



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

For the year ended 31 December 2020



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 2020 consolidated annual financial statements of Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs").

Basis for opinion

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

We are independent of the Group in accordance with the International Ethics Standards Board 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 consolidated annual financial statements

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

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

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

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

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

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

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

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

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

Budapest, 21 March 2022

(The original Hungarian version has been signed.)

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


Consolidated Statement of financial position

BALANCE SHEET	Notes	31 December 2020 HUF million	Restated 31 December 2019 HUF million	Restated 1 January 2019 HUF million
ASSETS				
Property, plant and equipment	16	132	232	178
Intangible assets	16	436	340	332
Right of use assets	17	230	336	0
Associate accounted for using the equity method	18	12 768	12 024	13 188
Non-current assets		13 566	12 932	13 698
Inventories	20	11	7	4
Trade and other receivables	21	219	322	250
Current tax assets	21	7	10	12
Prepaid expenses	21	90	26	49
Accrued revenues	21	515	415	309
Cash and cash equivalents	22	2 450	2 713	1 370
Current assets		3 292	3 493	1 994
Assets held for sale	19	388	0	0
TOTAL ASSETS		17 246	16 425	15 692
EQUITY AND LIABILITIES				
Share capital	23	541	541	541
Reserves	25	2 576	2 576	2 576
Retained earnings		11 907	11 061	10 781
Revaluation reserve of investments measured at fair value through other comprehensive income	24	11	5	14
Total shareholders' equity		15 035	14 183	13 912
Provisions	11	2	2	0
Employee benefits	12	12	10	9
Non-current lease liability	17	168	257	0
Other non-current liabilities	7	137	0	0
Deferred tax liability	15	657	583	730
Total non-current liabilities		976	852	739
Trade and other payables	26	856	1 019	837
Current lease liability	17, 26	115	102	0
Deferred revenue	26	63	64	63
Accrued expenses	26	190	205	141
Total current liabilities		1 224	1 390	1 041
Liabilities directly associated with the assets held for sale	19	11	0	0
Total liabilities		2 211	2 242	1 780
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		17 246	16 425	15 692

Budapest, 21 March 2021


Richard Végh
CEO




Katalin Sámel
Financial Director


Consolidated Statement of Profit or Loss and other comprehensive income

	Notes	2020 HUF million	2019 HUF million
Revenues	7	3 336	2 765
Other income	7	323	262
Material costs	8	-6	-10
Services utilised	8	-1 146	-1 403
Personnel expenses	8	-1 489	-1 346
Depreciation and amortisation	8	-348	-336
Other expenses (incl. Taxes)	8	-452	-489
Other expenditure		-8	-6
Share of profit or loss of associate	18	737	712
Finance income	13	47	17
Finance expense	14	-68	-21
Expense from expected credit losses		-1	-11
Net profit or (loss) before taxation		925	134
Income tax expense	15	-79	146
Net profit or (loss) for the year		846	280
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		6	-9
Profit or (loss) for the year		852	271

Budapest, 21 March 2021


Richárd Végh
CEO




Katalin Sámel
Financial Director



Consolidated Statement of changes in equity

	Share capital	Reserves	Retained earnings	Accumulated OCI	Total shareholder's equity
Financial Year Ended 31 December 2020					
Balance at 1 January 2020	541	2 576	11 061	5	14 183
Profit or (loss) for the year 2020			846	6	852
Balance at 31 December 2020	541	2 576	11 907	11	15 035
Financial Year Ended 31 December 2019					
Balance at 1 January 2019 - as previously disclosed	541	2 576	11 012	-217	13 912
Adjustment - correction of error			-231	231	0
Balance at 1 January 2019 - Restated	541	2 576	10 781	14	13 912
Profit or (loss) for the year 2019			280	-9	272
Balance at 31 December 2019 - Restated	541	2 576	11 061	5	14 183

Notes

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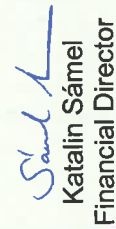
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Budapest, 21 March 2021


Richard Végh
CEO




Katalin Sámel
Financial Director

Consolidated Statement of Cash Flows

	Notes	2020 HUF million	2019 HUF million
Cash flows from operating activities			
Net profit or (loss) before taxation		925	134
Adjustments to reconcile net profit to operating cash flows:			
Depreciation and amortisation	8,16,17	348	336
Share of associated companies profit before taxation	18	-737	-712
Interest income adjustment	13	8	0
Non-cash item (year-end revaluation)	13	13	-7
Sale result of intangible, property, plant and equipments	16	-1	0
Impairment (and reversal of impairment) on receivables	21	1	-11
Employee benefits	12	2	1
Working capital adjustments:			
Net (increase)/decrease in trade and other receivables	21	-82	-142
Net (increase)/decrease in inventories	20	-4	-3
Net change in government grants	7,26	-76	93
Net increase/(decrease) in trade and other creditors	26	45	154
Income tax paid	15	-5	-1
Net Cash from Operating Activities		437	-158
Cash flows from investing activities			
Interest received	13	3	0
Purchase of intangibles, property, plant and equipment	16	-255	-292
Dividend received	18	0	1 867
Proceeds from the sale of property, plant and equipment	16	5	0
Purchase of interest	18	-1	0
Net cash flow from investing activities		-248	1 575
Cash flows from financing activities			
Lease fees paid	17	-123	-81
Net cash flow from financing activities		-123	-81
Net increase / (decrease) in cash and cash equivalents		66	1 336
Cash and Cash Equivalents at Beginning of Year	22	2 713	1 370
Cash and Cash Equivalents from disposal group	19	352	0
Year-end revaluation	13	23	7
Total Cash and Cash Equivalents at End of Year	22	2 450	2 713

Budapest, 21 March 2021


Richard Végh
CEO


Katalin Sámel
Financial Director



The accounting policies and explanatory notes on pages 6 to 36 form an integral part of the financial statements

Notes to the Consolidated Financial Statement
For the year ended 31 December 2020
(in million HUF)

1. CORPORATE AND GROUP INFORMATION

Budapest Stock Exchange Ltd. (hereinafter referred as: "BSE" or "the Company") was founded on 21 June 1990. The four main activities of the Company are listing services, trading services, dissemination of market information and product development. The Company is operating under the relevant Capital Market Act. The Company's registered office is located at Szabadság tér 7, Budapest, Hungary. The ownership structure of the Company is presented in Note 21.

The Company's controlling shareholder is Magyar Nemzeti Bank (address: 1054 Budapest, Szabadság tér 9.)

BSE has two subsidiaries as of 31. December 2020, Budapest Institute of Banking (BIB) Zrt. and Első Értékpapírosítási Tanácsadó (ELÉT) Zrt. BIB and ELÉT are fully consolidated entities. Therefore, the consolidated accounts of BSE, BIB and ELÉT are further referred to as the „Group”. After the end of the reporting period, ELÉT was disposed (on 26 February 2021).

2. BASIS OF PREPARATION

a) Statement of compliance

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

These financial statements have been authorized for issue by the Board of Directors on 21 March 2022.

Basis of measurement

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

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

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

b) Functional and presentation currency

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2020
(in million HUF)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Correction of an error

In the years 2015-2017, when performing equity accounting for KELER Group, 46,67% (BSE's share) of changes in 'Fair valuation reserves of financial instruments available for sale' of KELER was recorded in 'Retained earnings' instead of 'Accumulated OCI'. The accumulated amount to be reclassified between the two financial statement lines was HUF 231 million, which is now corrected as of 1 January 2019.

	As previously disclosed 1 January 2019 HUF million	Restatement HUF million	Restated 1 January 2019 HUF million
Retained earnings	11 012	-231	10 781
Revaluation reserve of investments measured at fair value through other comprehensive income	-217	231	14

	As previously disclosed 31 December 2019 HUF million	Restatement HUF million	Restated 31 December 2019 HUF million
Retained earnings	11 292	-231	11 061
Revaluation reserve of investments measured at fair value through other comprehensive income	-226	231	5

b) 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 general, all fair value measurements are subject to material judgements.

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

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

c) Basis of preparation

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2020
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consolidated, being 100% subsidiary of BSE. BIB has been disposed of on 9 December, 2021, as disclosed in Note 27.

Shareholders of BSE decided to found a subsidiary dealing with consultancy for securitisation, on the general meeting of 14 August 2019. Based on the modification of the Act CXX of 2001, BSE founded Első Értékpapírosítási Tanácsadó Zrt. (ELÉT) as its 100% subsidiary, which started its operation in September 2019. ELÉT was disposed of on 26 February 2021, as disclosed in Note 18.

Subsidiaries are consolidated from the date at which BSE gained control. The Group controls a company when it is exposed to or has rights to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary. Power exists if more than 50% voting rights are held by BSE (there are currently no other specific cases which empower BSE to be parent entity).

The financial statements of BSE, BIB and ELÉT used in the preparation of the consolidated financial statements are prepared as of the same period end.

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

Due to the disposal of the entity, ELÉT is classified as held for sale and the assets and liabilities are included within a disposal group classified as held for sale presented separately on the face of the statement of financial position.

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

The carrying amount of the BSE's investment in BIB and ELÉT and BSE's portion of equity of each subsidiary are eliminated;

Intragroup balances, transactions, income and expenses shall be eliminated in full. Intragroup balances and transactions, including income, expenses and dividends are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and non current assets are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

Associates are those entities over which the Company has significant influence, but there is no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Associate entities are accounted for using the equity method and are initially recognised at cost.

The Company's associate companies, Central Depository (Budapest) Ltd ("KELER") (and its consolidated subsidiary, KELER CCP Ltd. ("KELER CCP", the central-counterparty in Hungary)) 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, modified with certain consolidation adjustments. The income statement and other comprehensive income reflects the Company's share of the results of operations of the investee.

d) Foreign currency transactions

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

Notes to the Consolidated Financial Statement
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(in million HUF)

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, financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

e) 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: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

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

The **financial liabilities** of the Group comprise Trade and those other payables which meet the definition of the financial instruments.

(b) Impairment

Since the adoption of IFRS 9, the Group's accounting for impairment losses for financial assets is driven by a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. For trade receivables the simplified method is applied.

(KELER Group prepared its financial statements according to IFRS, therefore KELER Group also applies the ECL method for financial assets measured at AC or FVTOCI according to IFRS 9. In case of accounts receivables, the simplified method is applied.)

(c) Accounting policy

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

Financial assets

• **Initial recognition and measurement**

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient the Group initially measures a financial asset at its fair value (plus transaction costs in the case of financial asset not

Notes to the Consolidated Financial Statement
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at fair value through profit or loss). Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 3) j) about Revenue from contracts with customers.

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

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

The Group has only financial assets that are measured using the amortized cost in the periods presented in these financial statements.

- **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

- **Financial assets at amortised cost (debt instruments)**

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

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. (EIR method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.) Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the asset.

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

- **Financial assets at fair value through OCI (debt instruments)**

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

Notes to the Consolidated Financial Statement
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(in million HUF)

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

Financial assets at fair value through profit or loss

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

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

• **Derecognition**

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

• **Impairment of financial assets**

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 20.

Impairment of trade receivables

Notes to the Consolidated Financial Statement
For the year ended 31 December 2020
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For **trade receivables** and contract assets, the Group applies a simplified approach in calculating ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

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

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

- **Fair values 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are

Notes to the Consolidated Financial Statement
For the year ended 31 December 2020
(in million HUF)

categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. To determine if an input is significant, BSE should take into consideration the specifics of the asset or liability.

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

BSE does not have instruments that are presented at fair value. Given the short term nature of all financial instruments, the carrying amount approximates the fair value. All instruments belong to Level 3.

f) Property, plant and equipment

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

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

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Residual values are considered to be nil, with the exception of company cars, which category is not material. Depreciation is not charged on non-current assets which have not yet been brought into use and on land. Depreciation methods, useful lives and residual values are reassessed at the reporting date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and any difference will be included in other income or other expense.

g) Intangible assets

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

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

h) Impairment

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I. Financial assets

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

II. Non-financial assets

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

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

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

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.

i) Employee benefits

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

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

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

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

j) Provisions

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

k) Revenue

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

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Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria apply to the different revenue streams.

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/quarter in which the data is provided or the transaction is effected.

Recognition	Point in time	Period (year/month/quarter)
Revenues from trading fees		
Annual admission fees		X
Fees of trading (monthly)		X
Auctions	X	
Connection fees, licences		X
Revenues from listing fees		
Listing (one-off) fee	X	
Quarterly fee		X
Revenues from sale of information		
Annual vendor fees		X
Monthly vendor fees		X
Other information services	X	X

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

Identifying a contract

The Group normally has approved contracts in writing, with identifiable rights of each party and identifiable payment terms. Contracts do have commercial substance and it is probable that the Group will collect the considerations.

There are no:

- Variable revenues: fees of services are fixed, there are no options or guarantees that may result in the revenues to be containing variable components
- Significant financing components

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- Non-cash considerations in exchange for services
- Amounts payable to the customers
- Performance obligations to be identified separately
- Material costs to obtain or fulfil a contract.

l) Finance income

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

m) 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 2018). The banking tax shall be recognized as operating expenses.

n) Events after the balance sheet date

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

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

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All non-adjusting events – that are material - are disclosed in the Notes to the Financial Statements, please see Note 27.

o) Government grants

The main policy for recognizing government grants is that revenues/reimbursements of incurred costs should be accounted for in the same period. 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. There are multiple payment claims filed in a financial year, and when the filings are accepted by the authority, the grant is financially settled (usually by decreasing the Prepaid grant presented in liabilities rather than actual payment). BSE can also reimburse certain expenses (personnel expenses, bank guarantee, professional services) incurred due to the programs. For other program specific information please see Note 7.

p) Leases

The Group applies IFRS 16 from 1 January 2019 and assessed its contracts at that date whether they fall within the scope of the standard. The standard requires all lease transactions that are material and non-current to be recognised in the statement of financial position.

The main effect of the standard is that the Group 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 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. There are no options for termination or extension included in the contract as it terminates in February 2023.

Under IFRS 16, depreciation of the right-of-use asset is linear, the current contract term for leased premises ends in February 2023. Interest expense is recognized monthly on the Lease liability, and as the amount of the liability decreases month-by-month due to the invoices of the lessor, the amount of interest expense decreases from month to month as well.

4. CHANGES IN ACCOUNTING POLICIES (IAS 8)

The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2020.

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

- Amendments to References to the Conceptual Framework in IFRS Standards – adopted by EU on 29 November 2019 (effective for annual 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 Material – adopted by EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures” – Interest rate Benchmark Reform - adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 16 “Leases” – Covid 19-Related Rent Concessions adopted by EU on 9 October 2020 (effective for annual periods beginning on or after 1 June 2020),

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- Amendments to IFRS 3 “Business Combinations” – adopted by EU on 21 April 2020 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these amendments to the existing standards has not led to any material changes in the Group’s statements.

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2 adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 4 “Insurance Contracts” deferral of IFRS 9 adopted by EU on 15 December 2020 (effective for annual periods beginning on or after 1 January 2021)

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

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

- IFRS 17 “Insurance Contracts” including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 3 “Business Combinations”; IAS 16 “Property, Plant and Equipment”; IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Annual Improvements (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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

5. FINANCIAL RISK MANAGEMENT

a) Overview

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

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further disclosures are included throughout these consolidated financial statements. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consumer's receivables from customers and investment securities.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit rating: Before BSE grants a Client to either trading or listing rights, they have to comply with conditions that are regulated by BSE. Partners of the Group are well-known and established companies, many of them operating on the exchange for a long time. Clients not meeting payment of invoices are sanctioned according to exchange 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 20.

c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Cash held by the Group are considered to be abundant for liquidity management purposes as it had a Cash balance of over a billion Forints at all times throughout the financial year, and the average daily cash change was HUF +1,2 million, and the standard deviation of the daily changes is HUF 26 million.

In accordance with legal provisions, the Group invests its free liquid assets as a deposit in the case of a period of less than a month, for a period of over a month it invests them in government securities or time deposits. The Group's liquid assets are stable, and the Group believes its liquidity risk is low. The Group does not have loans payable to banks or other companies and does not need outside financing.

Financial assets and liabilities and their due dates can be categorized as follows:

31 December 2020	Overdue	Due in 1 year	Due in 1-5 ys	Due in over 5 ys	Total	out of this, interest
Trade and other receivables (gross amount)	90	166	0	0	256	0
Current tax assets	0	7	0	0	7	0
Accrued revenues	0	515	0	0	515	0
Cash and cash equivalents	0	2 450	0	0	2 450	0
Total financial assets	90	3 138	0	0	3 228	0
Provisions	0	0	2	0	2	0
Employee benefits	0	1	4	7	12	0
Non-current lease liabilities	0	0	168	0	168	0
Deferred tax liabilities	0	0	0	657	657	0
Other non-current liabilities	0	0	137	0	137	0
Trade and other payables	0	856	0	0	856	0
Current lease liabilities	0	115	0	0	115	0
Accrued expenses	0	190	0	0	190	0
Total financial liabilities	0	1 162	311	664	2 137	0

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31 December 2019	Overdue	Due in 1 year	Due in 1-5 ys	Due in over 5 ys	Total	<i>out of this interest</i>
Trade and other receivables (gross amount)	116	247	0	0	363	0
Current tax assets	0	10	0	0	10	0
Accrued revenues	0	415	0	0	415	0
Cash and cash equivalents	0	2 713	0	0	2 713	0
Total financial assets	116	3 385	0	0	3 501	0
Provisions	0	0	2	0	2	0
Employee benefits	0	1	4	5	10	0
Non-current lease liabilities	0	0	257	0	257	0
Deferred tax liabilities	0	0	0	583	583	0
Other non-current liabilities	0	0	0	0	0	0
Trade and other payables	0	1 019	0	0	1 019	0
Current lease liabilities	0	102	0	0	102	0
Accrued expenses	0	205	0	0	205	0
Total financial liabilities	0	1 327	263	588	2 178	0

Trade receivables due in 1 year are always due within one month. Other receivables are various tax receivables (except for income taxes), with no explicit due date. Accrued revenues also include receivable-type items that are due within 1 month, except for government grant items (see Note 7., amounted to HUF 150 million in 2021) – these are expected to be due within 1 year.

Trade payables are due within 1 months. Other payables include prepayments received for government grants (see Note 7., amounted to HUF 588 million in 2021), expected to be used within 1 year; and other tax-related liabilities (except for income taxes) due within 1 month. Accrued expenses are normally due within 1 month.

d) Market risk

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

The Group operates in Hungary, however transactions also arise in foreign currencies (revenues relating to data vending are generally denominated in EUR), therefore it is exposed to foreign currency risk.

2020 was a year in which HUF/EUR rate increased by 10.6% (31 December/1 January). The net currency gains in 2020 amount to HUF 35 million due to the change.

The Group operates with financial assets that do not bear significant interest rate risk, if any.

e) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital.

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

The Group is not subject to externally imposed capital requirements, except for the minimal share capital that needs to be 5 MHUF and the shareholders' equity may not fall below 2/3 of the share capital.

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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.

	2020 HUF million	2019 HUF million
Interest income from banks	2	0
Average amount of Cash and cash equivalents	2 758	2 042
Average effective interest rate	0,07%	0,02%
Effect of change in interest rate (+1%)	28	20

Assuming that interest rates changed by 1%, income would have increased by HUF 28 million in 2020.

b) Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in EUR/HUF exchange rates, with all other variables held constant. The estimated impact on the Group's profit before tax is due to changes in the average rate of foreign currency of transactions throughout the year (net of income and loss).

The Group's exposure to foreign currency changes for all other currencies is not material.

		Change in EUR-HUF rate	Effect on profit before tax
	2020	+5%	31
		-5%	-31
	2019	+5%	13
		-5%	-13

The year-end cash balance in EUR is also analysed:

	2020	2019
EUR cash account balances at year-end (EUR thousand)	1 185	256
EUR cash account balances at year-end (HUF million)	432	85
Year-end rate (HUF-EUR)	365,13	330,52
Effect of +5% change in EUR/HUF rate on year-end balance (unrealised FX gain effect)	22	4
Effect of -5% change in EUR/HUF rate on year-end balance (unrealised FX loss effect)	-21	-5

There is one significant item among liabilities that is denominated in EUR: Lease liabilities – amounted to EUR 792 thousand. Had the EUR/HUF rate been 5% higher or lower than the year-end rate, HUF 14 million would have been the effect of unrealized FX gain/loss. (Comparative data: year-end liability amounted to EUR 1 107 thousand, +/-5% FX change effect would have been HUF +/-18 million.)

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c) Basis of determining fair value

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

Other financial instruments

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

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7. REVENUES AND OTHER INCOME

	2020 HUF million	2019 HUF million
<i>Revenues from trading fees</i>		
Annual admission fees	64	66
Fees of trading (monthly) and auctions	1 271	902
Connection fees, licenses	50	50
<i>Revenues from listing fees</i>		
Listing (one-off) fee	102	42
Quarterly fee	470	400
<i>Revenues from sale of information</i>		
Annual vendor fees	422	311
Monthly vendor fees	537	468
Other information services	45	44
<i>Revenues from other services</i>	375	482
Total Revenues	3 336	2 765

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

	2020 HUF million	2019 HUF million
Government grant-related items	202	192
Sponsorship fees	32	25
Other income	89	45
Total Other Income	323	262

Government grants under IAS 20

The Group recognizes Government grants in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. The entity earns them through compliance with their conditions and meeting the envisaged obligations. They should therefore be recognised in profit or loss over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate; It is fundamental to the income approach that government grants should be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate. These are classified as Other Income.

GINOP-1.1.7-2017-00001 (EDIOP) programme provides BSE HUF 1 billion as a subsidy for training, mentoring programs and preparation related to stock listing on the market for the specified companies.

Another similar project also started, which is applicable to the Central-Hungarian Region (KMR or CHR). In 2018, resources were raised in connection with the preparation of the project, and in 2019, support payments were already made.

Accrued income includes items that will be recognized in later years based on the progress of the project (for example ELITE trainings started but not yet finished) or that relate to the current year, but their filing for approval process was not due until 31 December. Revenues and expenses relate to the period in which they incurred economically, therefore the **costs of ELITE trainings** that will be finished next year are **accrued** between the years.

Other current liabilities include advances received in connection with EDIOP programme and the CHR programme.

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Description	2020	2019
2018 EDIOP items	0	7
2019 EDIOP items	39	90
2020 EDIOP items	33	0
2018 CHR items	0	0
2019 CHR items	23	57
2020 CHR items	65	0
Total accrued income for projects (sub-total of Accrued income line in Balance sheet)	160	155
2020 EDIOP items (ELITE training)	29	0
2020 CHR items (ELITE training)	24	0
Total prepaid expenses for projects (sub-total of Prepaid expenses line in Balance sheet)	53	0
EDIOP advance	350	489
CHR advance	162	99
Total prepayments received for projects (sub-total of Trade and other payables line in Balance sheet)	512	588
Staff costs - EDIOP	54	53
Staff costs - CHR	26	22
Outsource and consultancy fees - EDIOP	7	7
Outsource and consultancy fees - CHR	4	4
Other costs - CHR	5	4
Subsidies for SMEs - EDIOP	36	35
Subsidies for SMEs - CHR	36	4
ELITE training - EDIOP	20	39
ELITE training - CHR	13	23
Total item related to the projects (sub-total of Other income in P/L)	202	192

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

BIB also engaged in a granted project (EDIOP-1.1.10-20), aiming to educate SME-s in order to increase their competitiveness. BIB developed e-learnings in the amount of HUF 145 million during 2020, and the project went live in December 2020. Income are recognized as the related assets are depreciated, therefore in 2020, HUF 43 million is recognized in the statement of comprehensive income. The related grants are presented in Other non-current liabilities (HUF 137 million). The book value of the assets as of 31 December 2020 are HUF 52 million.

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8. OPERATING AND ADMINISTRATIVE EXPENSES

	Notes	2020 HUF million	2019 HUF million
Material costs		6	10
Services utilised		1 146	1 403
Strategy development and professional services		311	521
PR, marketing and sales		271	307
Licences		260	255
Maintenance costs of rented office		38	37
Other services		129	177
Services sold for third parties		107	85
Other maintenance and repair costs		30	21
Personnel expenses		1 489	1 346
Wages and salaries	10	1 206	1 047
Social security costs	12	100	230
Other personnel type expenses		183	69
Depreciation and amortisation		348	336
Amortisation of Right of use asset	17	106	106
Depreciation and amortisation of PPE and intangibles	16	242	230
Other expenses (incl. taxes)		452	489
Banking tax		142	137
Local business tax		65	54
Non-deductible VAT		133	168
Other expenses		112	130
Other expenditure		8	6
Total operating expenses		3 449	3 590

The higher amount of professional services in 2019 were mostly due to the preparation of the business processes of ELÉT. The expense line mostly includes the cost of the external advisors. In 2020, the cost presented on the line were realized at a normal level.

Other administration expenses (e.g. membership fees, subscription fees, technical costs) include service expenses incurred in the normal course of the business.

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9. EMPLOYEE INFORMATION

	2020 HUF million	2019 HUF million
Wages and salaries	1 206	1 047
Social security costs	100	230
Other personnel type expenses	183	69
Total	1 489	1 346

The average number of employees during the year was 91 (2019: 82). The above presented Employee costs are part of Operating Expenses (Note 7).

10. PROVISIONS

	2020 HUF million	2019 HUF million
Opening balance at 1 January 2020	2	0
Additions	0	2
Amounts charged against provisions	0	0
Closing balance at 31 December 2020	2	2

The estimated liability for restoration costs of the leased premises (restoring the underlying asset to the condition required by the terms and conditions of the lease) is recognized as a provision. The estimated date when the restoration costs will be arise is February, 2023.

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11. JUBILEE BENEFITS

	2020 HUF million	2019 HUF million
Jubilee obligation as at 1 January	10	9
Interest cost	0	0
Current service cost	2	1
Benefits paid	1	-1
Actuarial gains/losses	1	1
Jubilee obligation as at 31 December	12	10

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

12. FINANCE INCOME

	2020 HUF million	2019 HUF million
Interest income from banks	4	0
Foreign currency gains	43	17
Other financial income	0	0
Total	47	17

13. FINANCE EXPENSE

	2020 HUF million	2019 HUF million
Realised foreign exchange losses	58	9
Interest of lease liability	10	12
Total	68	21

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For the year ended 31 December 2020
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14. TAXATION

	2020 HUF million	2019 HUF million
Current tax expense		
Corporate income tax	5	1
	5	1
Deferred tax expense/reversal		
Origination of temporary differences	74	-146
	74	-146
Income tax expense	79	-146

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:

	2020		2019	
	%	HUF million	%	HUF million
Net profit before taxation		925		127
Applicable tax rate	9,0%	83	9,0%	11
Current tax effect of share of KELER Group profit/loss		-66		-64
Deferred tax effect on total tax expense / benefit				
Effect of equity accounting for associate KELER Group		67		-105
Miscellaneous items		-5		12
Total income tax expense (+) / benefit (-)	8,5%	79	-115,0%	-146

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

	2020 HUF million	2019 HUF million
Balance at 1 January	583	730
Debited/(Credited) in net profit	74	-147
Balance at 31 December	657	583

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 2020 mainly represents the untaxed gain of investments in associated companies.

There are no unrecognized tax assets or liabilities.

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15. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

2020	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 2020	1 676	46	486	126	38	2 371
Additions	232	0	19	4	0	255
Disposals and charge offs	0	0	1	0	8	9
Assets held for sale	0	0	-18	-1	0	-19
31 December 2020	1 908	46	486	129	30	2 599
Depreciation						
1 January 2020	1 335	42	289	112	22	1 800
Charge for the year	137	3	92	8	2	242
Eliminated on disposals	0	0	0	0	5	5
Assets held for sale	0	0	-6	0	0	-6
31 December 2020	1 472	45	375	120	19	2 031
Net book value						
1 January 2020	340	4	197	14	16	572
31 December 2020	436	1	111	9	11	568

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	1 544	45	414	121	38	2 162
Additions	133	1	153	24	0	310
Disposals and charge offs	-1	0	-81	-19	0	-101
31 December 2019	1 676	46	486	126	38	2 371
Depreciation						
1 January 2019	1 212	32	289	104	16	1 652
Charge for the year	125	10	81	9	6	231
Eliminated on disposals	-1	0	-81	-1	0	-83
31 December 2019	1 336	42	289	112	22	1 800
Net book value						
1 January 2019	332	13	125	17	22	510
31 December 2019	340	4	197	14	16	572

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

There are some fully amortized intangible assets in the records of the Company, that are still in use. The five greatest items are all softwares of trading transactions, with initial values HUF 804 million in total.

Main additions of computer softwares and other intangible assets:

- Data warehouse, HUF 26 million
- CISCO threat defense, HUF 18 million
- BSE website development, HUF 14 million

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16. RIGHT OF USE ASSETS

	2020.01.01- 2020.12.31	2019.01.01- 2019.12.31
Opening balance	336	442
Depreciation	106	106
Remeasurements	0	0
Right of Use Asset on 31 December	230	336

The Group has lease contract for its premises, and the term of the lease ends in February 2023. The Group's obligations under its lease are secured by a guarantee contract. The Company had total cash outflows for the lease of HUF 106 million (+ non-deductible VAT HUF 17 million) in 2020 (HUF 80+13 million in 2019). The lease payments are denominated in EUR therefore the actual cash outflows vary as the EUR/HUF exchange rate does. Payments are made on a monthly basis, in advance.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'. IBR is 3,06% per annum.

The lease contract is related to the office lease where the operation takes place.

	2020.01.01- 2020.12.31	2019.01.01- 2019.12.31
Opening balance	359	440
Payments to lessor	-123	-93
Interest incurred	11	12
FX loss at year-end	36	0
Lease liability on 31 December	283	359
<i>Current lease liability</i>	<i>115</i>	<i>102</i>
<i>Non-current lease liability</i>	<i>168</i>	<i>257</i>

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17. INVESTMENTS

Name of the entity	Place of business	Ownership interest held by BSE (%)		Principal activities	Basis of consolidation
		31.12.2020	31.12.2019		
Budapest Institute of Banking Zrt. (BIB Plc.)	Hungary	100	100	educational activity	subsidiary
Első Értékpapírosítási Tanácsadó Zrt. (ELÉT Plc.)	Hungary	100	100	securitization advisory	subsidiary
KELER Zrt. (KELER Ltd.)	Hungary	46,67	46,67	depository services	associate
KELER KSZF Zrt. (KELER CCP Ltd.)	Hungary	0,09	0,09	central counterparty services	associate

The Company holds an investment of 46.67% (2019: 46.67%) in KELER and an investment of 0.09% (2019: 0.09%) in KELER CCP. KELER CCP is 99,81% owned by KELER. The group purchased interest in Pénzügyi Tervezők Szakmai Tanácsa Nonprofit Kft. (PTSZT). The total value of the interest is HUF 1 million. The value of these investments in the IFRS consolidated financial statements changed as follows:

	2020	2019
	HUF million	HUF million
Opening balance	12 024	13 188
Share of post acquisition profit/loss	737	712
Purchase of interest	1	0
Share of other comprehensive income	6	-9
Dividend received	0	-1 867
Closing balance	12 768	12 024

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

	2020 HUF million	2019 HUF million
Current assets	153 544	170 101
Non-current assets	3 559	2 433
Total assets	157 103	172 534
Current liabilities	129 761	146 785
Non-current liabilities	0	0
Total liabilities	129 761	146 785
Total shareholders' equity	27 342	25 749
Revenues	8 541	7 897
Net profit/loss for the year	1 580	1 509
Other comprehensive income	13	-19
Total comprehensive income	1 593	1 490

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

The individual financial information of BIB are as follows:

	2020 HUF million	2019 HUF million
Current assets	297	129
Non-current assets	178	74
Current liabilities	91	59
Non-current liabilities	237	75
Total shareholders' equity	147	68
Revenues	362	376
Net profit/loss for the year	-23	-71

BIB does not publish financial statements under IFRS, but under Hungarian Accounting Standards, for consolidation purposes the BIB financial information is converted to IFRS.

18. DISPOSAL GROUP

As a consequence of reviewing its business model, BSE has decided to sell its subsidiary ELÉT to MKB Bank Nyrt. The decision had been 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 securitization 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. Foundations are not presented in the Statement of financial position as an Investment as the funds are transferred permanently and are only repayable under extremely rare circumstances.

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The individual financial information of ELÉT is as follows:

	2020 HUF million	2019 HUF million
Current assets	374	744
Non-current assets	13	16
Current liabilities	11	116
Non-current liabilities	0	0
Total shareholders' equity	376	645
Revenues	26	0
Net profit/loss for the year	-268	-156

ELÉT does not prepare financial statements under IFRS, but under Hungarian Accounting Standards for consolidation purposes the ELÉT financial information is converted to IFRS. ELÉT was disposed of on 26 February 2021.

19. Inventories

The Company has no significant value of inventory in 2020. 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).

20. OTHER CURRENT ASSETS, INCLUDING TRADE RECEIVABLES

	2020 HUF million	2019 HUF million
Trade and other receivables	219	322
Total Trade and other receivables	219	322

For ageing analysis, please refer to Note 5 c).

Overdue receivables can be categorized into the following ageing buckets:

	0-30 days	31-60 days	61-90 days	91-180 days	181-360 days	over 360 days
31 December 2020						
Overdue trade receivables (gross), HUF million	16	4	7	4	24	38
31 December 2019						
Overdue trade receivables (gross), HUF million	4	4	6	3	60	39

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Loss rates of trade receivables are low and not significant. Expense from expected credit losses for the year 2020 was HUF 1 million, in 2019 HUF 11 million. Percentage in relation to the respective annual revenues was 0,03% in 2020 (0,4% in 2019).

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

	2020 HUF million	2019 HUF million
Gross amount of trade receivables (from the country of operation)	181	269
Gross amount of trade receivables (from abroad)	75	94
Expected credit loss	-37	-41
Net amount of trade receivables	219	322

	2020 HUF million	2019 HUF million
Accumulated impairment as of 1 January	41	30
Net change of accumulated impairment	1	11
Uncollectible debts that are no more presented as gross trade receivables	-5	0
Accumulated impairment as of 31 December	37	41

	2020 HUF million	2019 HUF million
Prepaid expenses	90	26
Total Prepaid expenses	90	26

	2020 HUF million	2019 HUF million
Accrued revenues	515	415
Total Accrued revenues	515	415

Accrued revenues are related to business-as-usual transactions with customers in order to record these transactions in the same accounting period which they relate to. They are due within 1 month, except for government grant related items, which are due in 1 year.

	2020 HUF million	2019 HUF million
Current income tax	7	10
Total current tax assets	7	10

21. CASH AND CASH EQUIVALENTS

	2020 HUF million	2019 HUF million
Deposit and current accounts	2 450	2 713
Total	2 450	2 713

Cash and Cash Equivalents contains only the balance of the cash at bank. The balance includes 3 month deposits (1,146 HUF million in 2020, 0 HUF million in 2019).

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22. SHARE CAPITAL

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2019: 5,413,481) ordinary shares with par value of HUF 100. All shares rank pari passu in the event of a winding up. The share capital represents shares held by the following shareholders:

	2020 %	2019 %
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%	2,1%
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.

23. REVALUATION RESERVE OF INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Significant part of the accumulated OCI balance represents the effect of the revaluation of financial assets due to the IFRS transition of KELER in 2018.

24. RESERVES

These are reserves that had to be accounted separately from retained earnings under statutory rules (Hungarian Accounting Regulation). The balance on reserves represents

- The recognized mark to market valuation of certain assets (Associate accounted for using the equity method - KELER Group) at the transformation of the exchange in 2002 at HUF 2.245 million. The cost of the associate reflects this revalued amount (deemed cost) in the very first financial statement under IFRS.
- The residual HUF 331 million is related to permanent grants received from the state for exchange development activities, between 1992-1994.

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25. CURRENT LIABILITIES

	2020 HUF million	2019 HUF million
Accrued salaries and other expenses	190	205
Deferred revenue	63	64
Other items	6	2
Trade and other creditors	234	339
Lease liabilities	115	102
Advances received for project EDIOP and Central Hungarian	512	588
Tax items	104	90
Total payables and other current liabilities	1 224	1 390

26. RELATED PARTY INFORMATION

Transactions with related parties

The Company had two subsidiaries as of 31 December 2020, Budapest Institute of Banking (BIB) Zrt. and Első Értékpapírosítási Tanácsadó Zrt. (ELÉT). ELÉT was sold on 26 February 2021. The following transactions with the subsidiaries have been eliminated due to the consolidation of BIB and ELÉT into the financial statements.

The following transactions occurred with related parties:

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BALANCE SHEET

Name of related party	Account type	HUF million	
		2020	2019
	Trade accounts receivable	0,5	9,9
KELER CCP Ltd.		0	0
KELER Ltd.		0	0
National Bank of Hungary		0,5	0,6
	Trade accounts payable	0,6	0,5
KELER CCP Ltd.		0	0
KELER Ltd.		0	0
National Bank of Hungary		0,6	0,5

INCOME STATEMENT

Name of related party	Transaction type	HUF million	
		2020	2019
	Sale of goods and services to related parties	17,0	26,9
KELER CCP Ltd.	Sponsorship fee	0	0
KELER Ltd.	Intermediary services	0	0
KELER Ltd.	Disclosure obligations	8,9	8,9
KELER Ltd.	Event sponsorship	2	3
National Bank of Hungary	Dual training	1,5	3
National Bank of Hungary	Education	0	0,2
National Bank of Hungary	Development activity	0	1,6
National Bank of Hungary	Leased lines and accesses	4,1	4,8
National Bank of Hungary	Stock exchange activity revenue	0,5	1
	Purchase of services from related parties	13,5	13,5
KELER Ltd.	Share register management	0,5	0,7
KELER Ltd.	Securities account management	0,5	0,5
KELER Ltd.	Sale of trading data	8	8
KELER Ltd.	Other	0,1	0
Magyar Nemzeti Bank (MNB)	Expenses to charge forward	0	0,3
Magyar Nemzeti Bank (MNB)	Paid to MNB as Supervisor	6,1	2
	Dividens	0	1 867
KELER Ltd.	Dividens received	0	1 867

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

Members of the Board of Directors

dr. Patai Mihály
Végh Richárd
dr. Bacsa György
dr. Máté Géza
Kuti Zsolt
dr. Fömötör Barna

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Bánfi Attila

Members of the Supervisory Board

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

Key management compensation

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

Key management compensation	2020 HUF million	2019 HUF million
Salaries including bonuses and social security contributions	351	404
Company car allowance	3	6
Short-term employee benefits	354	410
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payment	0	0
Total remuneration	354	410

The Group had no transactions with such related parties that qualify as related solely because of their relationship with key management personnel.

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

Name of subsidiary company	Place of business	Ownership interest held by the controlling entity (%)		Principal activities
		31.12.2020	31.12.2019	
Magyar Pénzverő Zrt. (Hungarian Mint Plc.)	Hungary	100	100	produce circulation coins
Pénzjegynyomda Zrt. (Hungarian Banknote Printing Shareholding Co.)	Hungary	100	100	production of forint banknotes and secure documents
GIRO Zrt.	Hungary	100	100	payment system operation
MNB-Biztonsági Szolgáltatások Zrt. (MNB-Security Services Plc.)	Hungary	100	100	personal guarding and protection
MNB-Jóléti Humán Szolgáltató és Üzemeltető Kft.	Hungary	0	100	maintenance and catering
MNB-Ingatlan Kft. (MNB-Real Estate Ltd.)	Hungary	100	100	rental and operation of real estate
Pénzügyi Stabilitási és Felszámoló Nonprofit Kft. (Financial Stability and Liquidator Non-profit Ltd.)	Hungary	100	100	perform the liquidation of financial institutions
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

During the year of 2020, the Group had minor transactions with GIRO Zrt. and MNB-Biztonsági Szolgáltatások Zrt. The transactions related to the normal course of business and the values were not material.

27. EVENTS AFTER BALANCE SHEET DAY

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 had been 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 securitization 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.

BIB was also sold on 9 December 2021. The buyer is METU (Budapest Metropolitan University). Although from now on, BIB contributes to its new owners, cooperations continue between BIB and BSE, for example, education about stock market knowledge.

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

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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.

BSE has prepared its financial statements according to the going concern principle, meaning that the Company can sustain its operation in the foreseeable future. The revenues and cash assets provide coverage for the planned expenses and costs for the foreseeable future. Revenues of 2020 have exceeded planned values, in part due to the significant increase in market turnover, and growth in vendor revenues. In case profitability decreases for any unforeseeable reason, continuous and uninterrupted operation of the Company is still secured.

BSE has started the preparation in order to enter the **Hungarian regulated market as a listed entity**. As of the sign-off date of these financial statements, the official filings for the approval of the transaction by Magyar Nemzeti Bank have not yet been started.

There was no **dividend** approved in 2020.