



**Annual financial statements prepared
in accordance with International Financial
Reporting Standards as adopted by
the European Union for the business year
ended 31 December 2019
and Independent Auditor's Report**



The present financial statements are the English translation of the original consolidated financial statements in Hungarian language, signed on 21 March 2022

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholders of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság

Opinion

We have audited the accompanying 2019 annual financial statements of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its 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 annual financial statements" section of our report.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

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

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

Budapest, 21 March 2022


(The original Hungarian version has been signed.)

Nagyváradiné Szépfalvi Zsuzsanna
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Statement of financial position

	Notes	31 December 2019 HUF million	31 December 2018 HUF million	1 January 2018 HUF million
ASSETS				
Property, plant and equipment	12	214	178	208
Intangible assets	12	269	269	148
Right of use assets	13	336	0	0
Investments in associates measured using the equity method and investments in subsidiaries	14	12 967	13 308	13 572
Non-current assets		13 786	13 755	13 928
Inventories	15	7	4	6
Trade and other receivables	15	220	143	132
Tax assets	11	10	12	3
Prepaid expenses	15	25	50	25
Accrued revenues	15	415	307	272
Securities held to maturity	15	0	0	0
Cash and cash equivalents	15	1 951	1 336	690
Current assets		2 628	1 852	1 128
TOTAL ASSETS		16 414	15 607	15 056
EQUITY AND LIABILITIES				
Subscribed capital (par value: HUF 100/share)	16	541	541	541
Other reserve	19	2 576	2 576	2 576
Retained earnings	19	11 217	10 763	10 526
Revaluation reserve for instruments at fair value through other comprehensive income	19	5	15	231
Total shareholders' equity		14 339	13 895	13 874
Provisions	17	2	0	0
Employee benefit liabilities	18	9	8	8
Non-current lease liability	13	257	0	0
Deferred tax liabilities	11	583	730	749
Non-current liabilities		851	738	757
Trade payables and other short-term liabilities	20	970	779	196
Current lease liability	13	102	0	0
Prepaid revenues	20	64	63	64
Accrued expenses	20	87	131	164
Employee benefit liabilities	18	1	1	1
Current liabilities		1 224	974	425
Liabilities		2 075	1 712	1 182
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16 414	15 607	15 056

Budapest, 21 March 2022


Richard Végh
Chief Executive Officer


Katalin Sámel
Financial Director



The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	2019 HUF million	2018 HUF million
Revenue	7	2 311	2 252
Other income	7	245	188
Expenses for material costs	8	-6	-7
Expenses for services used	8	-1 062	-922
Personnel costs	9	-1 103	-1 045
Depreciation and amortisation	8	-308	-158
Expenses arising from miscellaneous other costs	8	-411	-409
Other expenses	8	-6	-6
Share in the profit or loss of associates	14	712	746
Financial income	10	9	6
Finance expenses	10	-63	0
Expenses from expected credit losses	15	-11	10
Profit before taxation		307	655
Income tax expense	11	147	19
Net profit or loss		454	674
Other comprehensive income			
Of which items to be subsequently reclassified to profit or loss			
Share of other comprehensive income of associates	14	-10	9
Other comprehensive income		-10	9
Total comprehensive income		444	683

Budapest, 21 March 2022


Richard Végh
Chief Executive Officer


Katalin Sámel
Financial Director



The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

Statement of changes in Shareholders' equity
For the year ended 31 December 2019
(in million HUF)

Statement of changes in equity

	Subscribed capital	Other reserve	Retained earnings	Revaluation reserve for instruments at fair value through other comprehensive income	Total shareholders' equity
Financial year ended 31 December 2018					
Balance at 1 January 2018	541	2 576	10 526	231	13 874
Change of accounting policy (IFRS 9)			-4		-4
Change of accounting policy (Associate)			-433	-225	-658
Balance at 1 January 2018 – after changes in accounting policies	541	2 576	10 089	6	13 212
Profit/loss for financial year 2018			674	9	683
Balance at 31 December 2018	541	2 576	10 763	15	13 895
Financial Year Ended 31 December 2019					
Balance at 1 January 2019	541	2 576	10 763	15	13 895
Profit/loss for financial year 2019			454	-10	444
Balance at 31 December 2019	541	2 576	11 217	5	14 339

Note: 16, 19 19 19

Budapest, 21 March 2022


 Richard Végh
 Chief Executive Officer




 Katalin Sámel
 Financial Director

The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.


Statement of Cash Flows
For the year ended 31 December 2019
(in million HUF)

Statement of cash flows

	Notes	2019 HUF million	2018 HUF million
Cash flows from operating activities			
Profit before taxation		307	655
Adjustments to reconcile net profit to operating cash flows			
Depreciation and amortisation	12, 13	308	158
Share of associated companies profit before taxation	14	-712	-746
Change due to reclassification (reclassification to financial cash flow)	21	0	75
Non-cash adjustments (year-end revaluation)	10	-7	-3
Adjustment for interest expenses on leases	13	12	0
Impairments and reversals	15	62	-10
Employee benefits	18	1	0
Working capital adjustments:			
Net (increase)/decrease in trade and other receivables	15	-169	-73
Net (increase)/decrease in inventories	15	-3	2
Net change in advances received on government grants	20	93	499
Net increase/(decrease) in trade and other creditors	20	55	50
Income tax paid	11	0	0
Net Cash from Operating Activities		-53	607
Cash flows from investing activities			
Purchase of intangibles, property, plant and equipment	12	-238	-249
Foundation of subsidiary and capital increase	14	-800	-40
Dividends received	21	1 867	400
Loans to subsidiaries	21	-75	0
Non repayable assets transferred	21	0	-75
Net cash flow from investing activities		754	36
Cash flows from financing activities			
IFRS 16 Leases – principal and interest payments	13	-93	0
Net cash flow from financing activities		-93	0
Net increase / (decrease) in cash and cash equivalents		608	643
Cash and Cash Equivalents at Beginning of Year	15	1 336	690
Unrealised exchange differences on cash and cash equivalents at year-end		7	3
Cash and Cash Equivalents at End of Year	15	1 951	1 336

Budapest, 21 March 2022


Richárd Végh
Chief Executive Officer


Katalin Sámel
Financial Director



The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

1. REPORTING ENTITY

Name of Company:	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság (Budapest Stock Exchange Private Company Limited by Shares)
Legal form	Private Company Limited by Shares
Registered office and address of the company:	Budapest, Szabadság tér 7. 4 th floor, Platina (Platinum) Tower
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, Kálvária utca 7 Katalin Sámel, Director address: H-1135 Budapest, Lehel utca 60. 6/1

Budapest Stock Exchange Ltd. (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 Ltd. (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 is located at Szabadság tér 7, Budapest, Hungary. 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-1054 Budapest, Szabadság tér 9).

2. BASIS OF PREPARATION

These annual financial statements have been prepared on a voluntary basis, and not for the purpose of statutory filing. In order to fulfil its statutory reporting obligations, BSE has prepared financial statements in accordance with the principles set out in the Hungarian Accounting Act.

Notes to the annual financial statements
For the year ended 31 December 2019
(in million HUF)

a) Statement of compliance

These annual financial statements present BSE's assets, performance and financial position. BSE, as the parent company, also prepares consolidated IFRS financial statements (in addition to these statements), which present the assets, performance and financial position of the parent company and its consolidated entities (together referred to as the Group). The separate and group financial statements of the Company are prepared by BSE management and published after approval by the BSE Board of Directors.

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.

These annual financial statements have been prepared for information purposes and are not intended for submission to local authorities.

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. The Company will therefore include its opening balance sheet for 1 January 2021 in its 2022 accounts.

These financial statements are initial application under IFRS 1, as in previous years BSE only published consolidated financial statements. This is due to the voluntary preparation of IFRS financial statements prior to the transition on 1 January 2022 and the consolidated presentation of the subsidiary established during 2017. Accordingly, these statements also include financial position information as at 1 January 2018.

Reconciliation of equity under IFRS 1:

	Subscribed capital	Capital reserve	Profit or loss Retained earnings	Revaluation reserve for instruments at fair value through other comprehensive income	Total shareholders' equity
1 January 2018					
Values according to the Hungarian Accounting Act	541	2 576	3 106	0	6 223
KELER's difference due to equity method			7 708	6	7 714
Difference due to deferred tax			-750		-750
Other insignificant items			25		25
Values according to IFRS	541	2 576	10 089	6	13 212
31 December 2018					
Values according to the Hungarian Accounting Act	541	2 576	3 402	0	6 519
KELER's difference due to equity method			8 059	15	8 074
Difference due to deferred tax			-730		-730
Other insignificant items			32		32
Values according to IFRS	541	2 576	10 763	15	13 895
31 December 2019					
Values according to the Hungarian Accounting Act	541	2 576	4 899	0	8 016
KELER's difference due to equity method			6 904	5	6 909
Difference due to deferred tax			-584		-584
Difference due to IFRS 16 lease			-25		-25
Other insignificant items			23		23
Values according to IFRS	541	2 576	11 217	5	14 339

The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

Notes to the annual financial statements
For the year ended 31 December 2019
(in million HUF)

The reconciliation between the Hungarian Accounting Act and IFRS for 1 January 2018:

	Value according to the Hungarian Accounting Act	Impact of transition to IFRS	IFRS value
ASSETS			
Property, plant and equipment	192	16	208
Intangible assets	131	17	148
Right of use assets	0	0	0
Investments	5 195	-5 195	
Investments in associates measured using the equity method and investments in subsidiaries	0	13 572	13 572
Non-current assets	5 518	8 410	13 928
Inventories	6	0	6
Trade and other receivables	132	0	132
Tax assets	3	0	3
Prepaid expenses	25	0	25
Accrued revenues	272	0	272
Securities held to maturity	0	0	0
Cash and cash equivalents	690	0	690
Current assets	1 128	0	1 128
		0	
TOTAL ASSETS	6 646	8 410	15 056
EQUITY AND LIABILITIES			
Subscribed capital (par value: HUF 100/share)	541	0	541
Capital reserve	2 576	0	2 576
Retained earnings	3 105	7 421	10 526
Revaluation reserve for instruments at fair value through other comprehensive income	0	231	231
Total shareholders' equity	6 222	7 652	13 874
Provisions	0	0	0
Employee benefit liabilities	0	8	8
Non-current lease liability	0	0	0
Deferred tax liabilities	0	749	749
Non-current liabilities	0	757	757
Trade payables and other short-term liabilities	196	0	196
Current lease liability	0	0	0
Prepaid revenues	64	0	64
Accrued expenses	164	0	164
Employee benefit liabilities	0	1	1
Current liabilities	424	1	425
Liabilities	424	758	1 182
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6 646	8 410	15 056

The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

Notes to the annual financial statements
For the year ended 31 December 2019
(in million HUF)

Derivation of the change between the Hungarian Accounting Act and IFRS for the business year 2018:

	Value according to the Hungarian Accounting Act	Impact of transition to IFRS	IFRS value
Revenue	2 338	-86	2 252
Other income	199	-11	188
Expenses for material costs	-7	0	-7
Expenses for services used	-1 009	87	-922
Personnel costs	-1 041	-4	-1 045
Depreciation and amortisation	-135	-23	-158
Expenses arising from miscellaneous other costs	-452	43	-409
Other expenses	0	-6	-6
Share in the profit or loss of associates	0	746	746
Financial income	412	-406	6
Finance expenses	-6	6	0
Expenses from expected credit losses	-2	12	10
Profit before taxation	297	358	655
Income tax expense	0	19	19
Net profit or loss	297	377	674
Other comprehensive income			
Of which items to be subsequently reclassified to profit or loss			
Share of other comprehensive income of associates	0	9	9
Other comprehensive income	0	9	9
Total comprehensive income	297	386	683

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

Notes to the annual financial statements
For the year ended 31 December 2019
(in million HUF)

	Value according to the Hungarian Accounting Act	Impact of transition to IFRS	IFRS value
Profit before taxation	297	358	655
Adjustments to reconcile net profit to operating cash flows			
Depreciation and amortisation	135	23	158
Share of associated companies profit before taxation	0	-746	-746
Change due to reclassification (reclassification to inv./fin. ca)	-325	400	75
Non-cash adjustments (year-end revaluation)	-3	0	-3
Adjustment for interest expenses on leases	0	0	0
Impairments and reversals	-11	1	-10
Working capital adjustments:			
Net (increase)/decrease in trade and other receivables	-72	-1	-73
Net (increase)/decrease in inventories	2	0	2
Net change in advances received on government grants	499	0	499
Net increase/(decrease) in trade and other creditors	50	0	50
Net Cash from Operating Activities	572	35	607
Purchase of intangibles, property, plant and equipment	-214	-35	-249
Foundation of subsidiary and capital increase	-40	0	-40
Dividends received	400	0	400
Non repayable assets transferred	-75	0	-75
Net cash flow from investing activities	71	-35	36
Net cash flow from financing activities	0	0	0
Net increase / (decrease) in cash and cash equivalents	643	0	643
Cash and Cash Equivalents at Beginning of Year	690	0	690
Unrealised exchange differences on cash and cash equivalents at year-end	3	0	3
Cash and Cash Equivalents at End of Year	1 336	0	1 336

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.

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

Notes to the annual financial statements
For the year ended 31 December 2019
(in million HUF)

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 annual 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. 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 statement of financial position for the year, BSE applied estimates for the Impairment of receivables based on the ageing table of customer payments and other relevant factors, such as individual considerations. Estimates and assumptions were also applied in the calculation of Employee benefits, according to BSE statistics (the basis of the calculation is explained in Note 3. k)).

b) Basis of preparation

The current financial statements prepared by BSE are separate financial statements, but BSE has also prepared consolidated financial statements for the current year.

Founded in 2017, BIB Zrt. is a 100% subsidiary of the Company. As the Group had no exemption under IFRS 10, it also prepares consolidated financial statements (in addition to these statements) starting from the business year 2017, where BIB is consolidated, being 100% subsidiary of BSE. (BIB was sold on 9 December 2021; see Note 22.)

In 2019, BSE founded Első Értékpapírosítási Tanácsadó Zrt. (hereinafter: ELÉT) as its 100% subsidiary. (ELÉT was sold in February 2021, see Note 22.)

Associates are those entities regarding 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% 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 acquisition change in the Company's share of net assets. The statement of comprehensive income reflects the Company's share of the comprehensive income of the investee.

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

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 currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of instruments fair valued through OCI, which are recognised directly in equity.

d) Investments in associates

An associate is an entity over which the investor has significant influence. 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.

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.

e) Interests in subsidiaries

An entity that is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments that are 100% owned by BSE meet this condition.

BSE carries interests in subsidiaries at the value at which the investment is entered in its books at the time of incorporation (the sum of the subscribed capital and capital reserves made available). Any impairment losses, for example due to permanent and significant reductions in equity, are recognised in profit or loss.

f) IFRS 9 - Financial instruments

(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: BSE's business model for managing the assets; and whether the instruments' contractual cash flows are "solely payments of principal and interests 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.

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.

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

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

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

(b) Impairment

Since the adoption of IFRS 9, 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.

(The KELER Group prepares its financial statements in accordance with IFRSs; therefore, the KELER Group also applies the ECL method for its financial assets measured at amortised cost or fair value through other comprehensive income, based on IFRS 9. For trade receivables, the simplified method is used.)

(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**

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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and BSE's business model for managing them. 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) m) 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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three 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

The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

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.

(The effective interest method is the method used for the calculation of the amortised cost of a financial asset or a financial liability and for the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or the amortised cost of the financial liability. In calculating the effective interest rate, an entity shall estimate the expected cash flows taking into account all the contractual terms of the financial instrument, but excluding expected credit losses.)

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

BSE's financial assets measured at amortised cost include trade receivables.

Financial assets at fair value through OCI (debt instruments)

BSE 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 measured 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.

BSE 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 BSE's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
or
- BSE 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) BSE has transferred substantially all the risks and rewards of the asset, or (b) BSE has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

• **Impairment of financial assets**

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 15.

Impairment of trade receivables

For **trade receivables** and contract assets, BSE applies a simplified approach in calculating ECLs. BSE has established an ECL matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Historical willingness to pay was taken into account when determining the depreciation rates. 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.

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.

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**.

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form an integral part of these financial statements.

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- **Subsequent measurement**

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

- **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. BSE currently has no items to which the offsetting would be applicable.

g) 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:

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. 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.

The accompanying notes to the financial statements on pages 6 to 48
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h) 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.

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

i) Impairment

I. Financial assets

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

II. 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.

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.

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.

j) Inventories

Inventories shall be carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price of inventories less cost to sell.

The Company does not hold significant amounts of inventories.

k) 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.

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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.

l) Provisions

A provision is recognised if, as a result of a past event, BSE 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.

m) Revenue

The Company accounts for its revenue in accordance with IFRS 15, Revenue from Contracts with Customers, effective from 2018.

IFRS 15 established a single model applicable to revenue from contracts. The Standard does not contain revenue recognition requirements for, among other things, revenues within the scope of IFRS 9, Financial Instruments, and revenues from leasing contracts within the scope of IFRS 16, Leases.

A so-called five-step model is used to determine when and how much revenue should be recognised:

1. A contract is concluded under the Standard if the following conditions are met:
 - The parties have accepted the contract and are committed to its implementation,
 - The rights of the parties can be clearly determined on the basis of it,
 - The contract has an economic benefit,
 - It is likely that the seller will receive the consideration for the goods/services provided, even if it uses legal means to collect it.
 - In the case of contract amendments, it should be examined how the content of the contract has changed, because it is possible that the amendment should be interpreted as a separate contract.
2. Identifying performance obligations: At contract inception, the Company shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:
 - (a) a good or service (or a bundle of goods or services) that is distinct, or
 - (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
3. Determining the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both fixed and variable amounts.
4. Assigning the price of the transaction to the individual obligations: The seller must allocate the price of the transaction between each obligation. If individual prices cannot be assigned to each obligation, an estimate is used for allocation in accordance with the methods adopted by the Standard.

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5. **Recognition of revenue:** Revenue is recognised when control of the asset or service purchased is transferred from the seller to the buyer. This can happen over a set period or at a specific time. Control is transferred when it gives the buyer the ability to control the use of the asset and the right to receive the benefits from the asset.

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.

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.

n) 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.

The accompanying notes to the financial statements on pages 6 to 48
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o) 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 2017). The tax shall be recognized as operating expenses as it is not a net income based but a revenue based tax.

p) 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 annual financial statements of BSE.

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

q) 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. 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

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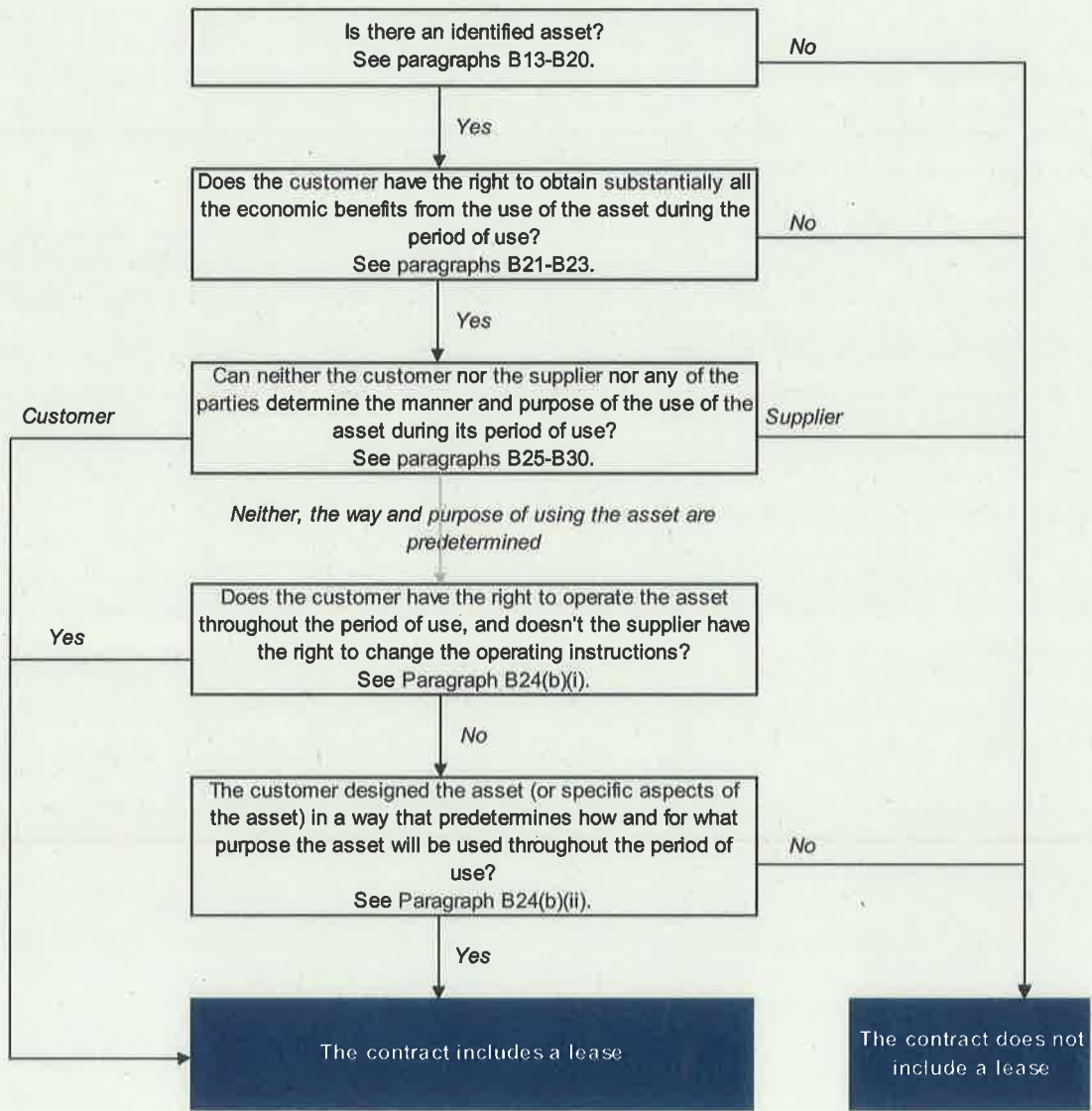
received). BSE may charge certain specific types of costs (personnel costs, bank guarantee, expert services) to the programme within the limits of the budget allocated to them. For details of the programme, see Note 7.

r) Leases

Identifying a lease

A contract is a lease contract or contains a lease if it conveys the right to use the underlying asset for a specified period in return for a fee. The lessee then has the right to collect the benefits from the use of the asset and the right to make decisions about its use. A situation where a company enters into a lease agreement for an asset, but the underlying asset is not controlled in the company's interest (e.g. a company car provided for personal use) does not constitute a lease.

The Company uses the flow chart in paragraph B31 of Appendix B of IFRS 16 to identify leases:



Lease contract classification IFRS 16.B31

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In 2019, the Company's property lease agreement was a contract that the Company determined, upon examination, to contain a lease. The contract has no extension or termination options and expires in February 2023. 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.

Recognition at the lessee

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. A right-of-use asset is recognised with the class of assets to which the underlying asset belongs. Right-of-use assets are separated in the Notes.

A lessor shall classify each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Recognition at the lessor

The lessor should derecognise assets held under finance leases from the balance sheet at the commencement date and present lease receivables at the present value of the cash flows from the lease (net investment in the lease).

The Company recognises the present value of cash flows from finance leases as lease investments. In the present value calculation, the Company uses the incremental interest rate related to the lease income. The Company determines the ECL for the lease receivable using the simplified method.

A lessor shall recognise lease payments from operating leases in the statement of profit or loss using either the straight-line method or some other systematic method, by continuing to recognise the leased asset in the balance sheet and depreciating it.

The Company considers any arrangement to be a finance lease (as lessor) if

- it transfers the underlying asset to the lessee at the end of the lease term,
- the lessee has a right to obtain ownership of the underlying asset at the end of the lease term and there is a reasonable likelihood that that right will be exercised,
- the lease term (including proven extension periods) exceeds three quarters of the remaining economic life of the underlying asset,
- the total present value of the lease payments equals 90% of the fair value of the underlying asset,
- the underlying asset to which the lease relates is specific.

If the lease term is indefinite, the term is determined on the basis of an estimate of the enforceable period.

4. Changes in accounting policies (IAS 8)

Please see the effects of IFRS 16 on the financial statements in Note 3. r).

Expected impact of IFRSs and IFRICs not yet effective at the date of the financial statements, early application

The Company did not change its accounting policies from 2018 to 2019. Exceptions to this are the application of accounting policies relating to the introduction of new standards and the application of accounting policies for activities that did not previously exist.

Effective from the current reporting period: new and amended standards and interpretations issued by the IASB and adopted by the EU:

- IFRS 16 "Leases", adopted by the EU on 31 October 2017 (effective for reporting periods beginning on or after 1 January 2019)
- Amendments to IFRS 9 "Financial Instruments" – Prepayment features with negative compensation – adopted by the EU on 22 March 2018 (effective for reporting periods beginning on or after 1 January 2019)
- IFRIC 23 "Uncertainty over Income Tax Treatments", adopted by the EU on 23 October 2018 (effective for reporting periods beginning on or after 1 January 2019)
- Amendments to certain standards – "Improvements to IFRSs (2015–2017)" – Amendments to certain standards (IFRS 3, IFRS 11, IAS 12 and IAS 23) as a result of the IFRS Development Project, primarily to remove inconsistencies and clarify explanations (effective for reporting periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement (effective for reporting periods beginning on or after 1 January 2019)
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term interests in associates and joint ventures (effective for reporting periods beginning on or after 1 January 2019)

The Company started applying **IFRS 16 Leases** on 1 January 2019. BSE chose the modified retrospective approach, therefore it recognised right-of-use assets and lease liabilities on 1 January 2019. The main effect of the standard is that BSE classifies its contract of leasing its premises as a lease under IFRS 16 and presents it as a right-of-use asset, along with a lease liability and a provision for the restoration costs, in contrast with the previous cost approach (IAS 17 operating lease approach) according to invoices affecting the financial year. 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 value of the lease liability recognised on 1 January 2019 was HUF 440 million, with a balance of HUF 359 million at the end of 2019 (see Note 13). The value of the right-of-use asset was HUF 442 million on 1 January 2019 and HUF 336 million on 31 December 2019. The depreciation of the right-of-use asset is calculated on a straight-line basis, expiring on 28/02/2023 (expiry of the lease contract). Interest expense is recognised monthly on the lease liability.

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

As at the date of these financial statements, the following standards and amendments to existing standards and interpretations issued by the IASB and adopted by the EU have been issued without becoming effective:

- Amendments to References to Conceptual Framework in IFRSs (effective for reporting periods beginning on or after 1 January 2020)
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Materiality (effective for reporting periods beginning on or after 1 January 2020),
- Amendments to IFRS 3 "Business Combinations" – Definition of a Business (effective for business combinations for which the acquisition date falls in reporting periods beginning on or after 1 January 2020 and for asset acquisitions occurring on or after the beginning of that period).

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- IFRS 9 “Financial Instruments” – Hedge Accounting (effective for reporting periods beginning on or after 1 January 2020)
- IFRS 7 “Financial Instruments: Disclosures” – Hedge Accounting – Uncertainty arising from the interest rate benchmark reform (effective for reporting periods beginning on or after 1 January 2020)
- International Accounting Standard IAS 39 “Financial Instruments: Recognition and Measurement” – Hedging (effective for reporting periods beginning on or after 1 January 2020)

The Company will not apply these new standards and amendments to existing standards before the effective dates. 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 in the period of initial application.

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 the financial statements:

- IFRS 14 “Regulatory Deferral Accounts” (effective for reporting periods beginning on or after 1 January 2016) – the European Commission decided not to apply the endorsement process to the current interim standard and to wait for the final standard.
- IFRS 17 “Insurance Contracts” (effective for reporting periods beginning on or after 1 January 2021)
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or contribution of assets between an investor and its associate or joint ventures (effective date deferred indefinitely pending the conclusion of the research project on the equity method)
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of liabilities as current or non-current (effective for reporting periods beginning on or after 1 January 2022)
- The IASB has issued a new version of the Framework, which aims to clarify some basic concepts and attempts to codify the concept of a reporting entity. There are also a number of other (minor) changes. Entities will have to apply the new version of the Framework from 2020.

5. FINANCIAL RISK MANAGEMENT

a) Disclosure of risks according to IFRS 7

Risk characterisation and sensitivity analysis

The Company’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 annual financial statements.

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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. BSE's partners are typically well-known and stable companies, many of which have been on the stock exchange for years or decades. 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	31/12/2019	31/12/2018	01/01/2018
Non-overdue receivables	145	95	86
<30 days	4	20	17
31 - 60 days	4	2	1
61 - 90 days	6	12	19
91 - 180 days	3	0	3
181 - 360 days	60	15	12
360 days <	39	29	34
Total (trade and other receivables, GROSS)	261	173	172

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 an adequate amount of committed 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.

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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, and BSE believes its liquidity risk is low. BSE has no bank or other loans and does not need external financing.

The Company manages liquidity risk by maintaining adequate levels of 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:

31 December 2019	Overdue	due within 1 year	due within 1-5 years	due after 5 years or in a certain situation	Total	Of which interest
Trade and other receivables (GROSS)	116	145	0	0	261	0
Tax assets	0	10	0	0	10	0
Accrued revenues	0	415	0	0	415	0
Cash and cash equivalents	0	1 951	0	0	1 951	0
Total financial assets	116	2 521	0	0	2 637	0
Provisions	0	0	2	0	2	0
Employee benefit liabilities	0	1	4	5	10	0
Non-current lease liability	0	0	257	0	257	0
Deferred tax liabilities	0	0	0	583	583	0
Trade payables and other short-term liabilities	0	970	0	0	970	0
Current lease liability	0	102	0	0	102	0
Accrued expenses	0	87	0	0	87	0
Total financial liabilities	0	1 160	263	588	2 011	0

Comparative data from the previous year:

31 December 2018	Overdue	due within 1 year	due within 1-5 years	due after 5 years or in a	Total	Of which interest
Trade and other receivables (GROSS)	78	95	0	0	173	0
Tax assets	0	12	0	0	12	0
Accrued revenues	0	307	0	0	307	0
Cash and cash equivalents	0	1 336	0	0	1 336	0
Total financial assets	78	1 750	0	0	1 828	0
Provisions	0	0	0	0	0	0
Employee benefit liabilities	0	1	4	4	9	0
Non-current lease liability	0	0	0	0	0	0
Deferred tax liabilities	0	0	3	727	730	0
Trade payables and other short-term liabilities	0	779	0	0	779	0
Current lease liability	0	0	0	0	0	0
Accrued expenses	0	131	0	0	131	0
Total financial liabilities	0	911	7	731	1 649	0

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,

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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.

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6. 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 was performed on the same basis for 2018.

	2019 HUF million	2018 HUF million
Interest income from banks	0	12
Average amount of Cash and cash equivalents	1 644	1 045
Average effective interest rate	0,02%	1,15%
Effect of change in interest rate (+1%)	16	11
Effect of change in interest rate (+5%)	82	52

Assuming that interest rates changed by 1%, income would have increased by HUF 16 million in 2019.

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). BSE has no significant transactions in other currencies.

	Changes in the EUR/HUF	Impact on profit before
2019	+5%	13
	-5%	-13
2018	+5%	21
	-5%	-21

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

	2019	2018
Year-end amount of cash and cash equivalents denominated in EUR (in thousands of EUR)	256	642
Year-end balance of cash and cash equivalents denominated in EUR (in millions of HUF)	85	207
Year-end EUR/HUF exchange rate	330,52	321,51
Effect of +5% EUR/HUF exchange rate change on year-end balance (unrealised exchange rate gain)	4	10
Effect of -5% EUR/HUF exchange rate change on year-end balance (unrealised exchange rate loss)	-5	-10

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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
- Tax assets
- 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 measured at fair value by classification into the appropriate level of the fair value hierarchy

BSE does not hold any financial instruments measured at fair value.

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 and Level 2 of Fair value measurement, and, therefore, all instruments are included in Level 3 of Fair value measurement.

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Classification of financial instruments:

31 December 2019	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
Trade and other receivables	0	220	0	0	220	220
Tax assets	0	10	0	0	10	10
Accrued revenues	0	415	0	0	415	415
Cash and cash equivalents	0	1 951	0	0	1 951	1 951
Trade payables and other short-term liabilities	0	0	0	970	970	970
Accrued expenses	0	0	0	87	87	87
31 December 2018	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
Trade and other receivables	0	143	0	0	143	143
Tax assets	0	12	0	0	12	12
Accrued revenues	0	307	0	0	307	307
Cash and cash equivalents	0	1 336	0	0	1 336	1 336
Trade payables and other short-term liabilities	0	0	0	779	779	779
Accrued expenses	0	0	0	131	131	131
1 January 2018	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
Trade and other receivables	0	132	0	0	132	132
Tax assets	0	3	0	0	3	3
Accrued revenues	0	272	0	0	272	272
Cash and cash equivalents	0	690	0	0	690	690
Trade payables and other short-term liabilities	0	0	0	196	196	196
Accrued expenses	0	0	0	164	164	164

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7. REVENUES AND OTHER INCOME

	2019 HUF million	2018 HUF million
Revenues from trading fees		
Annual admission fees	66	66
Fees of trading (monthly) and auctions	874	947
Connection fees, licenses	50	51
Revenues from listing fees		
Listing (one-off) fee	42	45
Quarterly fee	400	362
Revenues from sale of information		
Annual vendor fees	311	306
Monthly vendor fees	468	438
Other information services	100	37
Revenues from other services	0	0
Total Revenues	2 311	2 252

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

	2019 HUF million	2018 HUF million
Revenue from government grants	190	114
Other income	55	74
Total Other Income	245	188

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Government grants

The HUF 181 million other income in 2018 includes HUF 110 million related to government grants. The grants (which were launched in the last quarter of 2017) are transferred to Hungarian SMEs that are ready to deepen their knowledge on different financing methods, including the equity market, and those companies that are actually issuing their shares on 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. This part of the other income increased in 2019 by HUF 80 million and reached HUF 190 million (out of total HUF 262 million).

Nature and extent of government grants in the financial statements: In 2019, HUF 110 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 2019 the amount grew to HUF 190 million, as the program has gone live. The Company has not benefited directly from any other government programs.

The accrued income at the end of 2019 includes a total of HUF 155 million related to projects.

Current progress of projects:

The commitment for the Central Hungarian Region project is 6 companies, 7th company will start the program in 2020. In case of the Mentoring program, the commitment for the whole period is 30 companies. Until now, 10 companies started the program. Considering the number of current/future companies and the deadline (end of 2022), the progress of the project is adequate.

There are no unfulfilled conditions known to the Company related to the grant that would affect the recognition of these other income items.

Description	2019	2018
2018 EDIOP items	7	23
2019 EDIOP items	90	0
2018 CHR items	0	35
2019 CHR items	57	0
Total Accrued income for projects	154	58
EDIOP advance	489	495
CHR advance	99	0
Total project advances received (within other current liabilities)	588	495
Personnel expenses - EDIOP	53	65
Personnel expenses - CHR	22	30
Expert costs - EDIOP	7	10
Expert costs - CHR	4	5
Other costs - CHR	4	0
Aids to SMEs - EDIOP	35	4
Aids to SMEs - CHR	4	0
ELITE training - EDIOP	39	0
ELITE training - CHR	23	0
Total project-related items (within other revenue)	192	114

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8. OPERATING EXPENSES

	Notes	2019 HUF million	2018 HUF million
Expenses for material costs		6	7
Expenses for services used		1 062	922
Expert fees		414	190
PR, marketing and sales costs		279	270
License fees		231	220
Leased office operating costs		33	32
Other services		105	210
Personnel costs		1 103	1 045
Wages and salaries		856	803
Contributions on wages and salaries		190	184
Other personnel type expenses		57	58
Depreciation and amortisation	12,13	308	158
Depreciation charge of right-of-use asset		106	0
Amortisation of intangible assets, depreciation charge of tangible fixed assets		202	158
Expenses arising from miscellaneous other costs		411	409
Banking tax		137	123
Local business tax		47	45
Non-deductible VAT		153	106
Non repayable assets transferred		0	75
Other costs		74	60
Other expenses		6	6
Total operating expenses		2 896	2 547

The significant change in expert fees is in line with BSE's strategy development activities, including the pre-incorporation work of the ELÉT Zrt. subsidiary.

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

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

9. EMPLOYEE INFORMATION

	2019 HUF million	2018 HUF million
Wages and salaries	856	803
Other personnel type expenses	57	58
Contributions on wages and salaries	190	184
Total	1 103	1 045

The average number of employees during the year was 60 (2018: 59). The above presented Employee costs are part of Operating expenses (Note 8). A significant part of other personal expenses includes employee Cafeteria benefits.

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10. FINANCE INCOME AND EXPENSES

	2019 HUF million	2018 HUF million
Exchange rate gains	9	6
Impairment losses recognised on fixed assets	-51	0
Interest of lease liability	-12	0
Total	-54	6

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).
The impairment recognised in 2019 related to the subsidiary BIB Zrt.

11. TAXATION

	HUF million	HUF million
<i>Current income tax expense</i>		
Corporate tax	0	0
	0	0
<i>Deferred tax expense/reversal</i>		
Origination of temporary differences	-147	-19
	-147	-19
Total income tax expense	-147	-19

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:

	%	HUF million	%	HUF million
Profit before taxation		307		655
Applicable tax rate	9,0%	28	9,0%	59
Current corporate tax expense		0		0
Deferred tax impact on total income tax expense/benefit				
Effect of equity accounting for associate KELER Group		-105		-27
Effect of loss carry-forwards		-38		0
Miscellaneous items		-4		8
Total income tax expense (+) / benefit (-)	-47,9%	-147	-2,5%	-19

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

	2019 HUF million	2018 HUF million
At beginning of the year	730	749
Debited/(Credited) in net profit	-147	-19
At end of the year	583	730

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 2019 mainly represents the untaxed gain of investments in associated companies.

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

Description	Carrying amount 31/12/2019	Tax value 31/12/2019	Difference 31/12/2019
Property, plant and equipment	214	223	-9
Intangible assets	269	183	86
Right of use assets	336	0	336
Investments in associates measured using the equity method and investments in subsidiaries	12 967	6 058	6 909
Inventories	7	7	0
Trade and other receivables	220	261	-41
Tax assets	10	10	0
Prepaid expenses	25	25	0
Accrued revenues	415	415	0
Cash and cash equivalents	1 951	1 951	0
Provisions	2	0	-2
Employee benefit liabilities	10	0	-10
Non-current lease liability	257	0	-257
Trade payables and other short-term liabilities	970	970	0
Current lease liability	102	0	-102
Prepaid revenues	64	64	0
Accrued expenses	87	87	0
Loss carry-forward	0	424	-424
Total			6 485
Total deductible difference			-845
Total taxable difference			7 330
Total deferred tax assets			0
Total deferred tax liabilities			583

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Description	Carrying amount 31/12/2018	Tax value 31/12/2018	Difference 31/12/2018
Property, plant and equipment	269	184	85
Intangible assets	178	211	-33
Investments in associates measured using the equity method and investments in subsidiaries	13 308	5 235	8 073
Inventories	4	4	0
Trade and other receivables	143	185	-42
Tax assets	12	12	0
Prepaid expenses	50	50	0
Accrued revenues	307	307	0
Cash and cash equivalents	1 336	1 336	0
Employee benefit liabilities	9	0	-9
Trade payables and other short-term liabilities	779	818	39
Prepaid revenues	63	63	0
Accrued expenses	131	131	0
Total			8 113
Total deductible difference			-84
Total taxable difference			8 197
Total deferred tax assets			0
Total deferred tax liabilities			730

12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

2019	Computer softwares and other intangible assets	Leasehold premises and related expenditure	IT equipment	Office furniture fixtures and other equipment	Motor vehicles	Total
HUF million						
Cost						
1 January 2019	1 468	46	414	121	38	2 086
Additions	102	1	136	1	0	240
Disposals and charge offs	-1	0	-81	-1	0	-83
31 December 2019	1 569	47	469	121	38	2 243
Depreciation						
1 January 2019	1 199	32	289	104	16	1 639
Charge for the year	102	10	81	5	6	204
Eliminated on disposals	-1	0	-81	-1	0	-83
31 December 2019	1 300	42	289	108	22	1 761
Net book value						
1 January 2019	269	14	125	17	22	447
31 December 2019	269	5	180	13	16	483

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2018	Computer softwares and other intangible assets	Leasehold premises and related expenditure	IT equipment	Office furniture fixtures and other equipment	Motor vehicles	Total
	HUF million					
Cost						
1 January 2018	1 272	45	306	191	38	1 852
Additions	209	0	108	2	0	319
Disposals and charge offs	-13	1	0	-72	0	-85
31 December 2018	1 468	46	414	121	38	2 086
Depreciation						
1 January 2018	1 124	22	247	93	10	1 496
Charge for the year	88	10	42	12	6	158
Eliminated on disposals	-14	0	0	-2	0	-15
31 December 2018	1 199	32	289	104	16	1 639
Net book value						
1 January 2018	148	23	59	98	28	356
31 December 2018	269	14	125	17	22	447

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 software of trading transactions, with initial values HUF 804 million in total.

13. LEASES UNDER IFRS 16

The right-of-use asset was capitalised on the basis of the contract for the office leased by BSE. The asset will be depreciated using the straight-line method until the end of February 2023.

	01/01/2019- 31/12/2019	01/01/2018- 31/12/2018
Opening balance	442	n/a
Depreciation charged	106	n/a
Closing balance on 31 December	336	n/a

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

	2019	2018
Opening balance	440	n/a
Payment to lessor	-93	n/a
Interest incurred	12	n/a
Lease balance on 31 December	359	n/a
<i>Current lease liabilities</i>	<i>102</i>	<i>n/a</i>
<i>Non-current lease liabilities</i>	<i>257</i>	<i>n/a</i>

Total payments (net and non-deductible VAT) amounted to HUF 93 million in 2019.

At the date of initial application, 1 January 2019, a provision of HUF 2 million was recognised for the decommissioning liability.

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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). None of the members of the Group is an investment company or has an interest in one. All companies publish their annual financial statements in accordance with the law that applies to them.

a) Subsidiaries

Name of the entity	Place of business	Ownership interest held by BSE (%)		Principal activities	Type of relationship
		2019	2018		
Budapest Institute of Banking Zrt. (BIB Zrt.)	Hungary	100	100	educational activity	subsidiary
Első Értékpapírosítási Tanácsadó Zrt. (ELÉT Zrt.)	Hungary	100	n/a	securitization advisory	subsidiary

	HUF million			
	BIB		ELÉT	
	2019	2018	2019	2018
Cost				
on 1 January	80	80	0	0
capital increase	40	0	0	0
foundation of subsidiary on 31 December	0	0	800	0
	120	80	800	0
Impairment				
on 1 January	0	0	0	0
recognition of impairment losses for the year on 31 December	52	0	0	0
	52	0	0	0
Net value				
on 1 January	80	80	0	0
on 31 December	68	80	800	0

b) Associates

Name of the entity	Place of business	Ownership interest held by BSE (%)		Principal activities	Type of relationship
		2019	2018		
KELER Központi Értéktár Zrt.	Hungary	46,67	46,67	depository services	associate
KELER CCP Ltd.	Hungary	0,09	0,09	clearing service	associate

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The Company holds an investment of 46.67% (2018: 46.67%) in KELER and an investment of 0.09% (2018: 0.09%) in KELER CCP Ltd. KELER CCP is 99.81% owned by KELER.

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

	2019	2018
	HUF million	HUF million
Opening balance	13 188	13 492
Share of post acquisition profit/loss	712	746
Effect of changes in acc. policies (IFRS 9)	0	-659
Share of other comprehensive income	-9	9
Dividends received	-1 867	-400
Closing balance	12 024	13 188

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

	2019	2018
	HUF million	HUF million
Current assets	170 101	155 783
Non-current assets	2 433	1 792
Total assets	172 534	157 575
Current liabilities	146 785	129 316
Non-current liabilities	0	0
Total liabilities	146 785	129 316
Total shareholders' equity	25 749	28 259
Revenues	7 897	7 359
Net profit/loss for the year	1 509	1 611
Other comprehensive income	-19	19
Total comprehensive income	1 490	1 630

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

The standalone financial information of **BIB** is as follows:

	2019	2018
	HUF million	HUF million
Current assets	129	151
Non-current assets	74	63
Current liabilities	59	115
Non-current liabilities	75	0
Total shareholders' equity	68	99
Revenue	376	298
Net profit/loss for the year	-71	18

BIB does not prepare financial statements under IFRS, but under Hungarian Accounting Standards. BIB's financial statements according to the Hungarian Accounting Act do not differ significantly from those prepared under IFRS.

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The standalone financial information of **ELÉT** is as follows:

	2019 HUF million
Current assets	744
Non-current assets	16
Current liabilities	116
Non-current liabilities	0
Total shareholders' equity	645
Revenue	0
Net profit/loss for the year	-156

ELÉT does not prepare financial statements under IFRS, but under Hungarian Accounting Standards. ELÉT's financial statements according the Hungarian Accounting Act do not differ significantly from those prepared under IFRS.

15. CURRENT ASSETS

	31/12/2019 HUF million	31/12/2018 HUF million	01/01/2018 HUF million
Inventories	7	4	6
Trade and other receivables	220	143	132
Corporate tax assets	10	12	3
Prepaid expenses	25	50	25
Accrued revenues	415	307	272
Cash and cash equivalents	1 951	1 336	690
Current assets	2 628	1852	1128

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

The Company has no significant value of inventory in 2019. 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:

	31/12/2019 HUF million	31/12/2018 HUF million	01/01/2018 HUF million
Gross amount of trade receivables	261	173	172
Accumulated impairment	-41	-30	-40
Net amount of trade receivables	220	143	132

	2019 HUF million	2018 HUF million
Accumulated impairment as of 1 January	30	40
Net change of impairment	11	-10
Accumulated impairment as of 31 December	41	30

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The fair value of the receivables presented is close to their carrying amount. The above items are non-interest-bearing, except for cash equivalents, which bear interest at 0.05%-0.06% per annum when tied up. For maturity analysis, see Note 5.

16. SUBSCRIBED CAPITAL

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2018: 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:

	%	%
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 Nyrt.	2,2%	2,2%
Others (all under 2% share individually)	2,1%	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.

17. PROVISIONS

	2019 HUF million	2018 HUF million
Opening balance	0	0
Additions	2	0
Amounts charged against provisions	0	0
Closing balance	2	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 made in 2019 was recognised against the Right-of-use asset.

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(in million HUF)

18. JUBILEE BENEFITS

	2019 HUF million	2018 HUF million
Jubilee obligation as at 1 January	9	9
Interest cost	0	0
Current service cost	1	0
Benefits paid	-1	-2
Actuarial gains/losses	1	2
Jubilee obligation as at 31 December	10	9
<i>of which short-term</i>	1	1
<i>of which long-term</i>	9	8

The sum of Current service costs and Actuarial gains/losses are included in Operating Expenses, under Personnel Expenses. 11.8% was applied to the turnover rate in our estimates using BSE's own statistics. For discounting, the interest rate on currently available government bonds with a maturity of 15-20 years (currently 3%) is applied. 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 4 million will be due between 1 and 5 years, and HUF 4 million beyond 5 years (same in 2018).

19. RESERVES

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)

Other reserve:

The General Meeting on 30 April 2002 accepted the evaluation that was prepared by American Appraisal Kft. based on which the revaluation difference was HUF 2,245 billion for KELER Központi Értéktár Zrt. This was a one-off market evaluation, which BSE had the opportunity to carry out because it had become a joint stock company. This value was booked by the Stock Exchange at the time of its transformation in 2002. Grants received definitively before 2000 (1992–1994) for the development of the stock exchange (HUF 331 million) are also presented under other reserves.

Retained earnings:

Retained earnings include the cumulative amount of the profit after tax for each year.

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

Notes to the annual financial statements
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Revaluation reserve for instruments at fair value through other comprehensive income:

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.

20. CURRENT LIABILITIES

	HUF million	HUF million	HUF million
Accrued salaries, bonuses and expenses	87	131	164
Accruals, prepaid listing fees	64	63	64
Other items	3	0	0
Trade and other payables	292	207	130
Advances received for project EDIOP and Central Hungarian	588	495	0
Tax items	87	77	66
Current lease liabilities	102	0	0
Employee benefit liabilities	1	1	1
Current liabilities	1 224	974	425

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

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

21. RELATED PARTY INFORMATION

Transactions with related parties

The Company has two subsidiaries, Budapest Institute of Banking (BIB) Zrt. founded in 2017 and Első Értékpapírosítási Tanácsadó Zrt. (ELÉT) founded in 2019.

The following transactions occurred with related parties:

BALANCE SHEET			
Name of related party	Account type	HUF million	
		2019	2018
	Trade accounts receivable	9,9	14,6
KELER CCP Ltd.		0	0
KELER Ltd.		0	0
Magyar Nemzeti Bank		0,6	7,7
Budapest Institute of Banking Zrt.		5,4	6,9
Első Értékpapírosítási Tanácsadó Zrt.		3,9	0
	Trade accounts payable	0,5	0,4
KELER CCP Ltd.		0	0
KELER Ltd.		0	0
Magyar Nemzeti Bank		0,5	0,4
Budapest Institute of Banking Zrt.		0	0
Első Értékpapírosítási Tanácsadó Zrt.		0	0
	Other balance sheet items related to affiliated company	75	75
Budapest Institute of Banking Zrt.	Loan granted	75	75

The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.

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STATEMENT OF PROFIT OR LOSS

Name of related party	Transaction type	HUF million	
		2019	2018
	Sale of goods and services to related parties	26,9	21,1
KELER CCP Ltd.	Sponsorship fee	0	0
KELER Ltd.	Intermediary services	0	0,1
KELER Ltd.	Disclosure obligations	8,9	8,9
KELER Ltd.	Event sponsorship	3	0
Magyar Nemzeti Bank	Dual training	3	3
Magyar Nemzeti Bank	Education	0,2	0
Magyar Nemzeti Bank	Development activity	1,6	0
Magyar Nemzeti Bank	Leased lines and accesses	4,8	2,5
Magyar Nemzeti Bank	Stock exchange activity revenue	1	0
Budapest Institute of Banking Zrt.	Sold of intangible and fixed assets	0	6,6
Budapest Institute of Banking Zrt.	Interest on loan	1,3	0
Első Értékpapírosítási Tanácsadó Zrt.	Sub-contracted services revenue	3,1	0
	Purchase of services from related parties	13,5	17,5
KELER Ltd.	Share register management	0,7	0,2
KELER Ltd.	Securities account management	0,5	0,4
KELER Ltd.	General meeting registration	0	0,3
KELER Ltd.	Sale of trading data	8	8
KELER Ltd.	Other	0	0,4
Magyar Nemzeti Bank	Expenses to charge forward	0,3	0
Magyar Nemzeti Bank	Authority	2	2
Budapest Institute of Banking Zrt.	Education	4	6,2
	Other items related to affiliated company	0	75
Budapest Institute of Banking Zrt.	Non repayable assets transferred	0	75
	Dividends	1 867	400
KELER Ltd.	Dividends received	1 867	400
Budapest Institute of Banking Zrt.	Capital increase	40	0

Off-balance sheet item related to subsidiaries: BSE, as parent company, undertakes guarantee for the fulfilment of the obligations related to BIB's lease agreement. The amount of the of parent company guarantee is HUF 3 million, which was repealed on 6 July 2020.

The majority owner of BSE is Magyar Nemzeti Bank (the Hungarian National Bank), which is owned by the Hungarian State. In the normal course of business, BSE does business with a number of companies controlled or jointly controlled by the State or with companies in which the State has significant influence. These are typically issuers whose securities are listed on the BSE. These transactions generate fee income in the normal course of business, which the company recognises as revenue. These counterparties do not even reach 1.5% of annual revenue in terms of total annual turnover, so the transactions are not significant.

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

Members of the Board of Directors

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

Members of the Supervisory Board

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

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 includes the following expenses:

Key management compensation	2019 HUF million	2018 HUF million
Salaries including bonuses and social security contributions	272	245
Company car allowance	6	6
Short-term employee benefits	278	251
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payment	0	0
Total remuneration	278	251

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

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The controlling entity is the Magyar Nemzeti Bank. The list of its subsidiaries as of 31 December 2019 is the following:

Name of subsidiary company	Place of business	Ownership interest held by the controlling entity (%)		Principal activities
		2019	2018	
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-Jóléti Humán Szolgáltató és Üzemeltető Kft.	Hungary	100	100	maintenance and catering
MNB-Ingatlan Kft.	Hungary	100	n/a	rental and operation of real estate
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	0,1	clearing service

22. EVENTS AFTER BALANCE SHEET DATE

One of the subsidiaries of the Group, **ELÉT was sold** on 26 February 2021.

As a consequence of reviewing its business model, BSE has decided to sell its subsidiary ELÉT to MKB Bank Nyrt. The decision was motivated by the intention of BSE to increase the focus on its core business activities, and also taking into consideration the short-term business perspectives of securitisation in Hungary. According to the agreement, shares of ELÉT were transferred together with legal, accounting, business and other related knowledge, know-how that are essential to accomplish securitization projects on 26 February 2021.

The founder's rights of the foundation (Központi Értékpapírosítási Alapítvány, KÉA) started by ELÉT in February 2020 was transferred to BSE in the first quarter of 2021. The objective of KÉA is to support the domestic processes of securitization. The capital was permanently transferred to the foundation and is only returned in very rare cases, so it is not included under Investments.

BIB was also sold on 9 December 2021; the buyer was METU (Budapest Metropolitan University). Although BIB is now under the new ownership, further cooperation between BIB and BSE will continue, including stock exchange education. The sales process started in 2021 and therefore does not affect the presentation in the 2019 accounts.

The effect of the COVID-19 epidemic on the operation of BSE

BSE remains attentive to the extraordinary situation and identifies any tasks it needs to perform, and also stays in contact with the supervisory body (Magyar Nemzeti Bank), in order to be able to react instantly to protect rights of investors, stability of market and operation of the stock exchange.

BSE possesses the appropriate contingency plans and regulations. BSE is a vitally important economic entity according to the Government Decree No. 1101/2020 (III.14.) and is indirectly a state-owned entity in majority.

The accompanying notes to the financial statements on pages 6 to 48
form an integral part of these financial statements.

BSE has prepared its financial statements according to the going concern principle, meaning that the Company can sustain its operation in the foreseeable future, with revenues and cash assets sufficient to cover planned expenses. In 2020, the Company's revenue was significantly higher than planned. This was partly due to a significant recovery in market turnover and partly to an increase in vendor revenues.

Based on the above, the effect of the COVID-19 epidemic on the operation of BSE has been classified as a non-adjusting event.

The Stock Exchange **has started preparations for entering the Hungarian regulated market, i.e. becoming a listed company.** As of the date of signing of these financial statements, the Magyar Nemzeti Bank's procedure of admission of the securities to trading on the stock exchange has not started.

Russo-Ukrainian conflict:

The escalation of the Russo-Ukrainian war conflict in the second half of February 2022 has hit capital markets, which had already been volatile in recent months due to inflationary pressures and rising commodity prices. Exchange rate fluctuations were also observed in Central and Eastern European and Western European markets. The restrictive measures imposed by the EU in the wake of the Ukrainian crisis do not have a significant impact on the economic functioning of the Stock Exchange, as the Company has no direct business relations with economic operators in Russia or Belarus. 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.

23. PROPOSED AND APPROVED DIVIDENDS

No dividend has been paid by BSE for the business year 2019. No dividend payment was proposed by the Board of Directors or decided by the General Meeting.

24. 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 Ernst & Young Könyvvizsgáló Kft. (H-1132 Budapest, Váci út 20; tax number: 10907836-2-41; registration number with the Chamber of Hungarian Auditors: 001165).

The person responsible for carrying out the audit:

Dr. Attila Hruby (auditor certificate number: 007118).

In addition to the statutory audit (fee for 2019: HUF 3.4 million), the auditor performs the following activities for BSE:

- IFRS consolidated report for 2019, prepared on a voluntary basis (its fee was incurred in 2019)
- voluntary IFRS annual reports for 2019 (the fee was incurred in 2021)
- Audit of the 2020 and 2021 reports (fees were incurred in 2020 and 2021, respectively)

25. Authorisation of financial statements for disclosure

BSE's voluntarily prepared financial statements were approved by the Board of Directors on 21 March 2022, and at the same time the Board authorised the disclosure of the Company's annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2019.

The accompanying notes to the financial statements on pages 6 to 48 form an integral part of these financial statements.