shares held by the following shareholders:

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

	2018 %	2017 %
Hungarian National Bank	81,4%	81,4%
KBC Securities Mo. Fióktelepe	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	2,2%	2,2%
Others (all under 2% share individually)	2,0%	2,0%
Total	100,0%	100,0%

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.

19. RESERVES

Capital reserve:

The balance on this reserve represents share premium and recognized mark to market valuation of certain assets at the transformation of the exchange in 2002.

20. CURRENT LIABILITIES

	2018 HUF million	2017 HUF million
Accruals, prepaid listing fees	141	164
Accrued salaries and bonuses	63	64
Other items	0	6
Trade and other creditors	266	129
Advances received for project "GINOP"	495	0
Tax items	76	66
Deferred tax liability	730	749
Total payables and other current liabilities	1 771	1 178

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

21. RELATED PARTY INFORMATION

	Management		Shareholders with significant influence	
	2018	2017	2018	2017
	HUF million			
BALANCE SHEET				
Assets	86	86	8	0
Liabilities	0	0	0	0
INCOME STATEMENT				
Income	0	0	5	2
Expense	403	386	0	0

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

Members of the Board of Directors

dr. Patai Mihály (from 21 May 2019)
Végh Richárd
Barlai Róbert (to 1 May 2019)
dr. Bacsá György
dr. Balog Ádám (to 16 January 2019)
dr. Máté Géza
Kuti Zsolt
dr. Fömötör Barna
Bánfi Attila (from 21 May 2019)

Members of the Supervisory Board

Dr. Gerhardt Ferenc István
Bartha Lajos
Régely Károly
Dr. Kardkovács Kolos Viktor
dr. Selmeczi-Kovács Zsolt Zoltán
Kása Orsolya

Key management compensation

Key management of the Group are the executive members of the Budapest Stock Exchange's board of directors, Supervisory Committee and members of the executive management. Key management personnel remuneration includes the following expenses:

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

Key management compensation	2018 HUF million	2017 HUF million
Salaries including bonuses and social security contributions	404	386
Company car allowance	6	4
Short-term employee benefits	409	390
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payment	0	0
Total remuneration	409	390

The controlling entity is the Hungarian National Bank. The list of its subsidiaries as of 31 December 2018 is the following:

Name of subsidiary company	Place of business	Ownership interest held by the controlling entity (%)		Principal activities
		2018	2017	
Magyar Pénzverő Zrt. (Hungarian Mint cPlc.)	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.	Hungary	100	100	personal guarding and protection
MNB-Jóéti Humán Szolgáltató és Üzemeltető Kft.	Hungary	100	100	maintenance and catering
Pénzügyi Stabilitási és Felszámoló Nonprofit Kft. (Financial Stability and Liquidator Non-profit LLC)	Hungary	100	100	perform the liquidation of financial institutions
Budapesti Értéktőzsde Zrt. (Budapest Stock Exchange)	Hungary	81.4	81.4	official listings on the stock exchange
KELER Központi Értéktár Zrt. (KELER Ltd.)	Hungary	53.3	53.3	depository services
KELER KSZF Központi Szerződő Fél Zrt. (KELER CCP Ltd.)	Hungary	0.1	0.2	clearing service

Subsidiaries

The Company has one subsidiary, founded in 2017, Budapest Institute of Banking (BIB) Zrt. There have been trainings provided to BSE from BIB for 6 MHUF in 2018, which has been eliminated due to the consolidation of BIB into the financial statements.

Transactions with related parties

The following transactions occurred with related parties:

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

Name of related party	Transaction type	HUF million	
		2018	2017
	Sale of goods and services to related parties	21.1	5.7
KELER CCP Ltd.	Sponsorship fee	0	1
National Bank of Hungary	Leased lines and accesses	2.5	4.7
KELER Ltd.	Intermediary services	0.1	0
KELER Ltd.	Disclosure obligations	8.9	0
National Bank of Hungary	Dual training	3	0
Budapest Institute of Banking	Sold of intangible and fixed assets	6.6	0
	Purchase of services from related parties	15.5	4.6
KELER Ltd.	Share register management	0.2	2.4
KELER Ltd.	Securities account management	0.4	0.4
KELER Ltd.	General meeting registration	0.3	1.3
KELER Ltd.	Sale of trading data	8	0
Budapest Institute of Banking	Education	6.2	0
KELER Ltd.	Other	0.4	0.5

In 2018, the Company received 400 million HUF dividends from KELER Ltd.

22. EVENTS AFTER BALANCE SHEET DAY

There were no material events after the reporting date which would influence the financial year ending 31.12.2018. No dividend has been paid for the business year 2018.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

23. FORTHCOMING IFRS-s

Standards and interpretations issued but effective only for annual reporting periods beginning after 1 January 2019.

Standard/Interpretation	Impact on financial statements
IFRS 16 Leases Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.	The Entity has prepared a detailed analysis and has concluded that from 1 January 2019 the discounted future lease costs of its premises should be presented as an asset, which will increase its Total assets by around 6% on the first effective day.
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	The Entity expects that the amendments will not have a material impact on the financial statements.
Prepayment Feature with Negative Compensation – Amendments to IFRS 9	The Entity expects that the amendments will not have a material impact on the financial statements.
Long-term interests in associates and joint ventures – amendments to IAS 28.	The Entity has not yet made an assessment whether the new pronouncement will have a material impact on the financial statements.
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The Entity expects that the amendments will not have a material impact on the financial statements.
AIP IFRS 3 Business Combinations – Previously held interests in a joint operation	The Entity expects that the amendments will not have a material impact on the financial statements.
AIP IFRS 11 Joint arrangements – Previously held interests in a joint operation	The Entity expects that the amendments will not have a material impact on the financial statements.
AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity	The Entity expects that the amendments will not have a material impact on the financial statements.
AIP IAS 23 Borrowing costs – Borrowing costs eligible for capitalization	The Entity has not yet made an assessment whether the new pronouncement will have a material impact on the financial statements.
The Conceptual Framework for Financial Reporting	The Entity has not yet made an assessment whether the new pronouncement will have a material impact on the financial statements.
IFRS 17 Insurance Contracts Effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted.	The Entity expects that the amendments will not have a material impact on the financial statements as the Entity does not operate in the insurance industry.

Effect of IFRS 16 on the financial statements:

The Group has evaluated the effect of implementing IFRS 16 on its financial statements. The Group does not adopt the standard early, therefore will only apply it from 1.1.2019.

The main effect of the standard is that the Group will classify its contract of leasing its premises as a lease under IFRS 16, and is going to present it as a right-of-use asset, along with a lease liability and a provision, in contrast with the current cost approach according to invoices affecting the financial year.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2018
(in million HUF)

The right of use asset consists of the discounted present values of future lease payments, and the discounted value of any costs estimated to occur at the end of the lease term. The lease liability consists of the discounted present values of all future lease payments.

The full effect of the transition over the period of the lease contract is going to be zero on the profit and loss account. However, both sides of the balance sheet will increase due to the additional items. Also, the timing of the expenses incurred will differ from the current accounting policy.

Under IFRS 16, depreciation of the right-of-use asset will be linear. Interest expense is recognized monthly on the Lease liability, and as the amount of the liability decreases month-by-month due to the invoices of the lessor, the amount of interest expense will decrease from month to month also.

Under the current policy, the amounts of the invoices are recorded in Operating expenses, and as an annual inflation exists, the amount of Operating expenses will increase in every full year.

Please see the effect on the Profit and loss account in the below table (HUF million), according to current estimations:

	2019	2020	2021	2022	2023
Current accounting method	93	112	121	124	21
Under IFRS 16	118	116	112	109	16

The estimated value of the right of use asset and lease liabilities as of 1 January 2019 are HUF 442 million and HUF 440 million respectively.