

**Budapesti Értéktőzsde Zártkörűen  
Működő Részvénytársaság**

Annual Financial Statements

31 December 2019

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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 balance sheet as at 31 December 2019 - showing a balance sheet total of HUF 9,136,467 thousand and a profit after tax for the year of HUF 1,496,795 thousand -, the related profit and loss account 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 equity and financial position of the Company as at 31 December 2019 and of the results of its operations for the financial year then ended in accordance with the Act C of 2000 on Accounting ("Hungarian Accounting Law").

#### Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. 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 applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Other information

Other information consists of the 2019 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements does not cover the business report.

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

Concerning the business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

In our opinion, the business report of the Company for 2019 is consistent, in all material respects, with the 2019 annual financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

#### **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 the Hungarian Accounting Law, 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. Management is required to apply going concern principle unless the applicability of that principle is precluded by other provisions or there are facts and circumstances that contradict with the continuance of the Company's business activity.

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 Hungarian National Auditing Standards and with applicable laws and regulations in Hungary 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 Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, 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, 29 April 2020

(The original Hungarian version has been signed.)

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

Szabó Gergely  
Registered auditor  
Chamber membership No.: 005676



FINANCIAL STATEMENTS OF  
THE BUDAPEST STOCK  
EXCHANGE FOR THE YEAR 2019



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## BALANCE SHEET

HUF '000

a	Denomination b	31.12.2018 c	31.12.2019 d
<b>1</b>	<b>A. LONG-TERM ASSETS</b> (rows 2+10+17)	<b>5 597 867</b>	<b>6 494 841</b>
<b>2</b>	<b>I. Intangible assets</b> (rows 3-9)	<b>236 520</b>	<b>240 206</b>
3	Capitalized value of formation, promotion and restructuring expenses	0	0
4	Capitalized value of research and development	0	0
5	Rights, representing assets	1 078	1 298
6	Intellectual products	235 442	238 908
7	Goodwill	0	0
8	Advances and prepayments on intangible assets	0	0
9	Value correction of intangible assets	0	0
<b>10</b>	<b>II. Tangible assets</b> (rows 11-16)	<b>166 325</b>	<b>196 756</b>
11	Buildings and related concessions and similar rights	12 568	2 681
12	Plant machinery	119 526	170 025
13	Other equipments and fittings, vehicles	34 231	24 050
14	Assets in course of constructions	0	0
15	Prepayments made on fixed assets	0	0
16	Value correction of tangible assets	0	0
<b>17</b>	<b>III. Invested financial assets</b> (rows 18-21)	<b>5 195 022</b>	<b>6 057 879</b>
18	Significant participations	5 189 072	5 976 929
19	Other participations	5 950	5 950
20	Long term loan	0	75 000
21	Securities signifying a long-term creditor relationship	0	0
<b>22</b>	<b>B. CURRENT ASSETS</b> (rows 23+29+34+39)	<b>1 538 654</b>	<b>2 201 101</b>
<b>23</b>	<b>I. Stocks</b> (rows 24-28)	<b>4 100</b>	<b>6 823</b>
24	Raw materials and consumable goods	0	0
25	Work in progress	0	0
26	Finished goods	0	0
27	Merchandise	4 100	6 823
28	Prepayments made on stocks	0	0
<b>29</b>	<b>II. Receivables</b> (rows 30-33)	<b>198 902</b>	<b>243 273</b>
30	Trade debtors	107 002	162 686
31	Receivables from affiliated undertaking	54 647	9 946
32	Bills receivable	0	0
33	Other debtors	37 253	70 641
<b>34</b>	<b>III. Securities</b> (rows 35-38)	<b>0</b>	<b>0</b>
35	Participation in affiliated undertaking	0	0
36	Other participation	0	0
37	Own shares, own partnership shares, re-exchangable shares	0	0
38	Debt securities held for sale	0	0
<b>39</b>	<b>IV. Cash and cash equivalents</b> (rows 40-41)	<b>1 335 652</b>	<b>1 951 005</b>
40	Cash	0	0
41	Current account	1 335 652	1 951 005
<b>42</b>	<b>C. ACCRUED INCOME AND PREPAYMENTS</b> (rows 43-45)	<b>355 727</b>	<b>440 525</b>
43	Accrued income	306 688	415 697
44	Prepayments	49 039	24 828
45	Equity and accrued and deferred assets of deferred expenditures	0	0
<b>46</b>	<b>TOTAL ASSETS</b> (rows 1+22+42)	<b>7 492 248</b>	<b>9 136 467</b>

Budapest, 29 April, 2020

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



HUF '000

a	Denomination b	31.12.2018 c	31.12.2019 d
<b>48</b>	<b>D. Shareholders' equity (rows 49-56)</b>	<b>6 519 282</b>	<b>8 016 077</b>
49	I. Share capital	541 348	541 348
50	thereof: ownership shares repurchased at face value	0	0
51	II. Unpaid issued capital	0	0
52	III. Capital reserve	2 576 356	2 576 356
53	IV. Retained earnings	3 104 876	3 401 578
54	V. Non-distributable reserves	0	0
55	VI. Revaluation reserve	0	0
56	VII. Net profit for the year	296 702	1 496 795
<b>57</b>	<b>E. PROVISIONS (rows 58-60)</b>	<b>0</b>	<b>0</b>
58	Provisions for expected liabilities	0	0
59	Provisions for costs in the future	0	0
60	Other provisions	0	0
<b>61</b>	<b>F. LIABILITIES (rows 62+66+75)</b>	<b>779 164</b>	<b>969 719</b>
<b>62</b>	<b>I. Subordinated liabilities (rows 63-65)</b>	<b>0</b>	<b>0</b>
63	Subordinated liabilities to affiliated undertaking	0	0
64	Subordinated liabilities to independent undertaking	0	0
65	Subordinated liabilities to other economic entities	0	0
<b>66</b>	<b>II. Long-term liabilities (rows 67-74)</b>	<b>0</b>	<b>0</b>
67	Long-term loans	0	0
68	Convertible bonds	0	0
69	Debts on the issue of bonds	0	0
70	Investment and development credits	0	0
71	Other long-term credits	0	0
72	Long-term liabilities to affiliated undertaking	0	0
73	Long-term liabilities to independent undertaking	0	0
74	Other long-term liabilities	0	0
<b>75</b>	<b>III. Short term liabilities (rows 76-83)</b>	<b>779 164</b>	<b>969 719</b>
76	Short-term loans	0	0
77	thereof: convertible bonds	0	0
78	Prepayments received from customer	0	2 666
79	Trade accounts payables	207 369	291 817
80	Bills payable	0	0
81	Short-term liabilities to affiliated undertaking	400	457
82	Dividends	0	0
83	Other short term liabilities	571 395	674 779
<b>84</b>	<b>G. ACCRUED EXPENSES AND DEFERRED INCOME (rows 85-87)</b>	<b>193 802</b>	<b>150 671</b>
85	Deferred income	63 400	63 512
86	Accrued expenses	130 402	87 159
87	Deferred revenues	0	0
<b>88</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (rows 48+57+61+84)</b>	<b>7 492 248</b>	<b>9 136 467</b>

Budapest, 29 April, 2020

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



# INCOME STATEMENT

HUF '000

a	b Denomination	c 31.12.2018	d 31.12.2019
1	Net domestic sales	1 464 615	1 443 121
2	Net external sales	873 426	965 195
<b>I.</b>	<b>Revenues from stock exchange activities (rows 1+2)</b>	<b>2 338 041</b>	<b>2 408 316</b>
3	Change in self-manufactured stocks	0	0
4	Own work capitalized	0	0
<b>II.</b>	<b>Own performance capitalized (rows 3-4)</b>	<b>0</b>	<b>0</b>
<b>III.</b>	<b>Other revenues</b>	<b>199 465</b>	<b>245 469</b>
	thereof: write-back of loss in value	12 910	0
5	Cost of materials	7 170	5 808
6	Values of services utilized	944 290	1 177 021
7	Other costs	12 944	22 773
8	Cost of good sold	0	0
9	Sub-contracted services	51 668	52 069
<b>IV.</b>	<b>Material-type costs (rows 5-9)</b>	<b>1 016 072</b>	<b>1 257 671</b>
10	Wages and salaries	802 578	855 847
11	Other employee benefits	54 916	53 533
12	Contributions on wages and salaries	183 638	189 635
<b>V.</b>	<b>Staff costs (rows 10-12)</b>	<b>1 041 132</b>	<b>1 099 015</b>
<b>VI.</b>	<b>Depreciation</b>	<b>135 229</b>	<b>176 032</b>
<b>VII.</b>	<b>Other expenses</b>	<b>455 097</b>	<b>501 655</b>
	thereof: loss in value	1 588	54 731
<b>A.</b>	<b>OPERATING PROFIT (LOSS) (I+II±III-IV-V-VI-VII)</b>	<b>-110 024</b>	<b>-380 588</b>
13	Dividend received	399 971	1 866 667
	thereof: from affiliated undertakings	399 971	1 866 667
14	Gains on participations	0	0
	thereof: from affiliated undertakings	0	0
15	Gains on long term investments (except participations)	0	0
	thereof: from affiliated undertakings	0	0
16	Interests received	211	603
	thereof: from affiliated undertakings	0	0
17	Other incomes from financial transactions	12 300	18 086
<b>VIII.</b>	<b>Income from financial operations (rows 13+14+15+16+17)</b>	<b>412 482</b>	<b>1 885 356</b>
18	Losses on participations	0	0
	thereof: to affiliated undertakings	0	0
19	Losses on long term investments (except participations)	0	0
	thereof: to affiliated undertakings	0	0
20	Interest payable and and similar changes	0	0
21	Other expenses on financial transactions	5 756	7 973
<b>IX.</b>	<b>Expenses of financial operations (rows 18+19+20+21)</b>	<b>5 756</b>	<b>7 973</b>
<b>B.</b>	<b>FINANCIAL RESULT (VIII-IX)</b>	<b>406 726</b>	<b>1 877 383</b>
<b>C.</b>	<b>PROFIT BEFORE INCOME TAX (±A±B)</b>	<b>296 702</b>	<b>1 496 795</b>
<b>X.</b>	<b>Income tax</b>	<b>0</b>	<b>0</b>
<b>D.</b>	<b>PROFIT (LOSS) AFTER INCOME TAX (±C-X)</b>	<b>296 702</b>	<b>1 496 795</b>

Budapest, 29 April, 2020

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



# NOTES TO THE 2019 FINANCIAL STATEMENTS





## GENERAL COMPANY INFORMATION

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Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság (Budapest Stock Exchange Private Company Limited by Shares)

**Address of Company:** H-1054 Budapest, Szabadság tér 7.

**Company's Registration No.:** Cg. 01-10-044764

**Data of persons authorised to sign the report on behalf of the Company:**

Richárd Végh, CEO Address: H-2040 Budaörs, Kálvária utca 7.

Katalin Sámel, Financial Director Address: H-1135 Budapest, Lehel u. 60. 6/1.

The person charged with the management of bookkeeping tasks and the preparation of the annual report: Katalin Sámel (address: H-1135 Budapest, Lehel utca 60. 6/1, registration No. 199110). Statutory audit is obligatory for the Company.

Auditor of the Budapest Stock Exchange Private Company Limited by Shares:  
Ernst & Young Könyvvizsgáló Kft. (H-1132 Budapest, Váci út 20.)

Audit fees for FY 2019: 4.347 million HUF + VAT

Data of the person responsible for the audit:

Gergely Szabó (mother's maiden name: Kiss Zsuzsanna, address: H-1202 Budapest, Mézes u. 35., registration number: 005676)

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## Form of operation

Private Company Limited by Shares



## Foundation

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 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*)

## Scope of activity

Main scope of activity: 6611 '08 Administration of financial markets

## Legal framework for the management of the Stock Exchange

The conditions for the management of the Stock Exchange are stipulated in Act CXX of 2001 (hereinafter: "the Act"). Accordingly, "the Stock Exchange may not invest its free funds in the products listed and traded on the given stock exchange, excluding government securities and the shares issued by the Stock Exchange, the clearing house and central depository performing stock exchange settlements, and the financial holding company with a shareholding in the clearing house and the central depository."

When the accounting procedures of the Stock Exchange are established, the provisions of Act C. of 2000 on Accounting and Government Decree No. 459/2015 (XII.29.) must be taken into consideration. According to the rules on double-entry bookkeeping, the Stock Exchange prepares its annual report for the given business year with the last day of the business year (31 December 2019) as the balance sheet date. According to the Act on Accounting, the economic events that became known after the balance sheet date (31 December) but prior to the compilation of the annual report must be accrued. The last day for the receipt of items coming from external sources – i.e. the balance sheet preparation date – is 15 February 2020.

The Stock Exchange is listed by Section 3 (1) 4 I) of the Act on Accounting under 'other organizations'. The annual reporting and bookkeeping obligation of the Stock Exchange is stipulated by Government Decree No. 459/2015 (XII.29.).



The system of accounts was compiled based on the above decrees and accounting requirements. In our system of accounts, we set out the accounting policy developed and applied by the Budapest Stock Exchange and the evaluation regulations on assets and liabilities.

The 2019 annual balance sheet and income statement of the Budapest Stock Exchange Ltd. will be available on the BSE's website ([www.bet.hu](http://www.bet.hu)) after the Annual General Meeting.

## Rules of the Stock Exchange

The essential rules of the organization and operation of the Budapest Stock Exchange Ltd. are included in the Statutes accepted by the General Meeting.

According to the Act, the Budapest Stock Exchange is a self-regulating organization that develops regulations to specify the partial regulations on the operation of the Stock Exchange as well as the rights and obligations of the stock exchange traders and issuers. The Board of Directors is authorized to approve the regulations, which enter into force when ratified by the Magyar Nemzeti Bank.

The regulations of the Stock Exchange are available on the BSE's website ([www.bet.hu](http://www.bet.hu)), under the 'Products and Services/BSE rules' menu item.

As of 15 February 2020, the valid regulations of the Stock Exchange were as follows.

### 1. REGULATIONS

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of Directors	Date	Nr of approval of CBH	Date of entry into force
The General Terms of Service of the Budapest Stock Exchange Ltd.	55/2019	16 October 2019	H-EN-III-646/2019	2 December 2019

#### BÉTa, Xtend and Xbond Markets

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the CEO	Date	Date of entry into force
General Terms of Service of the BÉTa Market	3/BÉTa/2019	29 November 2019	1 January 2020
General Terms of Service of the Xtend Market	23/Xtend/2019	29 November 2019	2 December 2019
General Terms of Service of the Xbond Market	14/Xbond/2019	29 November 2019	2 December 2019

### 2. ORDERS

Orders of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of Directors	Date	No. of the approval by the CEO	Date of entry into force
Regarding the Professional Representation	24/2018	18 April 2018	-	19 April 2018
Regarding the Schedule of Fees Applied by the Exchange	-	-	418/2019 17 December 2019	1 January 2019
Regarding the Operational and Organizational Rules	19/2019	16 April 2019	-	16 April 2019



The Magyar Nemzeti Bank also supervises whether the operation of the Budapest Stock Exchange Ltd. complies with the relevant legal rules and the Exchange's regulations. In order to fulfil this task, the person appointed by the Supervisory Authority is entitled to review and check the stock exchange trading on the terminal placed at the Supervisory Authority as well as to be present at the General Meeting of the Budapest Stock Exchange Ltd. and at the meetings of the Board of Directors and the Advisory Committees and to inspect the records of the Budapest Stock Exchange.

The Board of Directors provides for the following in stock exchange orders: the fees charged by the BSE for those who use the services of the Stock Exchange, the Bylaw of Organization and Operation in respect of the Stock Exchange's work organization, the trading regulation of the free market system and the order of the representation of interest for stock exchange traders, issuers and investors.

The rules of the operation of the multilateral trading facility are governed by a separate regulation adopted by the CEO.

The Budapest Stock Exchange Ltd. has adopted the necessary mandatory regulations prescribed in the Act on Accounting as well as the stocktaking regulation for assets and liabilities and a cash management regulation. The methodology of evaluation assets and liabilities is found in the accounting policy.

## ACCOUNTING PRINCIPLES

An **error** is **significant** if the aggregate amount of the errors and the impact of errors established for the same year (meaning that values have to be added up), increasing or decreasing the equity or the profit/loss (regardless of their sign), reaches 2% of the balance sheet total for the given year.

**Receivables and liabilities in foreign funds** must be recalculated into HUF at the middle exchange rate published by the Magyar Nemzeti Bank.

When **evaluating receivables and liabilities**, in the case of receivables which were not paid by the balance sheet preparation date, the difference between the book value of the receivable and the amount expected to be collected must be determined based on the information available at the balance sheet preparation date. **Impairment must be accounted for as the difference but only when it proves to be permanent and is of a significant amount.** In the case of receivables, **impairment is significant** if it exceeds 50% of the book value of the receivables.





# EVALUATION METHODS

## BALANCE SHEET

### INTANGIBLE ASSETS

Intangible assets must be recognised in the balance sheet at cost or at the book value less the accounted ordinary and extraordinary depreciation plus the reversed amount of the extraordinary depreciation - advance payments made for intangible assets must be recognised at the transferred amount, net of the deductible input VAT - and increased by the reversed impairment.

The **purchased software applications** were evaluated at net value.

### TANGIBLE ASSETS

**Tangible assets** must be evaluated at cost **in the balance sheet**, less the applied annual depreciation, less extraordinary depreciation, plus the amount of the reversals. **Tangible assets** were evaluated at net value.

**Investments** were evaluated at the actual acquisition cost.

### FIXED FINANCIAL ASSETS

BSE has the following investments:

- **Budapest Institute of Banking Zrt. (BIB)**

Registered office:	Bp. Szabadság tér 7., Bank center Irodaház, Platina torony I. épület, IV. emelet
Number of issued shares:	1 200
Nominal value of shares:	100 000 HUF
Ownership share:	100%

After tax profit of BIB Ltd. for 2019 is expected at HUF -71 million.



### • Első Értékpapírosítási Tanácsadó Zrt. (ELÉT)

Registered office:	Bp. Szabadság tér 7., Bank center Irodaház, Platina torony I. épület, IV. emelet
Number of issued shares:	500
Nominal value of shares:	100 000 HUF
Ownership share:	100%

After tax profit of ELÉT Ltd. for 2019 is expected at HUF -159 million.

### • KELER Ltd.

Registered office:	Bp. VII. ker. Rákóczi út 70-72.
Number of issued shares:	900
Nominal value of shares:	5.000.000 HUF
Ownership share:	46.67%

After-tax profit of KELER Ltd. for 2019 is expected at HUF 1.1 billion.

### 3. Ownership structure of KELER Ltd. (HUF'000)

Owners	Subscribed capital	Ownership share
Budapest Stock Exchange Ltd.	2 100 000	46,67%
Magyar Nemzeti Bank	2 400 000	53,33%
<b>Total:</b>	<b>4 500 000</b>	<b>100,00%</b>

### • KELER CCP Central Counterparty Ltd.

Registered office:	Bp. VII. ker. Rákóczi út 70-72.
Number of issued shares:	262 320
Nominal value of shares:	10 000 HUF
Ownership share:	0.09%

After-tax profit of KELER CCP Ltd. for 2019 is expected at HUF 442 million.

### 4. Ownership structure of KELER Central Counterparty Ltd. (HUF'000)

Owners	Nr. of shares	Ownership share	HUF'000	
			Nominal value HUF 10 000/nr.	Issue value HUF 25 000/nr.
Budapest Stock Exchange Ltd.	238	0,09%	2 380	5 950
Magyar Nemzeti Bank	272	0,10%	2 720	6 800
KELER Ltd.	261 810	99,81%	2 618 100	6 545 250
<b>Total:</b>	<b>262 320</b>	<b>100,0%</b>	<b>2 623 200</b>	<b>6 558 000</b>



## 5. Equity structure of KELER Ltd. and KELER Central Counterparty Ltd.\* (HUF'000)

IFRS	HUF '000000		HUF '000	
	KELER		KELER CCP	
	31.12.2018	31.12.2019	31.12.2018	31.12.2019
Share capital	4 500	4 500	2 623 200	2 623 200
Capital reserves			3 934 800	3 934 800
Retained earnings	22 263	19 209	1 577 266	2 019 580
Statutory reserves	267	371		
Reserve of financial instruments on fair value (through OCI)	27	9	877	264
<b>Total:</b>	<b>27 057</b>	<b>24 089</b>	<b>8 136 143</b>	<b>8 577 844</b>

\* The numbers for the financial year 2019 of the KELER GROUP are preliminary, not yet audited.

## 6. Equity structure of Budapest Institute of Banking Ltd. (HUF '000)

	BIB	
	31.12.2018	31.12.2019
Share capital	80 000	120 000
Capital reserves	0	0
Retained earnings	-5 851	15 454
Non distributable reserves	6 019	2 919
Earnings for the period	18 205	-70 516
<b>Total:</b>	<b>98 373</b>	<b>67 857</b>

\* The numbers for the financial year 2019 of BIB are preliminary, not yet audited.

## 7. Equity structure of Első Értékpapírosítási Tanácsadó Zrt. (HUF '000)

	ELÉT	
	31.12.2018	31.12.2019
Share capital	n/a	50 000
Capital reserves	n/a	750 000
Retained earnings	n/a	0
Non distributable reserves	n/a	0
Earnings for the period	n/a	-158 557
<b>Total:</b>	<b>n/a</b>	<b>641 443</b>

\* The numbers for the financial year 2019 of ELÉT are preliminary, not yet audited.

## CALCULATION OF DEPRECIATION

**Fixed assets** were **depreciated** with the straight-line method as follows:

The acquisition price of **rights and concessions** are amortized over their estimated useful lives according to the accounting policies of the stock exchange.



**Intellectual property** and software are written off over **3 years**, with a depreciation rate of **33%**, **except for intangible property received from a legal predecessor** where the time of use at the legal predecessor must be taken into account when defining the period of depreciation. *However, the remaining time of use cannot be shorter than 1 year*, and depreciation must be accounted for the remaining period.

**Tangible assets** are depreciated with the straight-line method from the date of putting into use, based on the gross value, taking into account the time of use **except for tangible property received from a legal predecessor** where the time of use at the legal predecessor must be taken into account when defining the period of depreciation. *However, the remaining time of use cannot be shorter than 1 year*, and depreciation must be accounted for the remaining period. Depreciation is accounted for on a monthly basis.

Upon the calculation of depreciation, the following rates were applied:

#### **8. Depreciation norms applied for assets capitalised after 1 January 1992**

CWIP on rented properties	6,0 %
Technical instruments, machinery, vehicles	14,5 %
IT equipment	33,0 %

Assets with an individual purchase price below HUF 100,000 (i.e. the amount allowed by Section 80 (2) of the Act on Accounting) are depreciated in one amount immediately when put into use.



## 9. Changes to intangible and tangible assets (HUF '000)

### Changes to the gross value of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
<b>I. Intangible assets</b>	<b>1 416 875</b>	<b>87 787</b>	<b>523</b>	<b>0</b>	<b>1 504 138</b>
I/1. Concessions and similar rights and assets	4 682	453	523		4 611
I/2. Intellectual products	1 412 193	87 334	0		1 499 527
I/2.1. WIP on intangible assets	0				0
<b>II. Tangible assets</b>	<b>588 775</b>	<b>122 513</b>	<b>82 456</b>	<b>0</b>	<b>628 832</b>
II/1. Real estates	45 449	338	0	0	45 787
II/1.1. Buildings	0				0
II/1.2. Buildings and related concessions and similar rights	0				0
II/1.3. CWIP on rented properties	45 449	338	0		45 787
II/2. Cables	0				0
II/3. Technical equipments, machinery	5 370	39	329		5 080
II/4. IT equipments	401 295	120 573	80 691		441 178
II/5. Telecommunication equipments	8 901	1 241	987		9 155
II/6 Other equipments and fittings	88 428	321	449		88 300
II/7. Securities	583				583
II/8. Vehicles	38 749	0	0		38 749
II/9. Capital Work in Progress (CWIP)	0				0
II/10. Advance payments on CWIP	0	0			0
<b>I-II. Total</b>	<b>2 005 650</b>	<b>210 300</b>	<b>82 979</b>	<b>0</b>	<b>2 132 971</b>



### Changes to the depreciation of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
<b>I. Intangible assets</b>	<b>1 180 355</b>	<b>84 101</b>	<b>523</b>	<b>0</b>	<b>1 263 932</b>
I/1. Concessions and similar rights and assets	3 604	233	523		3 313
I/2. Intellectual products	1 176 751	83 868	0		1 260 619
I/2.1. WIP on intangible assets					
<b>II. Tangible assets</b>	<b>422 450</b>	<b>91 932</b>	<b>82 307</b>	<b>0</b>	<b>432 075</b>
II/1. Real estates	32 882	10 225	0	0	43 107
II/1.1. Buildings	0				0
II/1.2. Buildings and related concessions and similar rights	0				0
II/1.3. CWIP on rented properties	32 882	10 225	0		43 107
II/2. Cables	0				0
II/3. Technical equipments, machinery	5 056	241	329		4 968
II/4. IT equipments	282 087	70 372	80 543		271 916
II/5. Telecommunication equipments	8 895	592	986		8 501
II/6 Other equipments and fittings	77 024	4 313	449		80 889
II/7. Securities	0				0
II/8. Vehicles	16 506	6 188	0		22 695
II/9. Capital Work in Progress (CWIP)					
II/10. Advance payments on CWIP	0				0
<b>I-II. Total</b>	<b>1 602 805</b>	<b>176 032</b>	<b>82 830</b>	<b>0</b>	<b>1 696 007</b>



### Changes to the net value of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
<b>I. Intangible assets</b>	<b>236 520</b>	<b>3 686</b>	<b>0</b>	<b>0</b>	<b>240 206</b>
I/1. Concessions and similar rights and assets	1 078	220	0		1 298
I/2. Intellectual products	235 442	3 466	0		238 908
I/2.1. WIP on intangible assets	0				0
<b>II. Tangible assets</b>	<b>166 325</b>	<b>50 850</b>	<b>20 417</b>	<b>0</b>	<b>196 756</b>
II/1. Real estates	12 567	0	9 886	0	2 681
II/1.1. Buildings	0	0	0		0
II/1.2. Buildings and related concessions and similar rights	0	0	0		0
II/1.3. CWIP on rented properties	12 567	0	9 886	0	2 681
II/2. Cables	0	0	0		0
II/3. Technical equipments, machinery	314	0	202		112
II/4. IT equipments	119 208	50 201	147		169 260
II/5. Telecommunication equipments	6	649	1		654
II/6 Other equipments and fittings	11 404	0	3 992		7 412
II/7. Securities	583	0	0		583
II/8. Vehicles	22 243	0	6 188		16 054
II/9. Capital Work in Progress (CWIP)	0	0	0		0
II/10. Advance payments on CWIP	0	0	0		0
<b>I-II. Total</b>	<b>402 845</b>	<b>54 536</b>	<b>20 417</b>	<b>0</b>	<b>436 962</b>



## PURCHASED INVENTORIES

**Purchased inventories** were evaluated at the actual acquisition price except for print forms and other materials.

**Forms** and **other materials** were fully accounted for as use of materials (cost) at the date of acquisition. Year-end closing inventories were evaluated at the actual acquisition price, based on the stocktaking.

### 10. Inventories (HUF '000)

Description	31.12.2018	31.12.2019
PR material	1 769	2 211
Forms, other materials	1 224	1 483
Library books	1 071	669
Intermediated services	36	2 460
<b>Total inventories</b>	<b>4 100</b>	<b>6 823</b>

## ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

**Trade debtors** must be recognised in the balance sheet at the known and accepted amount or at the book value decreased by the accounted impairment and increased by the reversed impairment. Receivables from **employees** and **tax authorities** were evaluated based on an item-by-item reconciliation with the sub-ledgers.

### 11. Receivables (HUF '000)

Description	31.12.2018	31.12.2019
<b>Receivables from goods, delivery and services</b>	<b>107 002</b>	<b>162 686</b>
Corporate tax	12 328	10 124
VAT	17 974	51 169
Local tax	4 171	2 765
Innovation contribution	641	0
Other receivables	2 112	6 582
Prepayments to suppliers	27	0
<b>Receivables from affiliated companies</b>	<b>54 647</b>	<b>9 946</b>
<b>Total receivables</b>	<b>198 902</b>	<b>243 273</b>





## 12. Impairment accounted for receivables (HUF '000)

Description	Year of the accounting of impairment	Amount of impairment as of 31 December 2019
	2011	50
	2012	2 368
	2013	4 076
	2014	4 664
	2015	9 410
	2016	2 200
	2017	1 529
	2018	1 588
	2019	2 097
<b>Total impairment on receivables</b>		<b>27 982</b>

## SECURITIES

BSE did not own any T-bills or other short-term securities as of 31 December 2019.

## 13. Securities (HUF '000)

Description	31.12.2018	31.12.2019
Zero-coupon treasury bill	0	0
<b>Total Securities</b>	<b>0</b>	<b>0</b>

## CASH

**Cash** was recognised at the values of the last bank account statements of 2019.

## 14. Cash (HUF '000)

Description	31.12.2018	31.12.2019
HUF accounts	829 094	1 866 482
Fixed HUF deposits	300 000	0
EUR accounts	206 558	84 523
<b>Total cash</b>	<b>1 335 652</b>	<b>1 951 005</b>



## PREPAID EXPENSES AND ACCRUED INCOME

Expenses incurred before the balance sheet date which can only be accounted as cost for the period following the balance sheet date, and income which is only due after the balance sheet date but that should be accounted for the period closed by the balance sheet, as well as the amount not yet accounted for as an item decreasing the profit from the difference defined in Section 68 (1) of the Act on Accounting, must be recognised separately as prepaid expenses and accrued income.

### 15. Prepayments and accrued income (HUF '000)

Description	31.12.2018	31.12.2019
Interest on tied-up deposits and bank accounts due for the reporting period but not yet realised	7	0
Transaction fees for December, 2018/2019	70 422	77 885
Annual maintenance fees for the 4th quarter, 2018/2019	85 228	94 320
Vendor fees for 2018/2019	56 094	69 428
ELITE, GINOP+KMR	85 721	154 600
Other income	9 216	19 464
<b>Total accrued income</b>	<b>306 688</b>	<b>415 697</b>
Insurance	7 342	2 395
Newspaper subscriptions	424	368
Membership fees of international organizations	965	167
IBM IFX maintenance fee	0	186
Other software, maintenance fee	29 848	19 460
Other	10 460	2 252
<b>Total prepayments</b>	<b>49 039</b>	<b>24 828</b>
<b>Total prepayments and accrued income</b>	<b>355 727</b>	<b>440 525</b>

For the projects of GINOP and Central-Hungarian region, HUF 101 million was paid for the supported SME activities, however, this amount will only be accounted for later on between BSE and the central supporting office. From the amounts accrued in 2018, HUF 3,4 million is still recorded as of 31 December 2019.



## EQUITY

**Equity** is recognised at book value.

### 16. Changes to equity (HUF '000)

Denomination	31.12.2018	Additions	Disposals	31.12.2019
Share capital	541 348	0	0	541 348
Capital reserves	2 576 356	0	0	2 576 356
Retained earnings	3 104 876	296 702	0	3 401 578
Net profit for the year 2018	296 702	0	296 702	0
Net profit for the year 2019	0	1 496 795	0	1 496 795
<b>Total shareholder's equity</b>	<b>6 519 282</b>	<b>1 793 497</b>	<b>296 702</b>	<b>8 016 077</b>

The board of directors of BSE suggested that there should be no dividend payout for the financial year 2019, so the retained earnings can cover the expenses for the implementation of the market development strategy.

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.

## LIABILITIES

Out of **current liabilities**:

- trade creditors including VAT were evaluated at the acknowledged, invoiced amount;
- liabilities to employees and tax authorities were recognised in the balance sheet based on a reconciliation with the sub-ledgers.



## 17. Current liabilities (HUF '000)

Description	31.12.2018	31.12.2019
<b>Liabilities on delivery of goods and services</b>	<b>207 369</b>	<b>291 817</b>
<b>Liabilities for affiliated companies</b>	<b>400</b>	<b>457</b>
Taxes and contributions payable:		
Personal income tax	20 883	22 196
Rehabilitation contribution	978	1 090
Vocational contribution	2 032	2 133
Car tax	177	179
Contributions to Health and Pension fund	24 553	25 744
Social security contribution	26 306	27 142
Healthcare contribution	1 336	0
Other	28	8 488
GINOP and Region of Central Hungary projects advances	495 102	587 807
<b>Advances</b>	<b>0</b>	<b>2 666</b>
<b>Total liabilities</b>	<b>779 164</b>	<b>969 719</b>

The unused GINOP and Central-Hungarian project advances are shown as liabilities.

## ACCRUED EXPENSES AND DEFERRED INCOME

The following must be recognised separately as accrued expenses and deferred income:

- income received before the balance sheet date which will form the sales revenue of the period after the balance sheet date,
- costs and expenses for the period before the balance sheet date which will only be incurred and invoiced in the period after the balance sheet date,
- compensation claims, default interest and court costs enforced and submitted against the Stock Exchange between the balance sheet date and the balance sheet preparation date.

The amounts of the accruals must be supported by accounting records (invoices, calculations, resolutions issued by the competent persons, etc.) which prove the legal nature and justification of such accruals.



## 18. Accrued expenses and deferred income (HUF '000)

Description	31.12.2018	31.12.2019
2019/2020 minimum section fees invoiced in 2018/2019	63 400	63 512
<b>Total deferred income</b>	<b>63 400</b>	<b>63 512</b>
Audit	2 642	2 892
Marketmaking, analysis	10 889	7 625
OMX license fee	9 219	0
Professional services	41 228	12 278
Bonus for year 2019 (with SSC)	57 893	60 861
Others	8 531	3 503
<b>Total accrued expenses</b>	<b>130 402</b>	<b>87 159</b>
<b>Total accrued expenses and deferred income</b>	<b>193 802</b>	<b>150 671</b>

## Income statement

The results of the stock exchange activity were defined with the **total cost method** (version A) by decreasing the income in the business year by material-type, personnel and other expenses as well as depreciation.

The annual reporting and bookkeeping obligation of the Stock Exchange is stipulated by Government Decree No. 459/2015 (XII.29.). In accordance with the government decree, the fees charged for the services recorded in the Fee Schedule were recognised as "Income from exchange activities" instead of "Net sales".

## 19. Revenues (HUF '000)

Description	31.12.2018	31.12.2019
Revenues from listing fees	407 408	442 049
Revenues from trading fees	1 089 735	1 030 062
Revenues from information services	789 230	884 136
Sub-contracted services	51 668	52 069
<b>Total revenues from stock exchange activities</b>	<b>2 338 041</b>	<b>2 408 316</b>



Description	31.12.2018	31.12.2019
<b>Domestic revenue from exchange activities</b>	<b>1 464 615</b>	<b>1 443 121</b>
<b>Export</b>		
USA	274 946	312 352
UK	268 586	298 161
Switzerland	14 915	27 300
Japan	1 233	1 286
Australia	0	945
Israel	1 233	1 286
Norway	8 365	8 815
Turkey	462	482
Canada	154	161
European Union	303 532	314 406
<b>Export revenues from exchange activities</b>	<b>873 426</b>	<b>965 195</b>
<b>Total net sales from exchange activities</b>	<b>2 338 041</b>	<b>2 408 316</b>

Description	31.12.2018	31.12.2019
Revenue from the sales of tangible assets	6 684	329
Income from trainings	432	432
Income from the sponsorship of certain events	16 050	24 937
Other income	22 710	11 533
Late payment interests	315	67
Income from subsidy programs	114 235	190 763
Distribution of assets to founder (PTÁV)	2 287	12 398
Income from ELITE program	36 752	5 010
<b>Total other income</b>	<b>199 465</b>	<b>245 469</b>

Description	31.12.2018	31.12.2019
Dividend income	399 971	1 866 667
Interest on term deposit	7	272
Other interest	204	332
Foreign exchange gain	12 300	18 086
<b>Income from financial transactions</b>	<b>412 482</b>	<b>1 885 356</b>
Foreign exchange loss	5 756	7 973
<b>Expenses of financial transactions</b>	<b>5 756</b>	<b>7 973</b>
<b>Profit/loss from financial activities</b>	<b>406 726</b>	<b>1 877 383</b>



## MATERIAL-TYPE EXPENSES

As of 2001, if Section 123 (2) of the VAT Act requires that the input VAT of the service be divided proportionally, the non-deductible VAT must be accounted for under other expenses rather than as a cost.

### 20. Material-type expenses (HUF '000)

Description	31.12.2018	31.12.2019
Sub-contracted services	51 668	52 069
Material costs	7 170	5 808
Travelling costs	17 110	14 940
Maintenance costs	21 232	20 186
Telecommunication costs	6 491	7 704
Other rental fees	42 196	48 912
K2 licence fee	4 131	4 196
Trading system licence fee	173 982	178 357
Outsource and consultancy fees	189 979	414 254
Training costs	13 933	18 747
PR expenses	270 177	279 309
Membership fees of international organizations	10 919	10 310
International conferences	26 019	12 673
Other services	28 221	28 016
Internet access	2 880	2 939
Deutsche Börse technical connection fees	24 330	24 806
<b>Costs related to the rented property:</b>		
Rental	80 870	79 481
Operating expenses	31 820	32 191
Bank charges, insurance fees, royalties	12 944	22 773
<b>Total material-type expenses</b>	<b>1 016 072</b>	<b>1 257 671</b>

The increase of Consultancy fees is mainly due to the market research, preparation and planning expert work in order to found the subsidiary of BSE.

### 21. Fees paid for the audit and other services of auditors (HUF '000)

Description	31.12.2018	31.12.2019
Audit of the HAR annual report	3 416	3 416
Audit of the IFRS financial statements	931	931
<b>Total fees paid to EY</b>	<b>4 347</b>	<b>4 347</b>



## PERSONNEL COSTS

In 2018, the average number of staff at the Budapest Stock Exchange was 59 and in 2019, 60. The average statistical staff number and wage costs did not include those on maternity leave or on unpaid leave.

### 22. Personnel-type expenses (HUF '000)

Description	31.12.2018	31.12.2019
Wage costs for full-time employees	714 716	763 999
Honoraria for Board members	49 680	52 360
Honoraria for Supervisory Board members	33 120	35 760
Wage costs for off-payroll staff	5 062	3 728
<b>Wages and salaries</b>	<b>802 578</b>	<b>855 847</b>
Fringe benefits	31 085	28 353
Wages for sick leave, other well-being costs	5 220	3 741
Representation costs	9 197	12 630
Personal income tax paid by employer	9 414	8 810
<b>Other employee benefits</b>	<b>54 916</b>	<b>53 533</b>
Vocational contribution	12 108	13 000
Rehabilitation contribution	3 664	4 023
Health contribution	11 395	0
Social security contribution	156 471	169 771
Fringe benefits related tax and contribution	0	2 841
<b>Contributions on wages and salaries</b>	<b>183 638</b>	<b>189 635</b>
<b>Total personnel costs</b>	<b>1 041 132</b>	<b>1 099 015</b>

## HONORARIA TO THE OFFICERS OF THE BUDAPEST STOCK EXCHANGE LTD

### 23. Honoraria of elected officers

According to the resolution No. 27/2017. the honoraria were as follows:

#### Board of Directors

Chairman: seven times of the minimum wage/month

Members: five times of the minimum wage/month

#### Supervisory Board

Chairman: five times of the minimum wage/month

Members: three times of the minimum wage/month





## 24. Other expenses (HUF '000)

Description	31.12.2018	31.12.2019
Derecognition due to scrapping/ Impairment/ Lending losses	1 588	54 731
Book value of the sold tangible assets	6 669	149
Other	7 401	9 321
Subsidies given	9 887	6 485
Innovation contribution	6 793	7 004
Extraordinary tax of financial institutions	123 084	137 390
Local taxes and local business tax	45 286	46 692
Supervisory Authority fee	1 698	2 038
Non-deductible VAT on fixed assets	33 689	32 150
Non-deductible VAT on costs	140 002	166 252
Permanent handover of cash	75 000	0
EU project - subsidies given	4 000	39 443
<b>Total other expenses</b>	<b>455 097</b>	<b>501 655</b>

The equity of BIB has decreased in its first years of operation. According to the provisions of Act C. of 2000 on Accounting and the principle of prudence, BSE has accounted for an impairment, in the amount of the difference between the equity of BIB and the book value of the investment.

In the financial year 2018 and 2019, Budapest Stock Exchange had no special occurrence or extraordinarily significant income or expenses.



## Transactions with related parties

### RELATED PARTIES

The main owner of BSE is the Magyar Nemzeti Bank (1054 Budapest, Szabadság tér 9.), owning 81,35% of shares.

Name:	KELER Ltd.
Registered office:	1074 Budapest, Rákóczi út 70-72.
Tax number:	EU Tax No: HU10873151
Company registration No:	01-10-042346
Ownership share:	46.67%

Name:	KELER CCP Ltd.
Registered office:	1074 Budapest, Rákóczi út 70-72.
Tax number:	23183034-2-44
Company registration No:	01-10-046985
Ownership share:	0.09%

Name:	Budapest Institute of Banking Ltd.
Registered office:	1054 Budapest, Szabadság tér 7. Platina torony I/4
Tax number:	26133124-2-41
Company registration No:	01-10-049493
Ownership share	100.00%

Name:	Első Értékpapírosítási Tanácsadó Zrt.
Registered office:	1054 Budapest, Szabadság tér 7. Platina torony I/4
Tax number:	27044292-2-41
Company registration No:	01-10-140452
Ownership share	100.00%



## 25. Transactions with related parties

Description	Net amount HUF
<b>Revenues (KELER Ltd.)</b>	
Takeover of mandatory publishing activities	8 900 000
Event sponsorship	3 000 000
Dividend received	1 866 666 667
<b>Revenues (Magyar Nemzeti Bank)</b>	
Rented lines and access	4 802 087
Dual education	3 000 000
Education activity	216 000
Development activity	1 600 000
Stock exchange activity revenue	1 000 000
<b>Revenues (Budapest Institute of Banking Ltd.)</b>	
Interest on loan	1 333 854
<b>Revenues (Első Értékpapírosítási Tanácsadó Ltd.)</b>	
Sub-contracted services revenue	3 116 703
<b>Expenses (Magyar Nemzeti Bank)</b>	
Expenses to charge forward	346 331
<b>Expenses (KELER Ltd.)</b>	
Maintenance fee of the register of shareholders	740 000
Maintenance fee of security account	451 112
Market data sales	8 000 000
Other	25 537
<b>Expenses (Budapest Institute of Banking Ltd.)</b>	
Education	4 080 200
<b>Other items related to affiliated company (Budapest Institute of Banking Ltd.)</b>	
Parent company guarantee	3 069 968
Loan	75 000 000



Trade receivables and payables towards related parties as of 31/12/2019

Related party	Trade accounts receivable (HUF)	Trade accounts payable (HUF)
KELER Központi Értéktár Ltd.	0	0
KELER KSZF CCP	0	53 156
Magyar Nemzeti Bank	633 985	457 497
Budapest Institute of Banking Ltd.	5 390 541	0
ELÉT Ltd.	3 921 177	0

## Corporate tax

In accordance with the obligation to file returns, we have adjusted the tax base as follows:

### 26. Calculation of corporate tax (HUF '000)

Description	31.12.2019
<b>Items increasing pre-tax profits:</b>	
Amount accounted for as depreciation in the tax year in accordance with the Act on Accounting	176 032
Impairment loss recognized for receivables in the tax year	2 586
Not recognized costs/Annex 3 (entertainment, business gifts, assets transferred free of charge)	1 620
Transfer price between affiliated companies	20
Amounts accounted for as expenses and assessed as a result of the self-revision, tax audit	9
Aid given without repayment obligation	0
Permanent cash handover	0
<b>Total items increasing the tax base</b>	<b>180 266</b>
<b>Items decreasing pre-tax profits:</b>	
Depreciation in accordance with tax law	198 694
Mobility support given in 2019	0
Impairment reversal for receivables in the tax year	0
50% of revenues accounted among pre-tax results in the tax year based on the royalty received	7 137
Income from dividends received	1 866 667
Long-term donation provided to a public-benefit organization, 20% of the support	1 085
<b>Total items decreasing the tax base</b>	<b>2 073 582</b>
<b>Corporate tax</b>	
Profit/loss before taxation	1 496 795
Total items decreasing pre-tax profits	2 073 582
Total items increasing pre-tax profits	180 266
Tax base	-396 521
Corporate tax (9%)	0
<b>Calculated corporate tax</b>	<b>0</b>
Tax benefit for the subsidy of certain team sports/performing arts organizations	0
<b>Total corporate tax</b>	<b>0</b>



## EXCHANGE MEMBERSHIP

The number of exchange members at the Budapest Stock Exchange Ltd. totalled 25 as of 31 December 2019. At the end of 2019, 18 members in the Equities Section, 19 members in the Debt Securities section, 13 members in the Derivatives Section (futures market - 13 members, options market - 10 members) and 1 member in the Commodities Section had trading rights.

At the end of the year there were 11 members in BÉTa Market, 13 members in Xtend and 10 members in Xbond Market.

There are 3 members that only have trading rights for auctions.

### Granting exchange membership in 2019

- Magyar Nemzeti Bank – trading licence in the Debt Securities Section (25 June 2019)

### Termination of exchange membership in 2019

- NHB Növekedési és Hitel Bank Zrt.. – Equities Section, BÉTa Market, Xtend Market (14 March 2019)
- Deutsche Bank AG London Branch – Debt Securities Section (22 October 2019)

## 27. List of section members

	Section member	Equities section	Debt Securities Section	Derivatives section		Commodity section	BÉTa market	Xtend Market	Xbond Market
				Futures	Options				
1	BNP Paribas S.A.	-	F	-	-	-	-	-	-
2	Citibank Europe plc Magyarországi Fióktelepe	-	F	-	-	-	-	-	-
3	CIB Bank Zrt.	X	X	X	F	-	X	-	X
4	CONCORDE Értékpapír Zrt.	X	X	X	X	-	-	X	-
5	Deutsche Bank AG Magyarországi Fióktelep	-	F	-	-	-	-	-	-
6	EQUILOR Befektetési Zrt.	X	X	X	X	X	X	X	X
7	ERSTE Befektetési Zrt.	X	X	X	X	-	X	X	X
8	Goldman Sachs International	-	F	-	-	-	-	-	-
9	Interactive Brokers (UK) Limited	X	-	-	-	-	-	-	-
10	ING Bank N.V. Magyarországi Fióktelepe	X	X	X	-	-	-	-	-
11	J.P. Morgan Securities plc	-	F	-	-	-	-	-	-
12	KBC Securities Magyarországi Fióktelepe	X	X	X	-	-	X	X	-
13	Kereskedelmi és Hitelbank Zrt.	-	X	-	-	-	-	-	X
14	Magyar Nemzeti Bank	-	X	-	-	-	-	-	X
15	MTB Magyar Takarékszövetkezeti Bank Zrt.	X	X	X	X	-	-	X	X
16	MKB Bank Zrt.	X	X	X	F	-	X	X	X
17	OTP Bank Nyrt.	X	X	X	X	-	X	X	X
18	Patria Finance a.s.	X	-	-	-	-	-	-	-
19	Raiffeisen Centrobank AG	X	-	X	X	-	X	X	-
20	Random Capital Broker Zrt.	X	-	X	-	-	X	X	-
21	RAIFFEISEN Bank Zrt.	X	X	X	X	-	X	X	X
22	Société Générale SA	X	X	-	-	-	-	-	-
23	SPB Befektetési Zrt.	X	-	-	-	-	X	X	-
24	UniCredit Bank Hungary Zrt.	X	X	X	X	-	-	X	X
25	WOOD & Company Financial Services a.s.	X	-	-	-	-	X	X	-

F: Suspended the right to trade

X: It has the right to trade

-: It has no right to trade



## 28. Shareholders exceeding 5 % stake

Shareholder	Ownership ratio	
	%	Nr of shares
Magyar Nemzeti Bank	81,35%	4 403 872
KBC Securities Hungarian Branch Office	5,20%	281 667
Other	13,45%	727 942
<b>Total</b>	<b>100,00%</b>	<b>5 413 481</b>

The headquarters of the Magyar Nemzeti Bank are at 1054 Budapest, Szabadság tér 9.

## 29. Equity and profit per share (HUF '000)

Description	31.12.2018	31.12.2019
<b>Shareholders' equity</b>	<b>6 519 282</b>	<b>8 016 077</b>
Share capital	541 348	541 348
Capital reserves	2 576 356	2 576 356
Retained earnings	3 104 876	3 401 578
Earnings for the year	296 702	1 496 795
Number of shares issued	5 413 481	5 413 481
Nominal value of share (HUF/share)	100	100
Price per share at issue (HUF/share)	854	854
Equity per share (HUF/share)	1 204	1 481
<b>EPS</b> (net profit / number of shares) HUF	<b>55</b>	<b>276</b>
<b>ROE</b> (profit after tax / (average of opening and closing value of the shareholders' equity )	<b>4,66%</b>	<b>20,60%</b>

### 30. The financial, assets and income position

The following indices show the development of the financial, asset and income situation of the Stock Exchange.

Indices	31.12.2018		31.12.2019		Index
	HUF'000		HUF'000		
<b>Income to equity</b>					
<i>(Earnings for the year / Equity)</i>	296 702 6 519 282	= 4,55%	1 496 795 8 016 077	= 18,67%	410,33%
<b>Income to sales</b>					
<i>(Earnings for the year / Revenues from exchange activities)</i>	296 702 2 338 041	= 12,69%	1 496 795 2 408 316	= 62,15%	489,76%
<b>Liquidity ratio</b>					
<i>(Current assets – Inventories/ Liabilities)</i>	1 534 554 779 164	= 196,95%	2 194 278 969 719	= 226,28%	14,89%
<b>Capital adequacy</b>					
<i>(Equity / Balance Sheet Total)</i>	6 519 282 7 492 248	= 87,01%	8 016 077 9 136 467	= 87,74%	0,83%
<b>Assets to income</b>					
<i>(Earnings for the year / Balance Sheet Total)</i>	296 702 7 492 248	= 3,96%	1 496 795 9 136 467	= 16,38%	413,64%
<b>Ratio of tangible assets</b>					
<i>(Tangible assets / Balance Sheet Total)</i>	166 325 7 492 248	= 2,22%	196 756 9 136 467	= 2,15%	-3,15%
<b>Ratio of current assets</b>					
<i>(Current assets / Balance Sheet Total)</i>	1 538 654 7 492 248	= 20,54%	2 201 101 9 136 467	= 24,09%	117,28%
<b>Ratio of equity and liabilities</b>					
<i>(Liabilities / Equity)</i>	779 164 6 519 282	= 11,95%	969 719 8 016 077	= 12,10%	1,26%



### 31. EBITDA statement (HUF '000)

Description	31.12.2018	31.12.2019
Operating revenues + transferred services	2 338 041	2 408 316
Other income	199 465	245 469
<b>Total revenue</b>	<b>2 537 506</b>	<b>2 653 785</b>
Operating costs and expenses without depreciation	2 343 931	2 674 259
<b>EBITDA</b>	<b>193 575</b>	<b>-20 474</b>
Depreciation and amortisation	135 229	176 032
Income from financial activities	406 726	1 877 383
Extraordinary tax of financial institutions	123 084	137 390
Local business tax	45 286	46 692
<b>PROFIT AFTER INCOME TAX</b>	<b>296 702</b>	<b>1 496 795</b>

### 32. Development expenses (HUF '000)

No.	Description	31.12.2018	31.12.2019
1.	Development	53 596	45 130
2.	Network	15 356	8 800
3.	PC	7 372	8 034
4.	Servers	82 905	116 573
5.	Trading system	0	195
6.	Document and process management	1 350	812
7.	Website	15 653	21 374
8.	IT Security	45 257	6 903
9.	Non-IT investments	1 202	2 480
	<b>TOTAL</b>	<b>222 691</b>	<b>210 300</b>

Development expenses do not include VAT.

### 33. Subsidies

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

Payroll expenses incurred in 2018 accounted for the program totalled HUF 65 million, in 2019 HUF 53 million. In 2018 BSE accounted for HUF 5.9 million consulting expenses, and accrued a further HUF 4 million. In 2019, BSE accrued HUF 6.9 million consulting expenses.

In 2018, HUF 4 million, in 2019, HUF 74 million was used to subsidise SME-s in the program.

Another similar project also started, which is applicable to the Central-Hungarian Region. For preparing the project BSE accounted for HUF 5 million service costs, besides payroll costs of HUF 30 million – also recorded as accrued revenue in 2018. In 2019 BSE incurred HUF 21.5 million payroll expenses, HUF 3.8 million consulting expenses and other expenses of HUF 4.3 million.

For SME subsidy BSE has spent HUF 27.3 million.





On the balance sheet, HUF 489 million (GINOP) and HUF 99 million (Central Region) advance payments are recorded, which will be used in the future for the purposes of the program.

#### **34. Events after balance sheet date**

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

March has brought a significant price fall on BSE, BUX index (containing securities of the greatest companies) has significantly decreased. Analytics explain this by the expansion of the coronavirus, its effect on economy and the reactions of investors.

Stock trading need to continue seamlessly as closure of the exchange in itself would not change the underlying cause of the market volatility, however, it would stop transparent price formation and the opportunity of investors to access their funds, on the whole it would further increase market anxiety and insecurity.

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.

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 2020, according to Q1 of 2020. As of 29 February, our revenues have exceeded planned proportioned values by 13%, 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.



### 35. Cash Flow (HUF '000)

No.	Description	31.12.2018	31.12.2019
<b>I.</b>	<b>Cash flows from ordinary activities</b> ( <i>Operating cash flow, rows 1-16</i> )	<b>574 706</b>	<b>-168 280</b>
1	Profit/loss before taxation	296 702	1 496 795
2	Annual amortisation of assets	135 229	176 033
3	Impairment and reversal for the year	-11 322	54 239
4	Difference between the allocation and use of provisions	0	0
5	Profit (loss) from the sales of fixed assets	15	-179
6	Changes to trade payables	79 136	84 505
7	Changes to other current liabilities	504 595	106 050
8	Changes to accrued expenses and deferred income	-34 652	-43 131
9	Changes to trade debtors	8 176	-53 079
10	Changes to current assets (excluding trade debtors, cash and securities)	-19 803	-36 111
11	Overdue, written-off receivables	0	0
12	Purchases or sale of securities	0	0
13	Changes to prepaid expenses and accrued income	-58 188	-84 798
14	Taxes paid and payable	0	0
15	Dividends approved	0	0
16	Investing/financing CF corrections	-325 182	-1 868 604
<b>II.</b>	<b>Cash flows from investment activities</b> ( <i>rows 17-24</i> )	<b>145 497</b>	<b>783 633</b>
17	Acquisition of fixed assets, foundation of subsidiary and raising its capital	-222 692	-210 300
18	Foundation of subsidiary	0	-800 000
19	Raising capital of subsidiary	-40 000	0
20	Sales of fixed assets	8 007	329
21	Redemption or termination of long-term given loans and bank deposits	0	0
22	Long-term given loans and bank deposits	0	-75 000
23	Dividends received	399 971	1 866 667
24	Interest received	211	1 937
<b>III.</b>	<b>Cash flows from financial activities</b> ( <i>rows 25-30</i> )	<b>-75 000</b>	<b>0</b>
25	Loans drawn	0	0
26	Cash received definitively	0	0
27	Bond repayment	0	0
28	Loan repayment	0	0
29	Cash transferred definitively	-75 000	0
30	Housing loan repayment	0	0
<b>IV.</b>	<b>Changes to cash flows</b> ( <i>rows +I.+II.+III.</i> )	<b>645 203</b>	<b>615 353</b>
	<b>Opening cash balance</b>	<b>690 449</b>	<b>1 335 652</b>
	<b>Closing cash balance</b>	<b>1 335 652</b>	<b>1 951 005</b>
	Securities at the end of the year (in HUF)	0	0
	Cash at the end of the year (in HUF)	1 335 652 013	1 951 005 048

Budapest, 29 April, 2020

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director



# BUSINESS REPORT FOR THE YEAR 2019





## THE BUDAPEST STOCK EXCHANGE

A key player on the Hungarian money and capital markets, the Budapest Stock Exchange (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.

As the successor to the first Hungarian stock exchange, founded more than 155 years ago in 1864, the Budapest Stock Exchange plays a pivotal role both in Hungary's and the Central Eastern European region's capital markets. As a result of the dynamic growth it achieved after its re-establishment in 1990, BSE now provides the highest level of service in compliance with the standards of developed markets, to security issuers, traders and investors from around the world.

In the last nearly three decades, Budapest Stock Exchange evolved into the most innovative market in the region: it was the first to introduce, among other activities, options and futures trading. The exchange pioneered the listing of exchange-traded funds in the region and was among the first to use central counterparty services, an essential component of the safety of settlements, in collaboration with KELER.

Today, BSE offers investors the broadest range of products in the region. Alongside equities and debt securities, which are traditionally the most popular, the range also includes investment funds and structured products, as well as international equities.

On 20 November 2015, the Magyar Nemzeti Bank (MNB) concluded a purchase agreement with the former owners of the Budapest Stock Exchange, the Austrian CEESEG AG and Österreichische Kontrollbank AG. As a result of this transaction, MNB became the qualified majority shareholder in BSE. Brought under national ownership, BSE was required by its new owner to formulate a five-year strategy for 2016-2020 along the lines of capital market development objectives in order to set the priorities that will determine the direction of stock market development for years to come.

Shareholders of BSE decided to found a subsidiary dealing with consultancy for securitisation, on the general meeting of 14 August 2019. According to the modification of the Act CXX of 2001, BSE founded Első Értékpapírosítási Tanácsadó Zrt as its 100% subsidiary, which started its operation in September 2019. The purpose of ELÉT is to proactively help the domestic spread of securitisation, thereby contributing to the development of the Hungarian financial and stock markets, utilising related business opportunities, while taking care of investor protection as well.

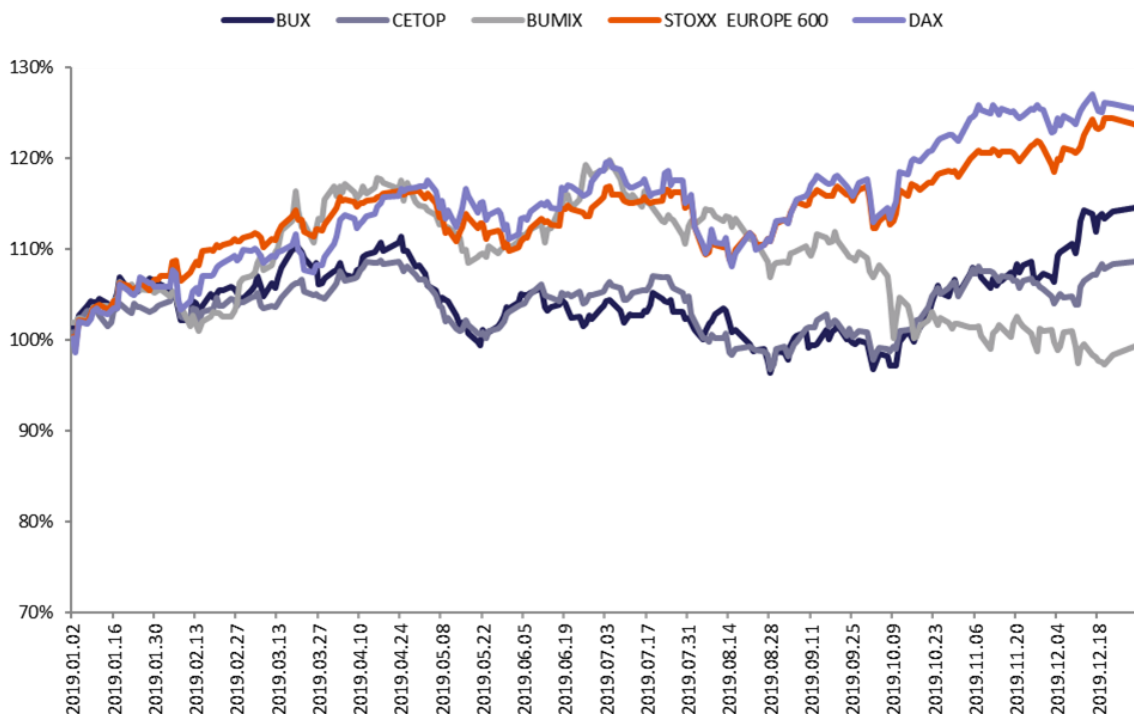
The operation of ELÉT supports the realisation of the National Bond Programme of MNB, widens the monetary political assets of MNB through the securitisation of commercial bank's loan portfolios, since securitisation diversifies loan risks, thus decreases the stability risk of the financial intermediary system.

The most important upside of securitisation is that it increases loan supplies for the borrower (currently the SME) segment, strengthens financial stability and further develops the efficiency of monetary transmission.

## Market trends in 2019

Following its minimum correction last year, BUX has gradually increased in the course of 2019 and closed the period at an all time high level. The 15% appreciation of the leading Hungarian index in EUR terms has significantly exceeded that of the 9% of the rise of CETOP, but has been weaker compared to the 25% rally of the STOXX Europe 600 index. However, in the same period BUMIX has lost 1% of its value in EUR terms.

Chart 1: Relative performance of European indices in 2019



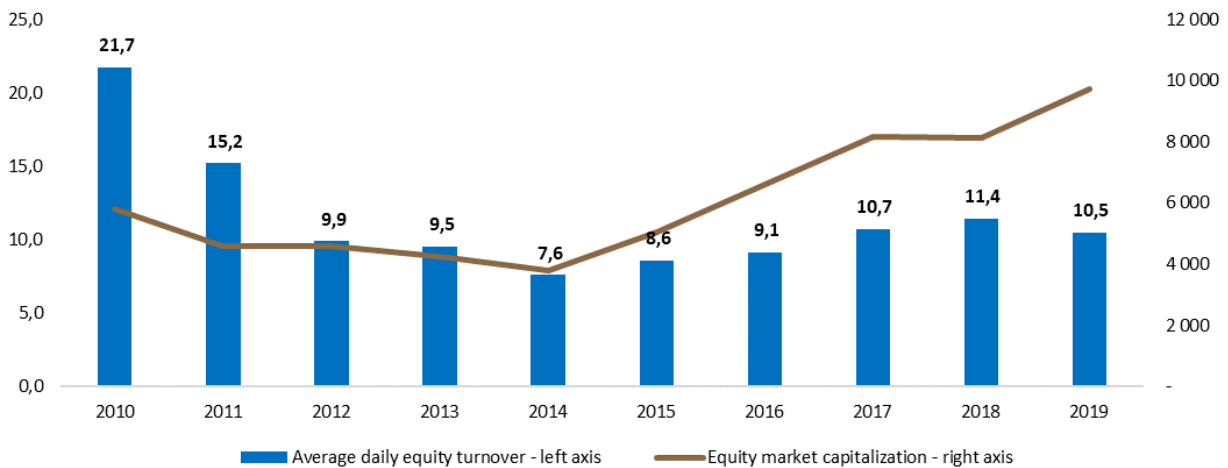
Source: BSE, Reuters

## Cash market

The average daily equity turnover of BSE declined 8,5% yoy to HUF 10.5bn in 2019, primarily on the back of low volatility. Contrary to the previous years when November proved to be the strongest month in terms of volumes traded, in 2019 the month with the highest turnover was March with HUF 14.1bn of volume.

The market capitalization of shares listed on BSE skyrocketed to HUF 9 712bn, up 19,7% yoy.

Chart 2: Average daily equity turnover and equity market capitalisation 2010 – 2019 (HUFbn)



Source: BSE

Over the past years equities have accounted for the bulk of the turnover of the cash market. The ratio of mid- and small caps to the total turnover remained above 10%, similarly to the previous years' concentration.

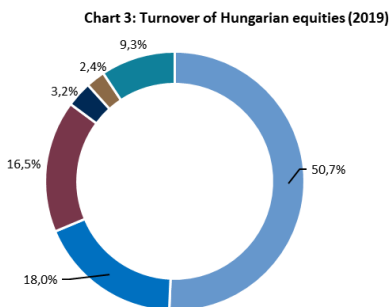
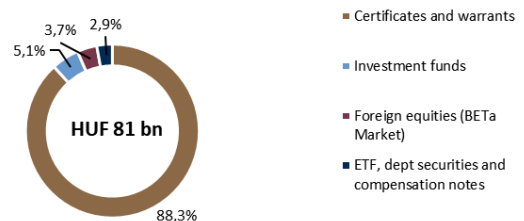


Chart 4: Turnover of other cash market products (2019)

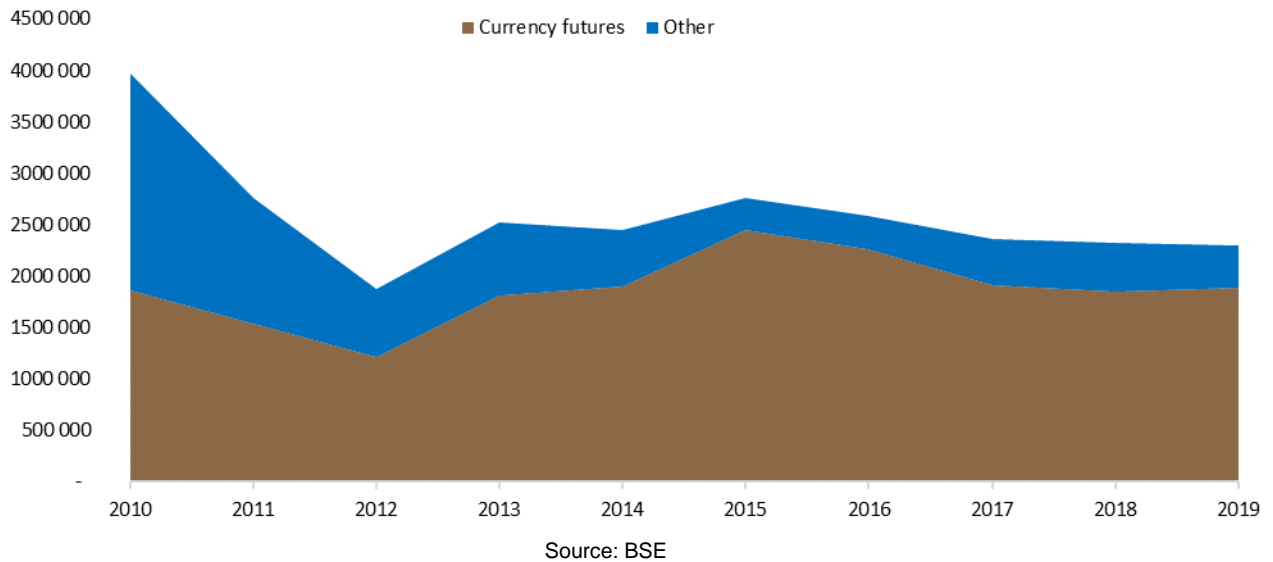


Source: BSE

## Futures market

In 2019, the futures market has seen a relatively calm period, with trading figures remaining broadly in line with the levels of the previous year both in terms of trading volumes and breakdown between the different instruments.

Chart 5: Monthly change of futures turnover 2010 – 2019 (HUFbn)



## New listings and products on the BSE's markets

In 2019, three domestic companies asked the introduction of their shares on the BSE: the ordinary shares of MKB Bank Plc. were listed on the BSE's regulated market, while those of GOPD Plc. and DM-KER Plc. were registered on the BSE Xtend Market. Trading with the shares of CyBERG Corp. Nyrt. on BSE Xtend, the new MTF platform established by BSE for small and medium-sized enterprises, started in January 2019; GOPD Plc. shares are traded as from August. By the end of the year altogether 17 Nominated Advisers operated on the BSE Xtend Market. New equity issuers are expected to appear in the BSE Xtend Market in 2020.

2019's most significant corporate event on the Budapest floor was KONZUM PLC.'s merger into OPUS GLOBAL Nyrt. as of 1 July 2019. This was the first time in BSE's almost 30-year history when a listed equity issuer merged into another BSE-listed company; furthermore, the transaction's outstanding volume also made this event remarkable for BSE. The merger was preceded by OPUS GLOBAL's share capital increase in April: this transaction of HUF 127.7 bn also scored a record in BSE history. As a result of the fusion, BSE's 5<sup>th</sup> largest issuer in terms of capitalisation was formed.

The pool of shares available on BSE was further expanded by a number of share capital increases: in the course of 2019, 7 companies concluded altogether 12 share capital increases via private placements in the total value of HUF 146.8 bn, an all-time high (replacing the earlier record of HUF 79.1 bn, reached in the previous year). In addition to OPUS GLOBAL's transaction mentioned above, the share capital increase of AutoWallis Plc. in April, in the value of HUF 15.8 bn, is worth highlighting.



Not counting KONZUM merging into OPUS GLOBAL, no equity issuers left the stock exchange in 2019. In April, Csepel Holding and in May, EHEP had to decrease their share capital, by cutting the face value of their shares, due to loss settlement; CIG Pannonia Life Insurance Plc. withdrew capital from the exchange in September, also by face value reduction.

As opposed to 2-3 such events in previous years, 5 issuers concluded a share split during 2019: AutoWallis in February, Budapesti Ingatlan Nyrt. and 4iG Nyrt. in June, and SET GROUP Nyrt. and AKKO Invest Plc. in October.

The new share category scheme launched in 2019 triggered a strong wave of recategorization. During the year 5 issuers initiated its upgrading from category T to the Standard Market: OTT\_ONE Nyrt. and SET GROUP Nyrt. in May, FuturAqua Plc. in June, Órmester Nyrt. in September, and Key-Soft Plc. in December. Similarly to previous years, upgrading from the Standard to the Premium Market remained an attractive goal for issuers: in June 2019, two issuers, 4iG Nyrt. and AutoWallis Plc. managed to enter the Premium Market. No downgrading was necessary following the regular half-yearly category reviews. As a result, at the end of the year, 20 issuers could be found in the Premium category and 16 in the Standard category. Thanks to the reclassification requests during the year, only 2 issuers closed the year in category T (which is no longer open to newcomers) by the end of 2019; the shares of only one issuer remained decategorized.

On the investment notes market, the number of new listings in 2019 was roughly the same as in the previous year, as the investment notes of 7 closed-end investment funds were listed. Just like in 2018, all new funds were launched by K&H Fund Management Plc. The total face value of the newly listed investment notes surpassed that of the previous year by 127%, nearing HUF 31.3 bn, almost half of which pertained to K&H Fund Management's new pharmaceutical derivative fund. 16 funds were delisted during 2019. The year-end total market capitalisation of BSE-listed investment funds was HUF 173 bn, which means a 5.5% decrease from the previous year.

On the debt securities market, regarding government debt securities, the number of listings in 2019 slightly decreased by 9% with respect to last year's level with 165 new issuances and tap issues, whereas the volume of the securities series listed dropped by 16%. Nevertheless, the total face value of all government debt securities listed increased by 3%, reaching HUF 16,983 bn by the end of the year.

In the case of mortgage bonds, the outstandingly active year of 2018 in terms of exchange listings was followed by a strong setback in 2019. The number of listings and tap issues dropped by a third, while the total volume introduced into exchange trading shrunk to one-sixth of previous year's value, to HUF 120.9 bn. OTP Mortgage Bank Ltd. and K&H Mortgage Bank Ltd. had no new listings at all in 2019, but the listed volumes of the other three issuers dropped as well. Due to the long maturity of the securities listed in this segment, however, the total market capitalisation of mortgage bonds listed on the BSE decreased only slightly, by 4%, closing at HUF 1,321 bn at the end of the year.

As a contrast, 2019 marked a year of recovery and a fresh start for corporate bonds. The number of new issues (27) was 50% higher than that of the previous year, whereas the growth rate for the number of new and tap issues combined (40) was 53.8%. Furthermore, the total face value of securities newly introduced into exchange trading reached HUF 351,8 bn, which surpassed 2018's





amount by 164%. 52% of the new bond volume derived from the issuances of MFB Ltd. In 2019, BSE could welcome the second foreign issuer in its debt securities section, the International Investment Bank. Both Bank of China, joining the Budapest floor in 2018, and IIB, listed two new bond series each in the course of 2019. Year-end total market capitalisation on this revitalised segment reached HUF 615 bn, marking a 59% growth on an annual basis.

On BSE's new bond MTF launched in 2019, BSE Xbond, the registration of the first issuer took place in December: trading with MOL Plc's new MOL 2029 HUF bonds began on 19 December 2019. Within the framework of the National Bond Programme (NKP) launched by Magyar Nemzeti Bank, 14 more issuers concluded successful auctions in the second half of 2019, and roughly the same number of further companies attained ratings necessary for issuing NKP bonds. These issuers are expected to enter BSE Xbond in the course of 2020.

In 2019, Erste Group Bank AG issued and listed 137 structured products (turbo certificates and warrants). Although this figure is 21% less than in 2018, the total number of structured products tradeable on the BSE at the end of 2019 (169) surpassed the previous year-end number by 17%. There was no change in the number of structured products issued by Raiffeisen Centrobank AG and traded on the BSE. The total market capitalisation of the structured products available for trading on the BSE neared HUF 239 bn at the end of 2019, which marks a 41% increase with respect to the end of 2018.

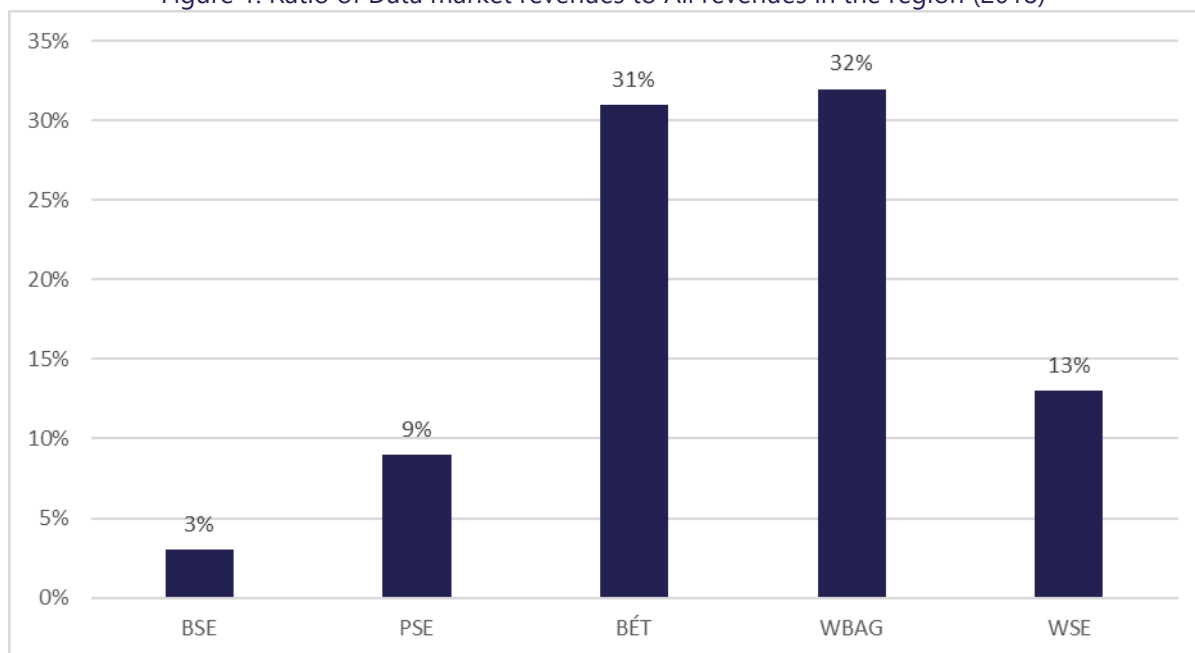
On the BETa Market, except for a technical modification (BSE deleted LINDE AG's shares and reintroduced LINDE PLC stocks), there were no changes in the list of shares available for trading on this market. Thus, at the end of 2019, the shares of 19 European blue-chips and 7 international ETFs were available for trading in HUF on this MTF platform operated by the Budapest Stock Exchange Ltd.

## Information services

Rising income with dropping subscription figures, fine tuning of new products and pricing

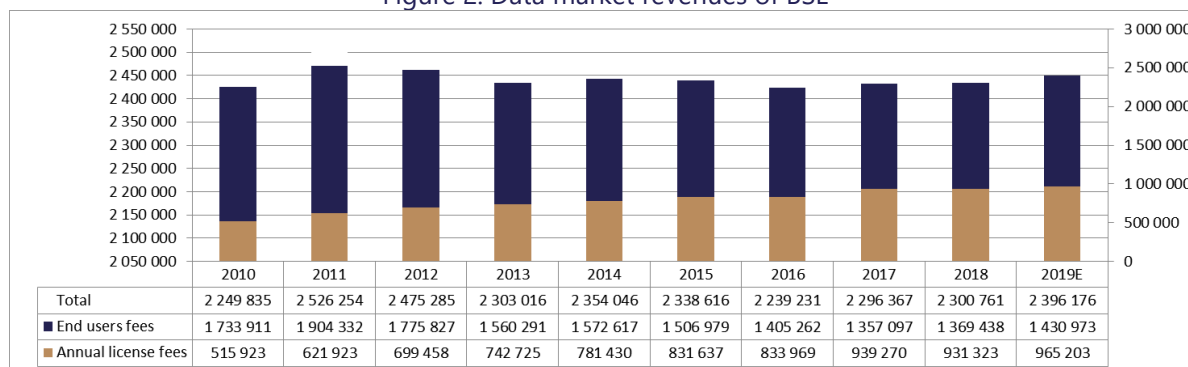
Data sales revenues represent approximately 30% of the total revenues of the BSE, which is an outstanding ratio even by the standards of regional countries.

Figure 1: Ratio of Data market revenues to All revenues in the region (2018)



Looking back, our data sales revenues show that values fluctuated smoothly around 2.35 million EUR over the past 10 years, with a steady growth over the last 4 years. Analysing the revenue structure, it's clearly visible that annual licence fees were on a continuous growth path due to increasing vendor numbers, however the erratic changes in end-user fees eroded the increase in revenues.

Figure 2: Data market revenues of BSE



As a result of the increased end-user fees that became applicable as of 1 April 2019, and of the increased interest from retail investors, the BSE has posted the largest increase in end-user fees since 2011. Revenues from annual license fees grew robustly in 2019.

The New Original Works (NOW) license was entirely updated during the financial year. The modified structure reflects current data usage forms on the market, such as data usage of multilateral trading facilities, or systematic internalisation, and over-the-counter trading. The pricing structure was updated, too, which got restructured along the various usage types, the complexities and added values of those. In addition, the naming of the license family was changed to Non-Display Data Usage (NDU).



## International relations

### **ROADSHOW EVENTS AND INTERNATIONAL CONFERENCES**

In 2019, the Budapest Stock Exchange attended several international conferences and organised roadshow events for stock exchange issuers.

The Budapest Stock Exchange and PKO BP Securities, a leading Polish investment provider, held an investor day in Warsaw in June with the participation of Richter Gedeon, Magyar Telekom, Waberer's, ANY Biztonsági Nyomda, Duna House, Pannergy and Wizz Air. The event had over 40 investor meetings.

On 18-19 June, the Budapest Stock Exchange and six Hungarian issuers attended the Spring Europe MidCap Event in Paris. At this event, ANY Biztonsági Nyomda, Duna House, Opus Global, Pannergy, 4iG and Waberer's had bilateral meetings with the nearly 150 Western European (mostly French, German, Spanish, British and BENELUX) family asset managers and institutional investors focusing on mid-cap stock investments.

The CEO of BSE attended the Lujiazui Forum in Shanghai.

Still in June, after the Lujiazui Forum, the Budapest Stock Exchange held its first investor event in China, hosted by the Shanghai Stock Exchange.

In October, the Budapest Stock Exchange was represented at the Erste Bank Vienna Conference which offered an opportunity for exchanging ideas with the fund managers of the Central and Eastern European region regarding the Hungarian market and the hidden potentials of the new regional index.

The regional investor day in London, organised in collaboration with JP Morgan Bank, was held for the fourth time on 21 November.

The Budapest Stock Exchange closed the series of international conferences with the Praha conference of Wood & Company this year again.

### **COOPERATION WITH V4 STOCK EXCHANGES**

The V4+CEE Capital Market Conference, organised by the Budapest Stock Exchange and hosting the stock exchanges of the Central and Eastern European region, was on 12 April, and Márton Nagy, Vice President of Magyar Nemzeti Bank, and Richárd Végh, CEO of the Budapest Stock Exchange, represented the Hungarian capital market at it.

This meeting brought together nearly 100 attendees representing the stock exchanges of the European region with the fastest growing economy and offered an opportunity for the heads of the stock exchanges of the V4 countries and of Slovenia and Bulgaria to discuss the potential of the region's capital markets, stock exchanges and listed companies. On the day before the stock exchange summit, the heads of the region's stock exchanges could meet at a closed meeting to



discuss, among other things, the growth of SMEs on the capital market and the opportunities to develop brands under a single brand.

At this event of six stock exchanges, the European Federation of Stock Exchanges also presented its strategy for developing the EU's capital market in the next five years, and the event also focused on the Polish pension reform adopted in November 2018.

The Krynica-Zdrój Economic Forum was held for the 29th time in Poland, between 3 and 5 September and the Budapest Stock Exchange also attended it. At this meeting, the CEOs of the Warsaw Stock Exchange, the Prague Stock Exchange, the Bratislava Stock Exchange, the Budapest Stock Exchange, the Zagreb Stock Exchange, the Bucharest Stock Exchange and the Ljubljana Stock Exchange signed an agreement on the creation of a new, joint stock index, the CEEplus.

The index basket contains stocks with the highest exchange turnover in the Central and Eastern European region, i.e. over 100 stocks. The value of this index is calculated by the Warsaw Stock Exchange on a daily basis and in the local currency, EUR and USD; the stock exchanges have, however, committed themselves to calculate the index in real time in the near future. This initiative could open the road towards investing in the region for further international and Hungarian institutions as well as retail investors.

The increase of index-linked investments in the past years encourages the trust that this index initiative could also assist in improving the liquidity of stock exchanges in the region, and that the index representing 100 stocks could ensure that not only the first 3 to 5 biggest stocks are included in investment portfolios but also the smaller companies.

## **CHINESE NETWORKING**

An especially important component of the capital market development activities of the Budapest Stock Exchange is, in line with the strategy of Magyar Nemzeti Bank, to strengthen the cooperation with the dynamically developing China whose economic growth and influence on global trends is still prominent.

The Chinese capital market shows continuous development; the Shanghai and Shenzhen stock exchanges are currently the 4th and 6th biggest ones in the world with 127 new stock issues this year, in a combined value of USD 20 billion.

Although the most dominant investors are still Chinese individuals who invest only a small portion of their total wealth on international markets; the liberalisation of the Chinese investor market is, however, increasingly conspicuous. The inclusion of Chinese stocks in global indices led to an increasing activity of foreign institutional fund managers in China. Among the investors, the most authoritative index is the MSCI index with a 4.1% Chinese weight this year. Economic growth also leads to increasing savings in China, and a large portion of Chinese savings is looking for international



investment opportunities. We must also mention that the capital flight is controlled; the current amount of foreign securities investments below the so-called QDII quota, the most popular one, is USD 100 billion.

## **STRATEGIC PARTNERSHIP WITH THE BANK OF CHINA**

The BSE laid down the fundamental pillars for a joint Chinese-Hungarian capital market cooperation in early 2017 by concluding a cooperation agreement with the Bank of China (BOC). The agreement advanced to the next level when trading in the yuan-based structured bonds of BOC, in the value of USD 15 million and EUR 8.5 million and first issued in the region, started in December 2018. The debt security subscribed by institutional investors (fund managers, banks and other companies) is backed by the yuan-based bond issued by the Hungarian State and expiring in July 2020 and providing an interest rate of 4.85%. This was followed by another bond issuance of Bank of China, this time in the value of USD 36 million and EUR 4 million, at the end of 2019.

BSE and the Bank of China will continue to take joint steps in order to encourage Chinese companies that are active in Hungary and the Central and Eastern European region to choose the Hungarian capital market for raising capital.

## **COOPERATION WITH CHINESE STOCK EXCHANGES**

In the past three years, the BSE concluded cooperation agreements with the Shanghai Gold Exchange (May 2017), the Shanghai Stock Exchange (May 2018) and the Shenzhen Stock Exchange (September 2019).

The aim of these agreements with the stock exchanges is to promote the Hungarian market among Chinese investors, and BSE is also to promote the Chinese market among Hungarian investors. Moreover, the BSE also aims at developing and introducing joint products with the Chinese stock exchanges, and the markets will support each other in data sales to ensure that Hungarian and Chinese stock exchange data get to as many investors as possible.

## **THE HUNGARIAN STOCK EXCHANGE PRESENTED ITSELF TO CHINESE MARKET PLAYERS**

The Budapest Stock Exchange presented itself at a conference for Chinese investment fund managers and their investment service providers in the building of the Shanghai Stock Exchange in mid June. The Hungarian Investor Day was attended by several players of the Hungarian and Chinese financial markets and was opened by Jiang Feng, the Chairman of the Shanghai Stock Exchange, Sun Yu, the Vice-president of the Bank of China, and Li Jun, the Deputy CEO of the Financial Services Office of the Shanghai Local Government.

At the investor meeting focusing on Hungary, presentations were given by Richárd Végh, the CEO of the Budapest Stock Exchange, Ni Huanjuan, the representative of the Beijing Office of OTP Bank and Szilárd Bolla, the Shanghai Consul General of Hungary. This was another step for BSE in strengthening the cooperation with a dynamically growing Chinese capital market.



## **FESE-RELATED WORK**

2019 proved to be another active year for the cooperation between the Budapest Stock Exchange and the Federation of European Securities Exchanges (FESE).

FESE is the common interest representation organisation of European regulated capital markets and exchanges. Its main purpose is representing these markets in European Union decision-making processes, primarily in establishing the Capital Markets Union. It currently includes 35 stock, commodity and energy exchanges and over 8,000 issuers from 30 countries. It counts the Deutsche Börse in Frankfurt, Euronext, the NASDAQ (which has offices in Europe as well), along with the Warsaw, Vienna, Prague and Bucharest exchanges among its members.

The key aspect of its vision is promoting and supporting the catching up of European small and medium-sized enterprises and making them IPO-ready, because SMEs represent 98% of enterprises in the European Union and employ two thirds of the employees and generate nearly 60% of economic activity in the EU. Several stock exchanges provide specialised markets for this, such as the BSE Xtend platform of the Budapest Stock Exchange, which is to support the growth plans of medium-sized enterprises.

The Budapest Stock Exchange has been actively collaborating with the Federation of European Securities Exchanges since 1999. The BSE became a full member of the organisation in 2004, following Hungary's accession to the European Union, but afterwards—in the previous ownership structure—only had technical membership through the CEESEG Group. After the National Bank of Hungary acquired majority ownership of the BSE, the Hungarian stock exchange was again granted full membership in the FESE as of June 2016. This allows the BSE to create cooperation opportunities with other stock exchange members and to gain more experience in international capital markets, thereby ensuring that the operation of the domestic stock exchange is EU-compliant and that the BSE is able to appropriately represent the interests of the Hungarian market when assessing frequently changing acts of legislation.

The role of the region's capital market strengthened further in December 2018. In addition to Petr Kobic's, the CEO of the Praha Stock Exchange and member of the Board of Directors of the Vienna Stock Exchange, becoming the new president of this advocacy organisation, he appointed Richárd Végh, the CEO of the Budapest Stock Exchange, member of his board of directors at the FESE General Meeting. The FESE membership facilitates the establishment of collaboration with other member exchanges and provides useful international experience for BSE, ensuring that the Hungarian stock market develops in line with the European guidelines.

The role of the European Commission and the FESE working closely together with it in solving the toughest challenges of European capital markets in 2019 (the global competitiveness of market infrastructure and the maintenance of transparency, security, integrity and fairness) is indisputable. The organisation provides opinions on the new directives and draft regulations of the Commission relating to capital markets. FESE's key lobby topics currently include the regulation related to MiFID II/MiFIR, the Securities Financing Transactions Regulation (SFTR), making data sales pricing unified and more transparent, the tick size regime, but the organisation also focuses on the impact of Brexit on the capital market sector.



## Brand building, Communication

Marketing communication and PR play important roles in the capital market development activities of the Budapest Stock Exchange.

### **THE HUNGARIAN CAPITAL MARKET IN THE MEDIA**

In 2019, investor communication focused mostly on increasing the stockholding of Hungarian households but also on emphasising the importance of funds raised on the capital market among issuers. In this context, with the BSE's support, daily articles, interviews and news reports were published on the most prestigious, most widely read and most widely listened-to economic media platforms.

The Stock Exchange makes an effort to establish and operate closer relations with those media that can reach retail investors better. Beyond statements and reports on monthly turnover data—now published on a regular basis and which mostly provide useful information to the specialised press on the Hungarian capital market—the Budapest Stock Exchange also publicises all important events and happenings related its activities as we try to be available to the representatives of the Hungarian press with press releases, interviews and industry articles.

Expressed in figures, in 2019 we released 8,000 stock exchange-related reports in the press, generating more than 925 million views. The calculated media equivalency value was more than HUF 1,500 million in this period.

The BSE has been working on reaching investors, potential and current issuers, as well as BSE partners through social media since September 2016. At the end of 2015, the Facebook page of the Budapest Stock Exchange had less than 500 followers, but by the end of 2019, we increased this to nearly 17,000, reaching the benchmark, the typical level for Hungarian investment service providers. At the same time, the number of LinkedIn followers jumped from 1,700 to above 2,300.

### **EVENTS**

The Budapest Stock Exchange holds three priority events each year. The first is the birthday of the Exchange in June, where together with the representatives of issuers on the Hungarian trading floor, exchange members and key partners, the Budapest Stock Exchange celebrates the anniversary of its reopening on 21 June 1990 after decades of involuntary hiatus.

The other is the Best of the BSE Awards Gala, which the Budapest Stock Exchange has been organising for twenty years to award the most outstanding yearly performances on the Hungarian capital market. By giving out the awards at the Best of BSE Gala to kick off the year, the BSE evaluates the preceding year and ceremonially launches the next. A professional panel of capital market experts decides on the actual year's award categories, the award recipients, determining category winners based on entries received or turnover data. While for most of the categories, winners are selected on the basis of a quantitative methodology, in the case of the category for Domestic Stock Trading



Platform of the Year, a panel consisting of members of the Stock Exchange Advisory Board chose the winner after evaluating the entries received and on the basis of user ratings.

The 2018 Best of BSE Gala was on 17 January 2019 and it had four new award category. The award of the first category went to Ágnes Sütő (Hungarian Banking Federation) for building investor awareness. The award of the second category went to Róbert Réthy (Mol) for being the best investor contact person. The foreign bond issuer of the year was the Bank of China, which started to list its structured bond on the Budapest Stock Exchange in December 2018. Finally, the mortgage bond issuer of the year, OTP Jelzálogbank, also received an award.

At the 2018 Best of BSE Gala, the former CEO of Magyar Telekom, Christopher Mattheisen, received a lifetime achievement award from the Budapest Stock Exchange for developing the Hungarian capital market. The "Award for Stock Trading Company with the Highest Turnover for the Year" went to Concorde Értékpapír Zrt. which had a turnover of HUF 1,582 billion, the second highest turnover was realised by Wood & Co. and the third highest was realised by Este Befektetési Zrt. The "Award for BUX Futures Index Trading Company with the Highest Turnover for the Year" and the "Award for Futures Stock Trading Company with the Highest Turnover for the Year" went to Erste Befektetési Zrt. The title "Currency Futures Trading Company with the Highest Turnover" went to Raiffeisen Bank Zrt., the "Stock Issuer with the Highest Turnover for the Year" went to OTP Bank with a HUF 1,370 billion one-off turnover. The "Award for the Highest Equity Capital Increase of the Year" went to Konzum, which was acquired by Opus during the year; "The Stock Issuer of the Year" award went to Megakrán Nyrt., which opened the trading on BSE Xtend. The "Bond Issuer of the Year" award went to Magyar Fejlesztési Bank Zrt. The Data Service Provider of the Year award went to RND Solutions Zrt. When awarding the title of "Investment Service Provider of the Year", in addition to turnover data, the panel also took the nominee's work performed in the interest of the Hungarian capital market into account, meaning that this year the award went to OTP Bank. The award for Issuer Transparency went to Mol, and the Special Mid-Cap Issuer Transparency award to ANY Biztonsági Nyomda Nyrt. The winner of the "Domestic Stock Trading Platform of the Year for 2018" award could be voted for on the BSE website after prior registration, and, according to the highest number of valid votes, it went to the "Webbroker" online trading platform of KBC Equitas.

The 2018 Best of BSE award ceremony was sponsored by the KELER Group.

The SME Conference, the "BSE50—Summit of Medium-sized Enterprises", which was on 19 September 2019 (for the fourth time since its start in 2016) is another important event of the BSE. Its over 500 participants were welcomed by Mihály Patai, the Chairman of the Budapest Stock Exchange and Vice-President of Magyar Nemzeti Bank; the keynote address was given by György Matolcsy, the President of Magyar Nemzeti Bank.

In accordance with the customs, the BSE50 2019 publication was presented at this event. Just as its previous editions, it presents the inspirational stories of 50 Hungarian businesses, from the food industry to real estate and to IT companies.

The communication activities of the Budapest Stock Exchange focus on attracting potential issuers, mainly IPO-ready medium-sized businesses. Events play a key role in this respect – not only happenings organised by the BSE, such as professional forums, business breakfast meetings,





conferences, BSE Academies and visits to the stock exchange, but also college and university lectures given by our experts.

The BSE's event activities in terms of figures: In 2019 we participated at or organised 150 conferences, professional forums, bell-rings, visits to the exchange, press conferences, business breakfast or tea meetings. For nine thousand people, these events presented the only chance to meet with the BSE and the BSE's representatives at the domestic or international level.

## Education

### **THE IMPORTANCE OF FINANCIAL AWARENESS**

Today, financial skills and know-how are essential for purposeful life planning. Conveying basic financial knowledge as well as information on how the stock exchange works and its features to younger and older generations and thus contributing to the sustainable growth of the country are, therefore, of special importance to the Budapest Stock Exchange.

In addition to its core activities, this objective is expressed in BSE's major role in (financial) education and organising in stock exchange games and competitions. These initiatives attract outstanding interest which clearly shows that the population is recognising the importance of financial knowledge.

The Budapest Institute of Banking (BIB), a subsidiary of the Exchange, is responsible for vocational training courses, while the BSE organises free programmes for the general public, in particular for secondary school and university students. These include the BSE Academy's exchange courses for retail investors, visits by school groups and the Kochmeister Award. In 2019, we decided to give it to the student submitting the best written equity research analysis in the competition organised by the CFA Institute and CFA Society Hungary.

### **BIB (BUDAPEST INSTITUTE OF BANKING)**

The 2017 foundation of BIB is rooted in the matching of market needs with the social responsibility objectives of the National Bank of Hungary and the Budapest Stock Exchange. Modernisation of the financial education system and the existence of the BIB are justified by several factors including the complex regulatory requirements to ensure market stability as well as the pursuits to increase digitalisation and competitiveness.

The BIB offers up-to-date knowledge covering the entire Hungarian banking, financial and insurance sector in three pillars. The first pillar is the one- or two-day courses held for financial institutions that cover a wide educational spectrum. The other pillar is the area of so-called official trainings, which includes insurance brokerage or financial intermediary activities. The third pillar is the area of individual corporate training courses, where the BIB offers training customised for the given company or bank—with on-site training if needed.



2019 meant a strong year in the number of courses, lecturers and students for BIB, which has become a major player on the Hungarian financial education market.

### **STOCK DERBY COMPETITION**

In close collaboration with the Money Compass Foundation, the Budapest Stock Exchange organises a regular competition for secondary school students that aims to increase investor awareness and knowledge about the stock market.

Through this online contest, organised with huge success every year, players (secondary schools students and teachers) have the chance to discover the world of stock market trading without having to risk their own money. They can obtain useful capital market and business experience from this playful competition.

Over 1,800 students participated in the five-week competition in spring 2019. Each player had a virtual capital of HUF 2 million to create their own portfolio using real-time stock price data and to buy and sell securities traded on the BSE. The competition did not only focus on making the highest possible yield, as participants could increase their available capital by responding to quizzes about the stock exchange. In making their decisions and responding to the questions, players could rely on the Stock Exchange ABC, the investor awareness materials of the Money Compass Foundation, the textbook *Compass to Finance* and the BSE glossary. During the five weeks long Stock Derby Competition, players gave a total of 17,000 orders in a combined value of HUF 3.77 billion.

The best players were awarded by considering several criteria during the game. The most effective quiz players and those who had the highest portfolio increase per week were given weekly prizes; the student, teacher and parent whose portfolios had the highest value at the end of the competition were given valuable prizes, and the most active school was also awarded.

### **KEBA STOCK EXCHANGE COMPETITION**

Nearly 1,000 students in 300 teams from 180 secondary schools measured their skills with one another in one of Hungary's oldest financial and securities market competition, the Stock Exchange Game for Secondary School Students of the Central European Training Centre for Brokers (KEBA). 35 teams from regions beyond Hungary's borders, from 4 countries in total, also applied for the qualification round. There were teams with members from two cities, who did not know each other from earlier. The competition's flexibility made it, however, possible for them to get to the finals by keeping contact online. The winning team was the "Árpád Fund" team of the Szilágyi Erzsébet Secondary Grammar School in Budapest.

After the qualification round, the teams were required to submit essays for the semi-finals, and a professional panel of judges decided which teams can continue to the final. During the finals, students had to demonstrate their aptitude both in writing and orally. They first presented their previously written essays in 10 minutes, then they had the chance to demonstrate their knowledge in writing and oral assignments, then they were tested in topics related to the Budapest Stock Exchange and the Hungarian companies traded on the BSE. The panel of judges consisted of the representatives of Erste Befektetési Zrt., Keler CCP Zrt., Concorde Értékpapír Zrt., MKB Bank Nyrt., KEBA Alumni and BSE.



The organisers rewarded this year's best with professional awards and prizes. Prizes for the teams that qualified to the semi-finals were provided by the BSE; the professional grand prize was offered by the Budapest Institute of Banking (BIB): free 100-hour preparatory course for the special stock exchange examination for the best team. In addition, Erste Befektetési Zrt. offered a valuable internship at the company for the first team.

The panel of judges emphasised that the entries were again of extraordinarily high quality and the number of teams with outstanding performance in all fields of the competition is increasing every year. The competition is also a strong community builder, which is demonstrated by the KEBA Alumni, the organisation of the finalists of the previous years. In addition to contributing to the organisation and conduction of the competition, the association also organises professional events and continuously increases the professional network in order to keep up this 19 years old competition.

### **CFA-KOCHMEISTER INVESTMENT RESEARCH CHALLENGE**

This is the 10th year that the CFA Institute and the CFA Society Hungary has hosted the CFA Institute Research Challenge, their stock analysis competition for university students. This year, students were required to prepare an 8-10 pages long fundamental analysis in English about Duna House Nyrt., a company listed on the Budapest Stock Exchange. Four of the teams submitting the best written entries were given the chance to demonstrate their skills and knowledge orally as well at the final organised for the BSE Jubilee Ceremony.

The contestants received valuable prizes thanks to the CFA Society Hungary, and the main event sponsor, the Aegon Alapkezelő (Aegon Fund Manager) gave further prizes and internship opportunities to several contestants. The winners, the "Wave Partners" team of the Corvinus University of Budapest, also got the prestigious Kochmeister Prize established by the Budapest Stock Exchange in 2004. Winning in Hungary did not mean the end of the competition for the best team, because they got into the regional finals for teams from Europe, the Middle East and Africa.

The entries submitted for the 2018-2019 competition were assessed by a panel of renowned experts of the capital and financial markets: István Máté-Tóth, the BSE's Deputy CEO for Business Development, György Pálfi, Portfolio Manager of Aegon Alapkezelő, Dániel Schilling, Director of Finance at Duna House and Dániel Tunkli, Portfolio Manager at Accorde Alapkezelő.

### **BSE ACADEMIES**

One of the priority goals of the BSE's strategy for 2016-2020 is to improve the population's financial literacy. This is why the BSE Academy series of events on the BSE's educational activities places a particular focus on holding lectures and presentations that are open to all, free of charge.

As part of the lecture series, key experts of the Hungarian capital market introduced the world of the stock exchange, focusing on fascinating topics such as stock exchange psychology, Hungarian and international stock investments, the impact of economic news on the markets, as well as current market trends.

The Budapest Stock Exchange held two BSE Academies in 2019, one on 5 November and one on 4 December. Both were at the Corvinus University of Budapest. This year's lectures focused on active



and passive forms of investments, current trends, mission and platforms of the investor market, the nature of savings and the investment opportunities offered by BSE Xtend. The lecturers included heads of financial companies such as Random Capital, KBC Equitas, MKB Bank, Erse Befektetési Zrt. or Generali Alapkezelő. The two Academies attracted strong interest and demonstrated that the BSE Academies are still one of the most efficient tools to improve general financial literacy.

### **CSODALÁMPA ALAPÍTVÁNY (MAGIC LAMP FOUNDATION)**

In addition to educational initiatives, the BSE has been supporting the Magic Lamp Foundation for years, which seeks to make the wishes of sick children come true, bringing them unexpected joy and encouragement to persevere with lengthy treatments. Besides the financial support, BSE staff are also involved in the wish-granting process, and this trend will continue in 2020 as well.

### **FINTELLIGENCE LABORATORIES**

In order to enhance financial literacy, the government has developed a seven-year national financial awareness development strategy for 2017-2023, one of the priority objectives of which is to reach the age group most receptive to modern financial knowledge—namely students in higher education. An outstanding tool for this objective is the FINTELLIGENCE Financial Education Network, where students are introduced to the topic through an experience-based transfer of knowledge.

In the framework of the Network, FINTELLIGENCE Laboratories were opened in two locations to date, at the universities of Miskolc and Debrecen, with modern financial laboratories to also be established in Pécs, Budapest, Szeged and Cluj-Napoca (Romania), with financial and professional support from various banks. The University of Debrecen has established a unique, trust-based system of cooperation with the government, the private sector and financial institutions, which contributes to accomplishing the institution's educational, scientific and innovation goals.

Students in the finance-accounting undergraduate training of the University's Faculty of Economics will have the opportunity to use the 36 computers in a specially equipped classroom of the FINTELLIGENCE laboratory to learn about the latest technologies and applications used in the financial arena today. In the future, the University will also announce courses providing basic level practical financial training, open to any student of the University, while secondary school groups also get the opportunity to take part in interactive classes on finance.

## **Organization**

At the Budapest Stock Exchange on December 31, 2019 the number of active staff was 62, having decreased from the staff number of 63 in 2018. Out of 62, some people work fewer hours a day. The number of full-time equivalents were therefore 61.



## Financial investments

In accordance with legal provisions, the BSE invests its free liquid assets into bank deposits and government securities. In the balance sheet, investments were capitalised on historic costs. The BSE does not have debt, the company's liquid assets are stable, and liquidity risks are not to be reckoned with.

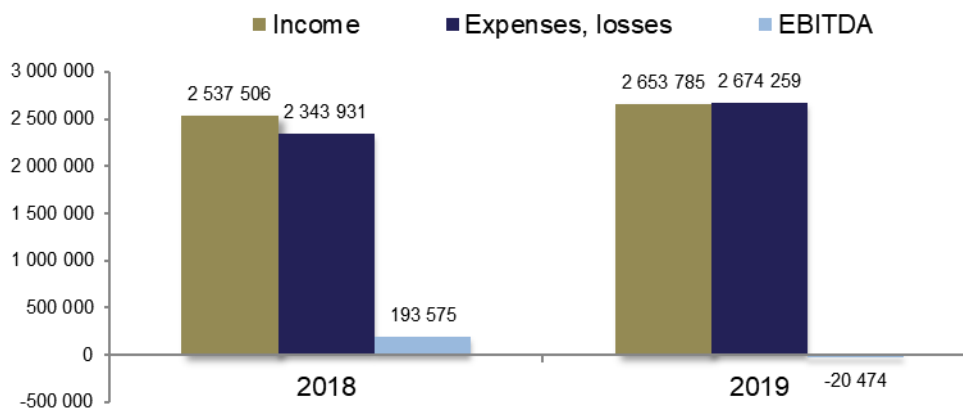
## The Financials of BSE

The revenues of the BSE amounted to HUF 2.65 billion, 4.58% higher than revenues of the previous year. Due to the increase of revenues, expenses, and impairment, BSE realized an EBITDA of HUF -20 million, 110.58% less than in 2018. The net profit was HUF 1 497 million.

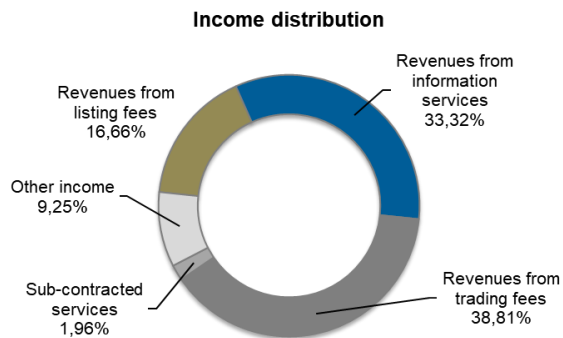
**Table 1: Revenue and earnings of BSE, 2009-2019**

('000 HUF)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total revenue	3 201 130	3 410 413	3 084 558	2 425 367	2 351 955	2 108 912	2 163 473	2 197 929	2 453 386	2 537 506	2 653 785
EBITDA	1 612 002	1 814 942	1 516 438	915 910	877 990	841 922	863 575	382 765	465 930	193 575	-20 474
Net profit	1 390 772	1 320 630	1 124 747	576 438	565 003	520 077	500 737	72 902	176 265	296 702	1 496 795

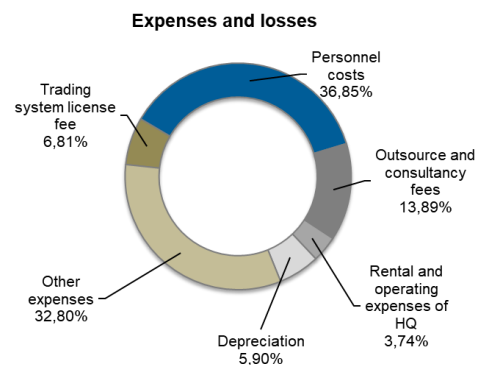
**Figure 3: Main financial data of BSE**



**Figure 4: Distribution of income – 2019**



**Figure 5: Distribution of expenses - 2019**



## Subsequent events after the Balance Sheet date

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

March has brought a significant price fall on BSE, BUX index (containing securities of the greatest companies) has significantly decreased. Analytics explain this by the expansion of the coronavirus, its effect on economy and the reactions of investors.

Stock trading need to continue seamlessly as closure of the exchange in itself would not solve the fundamental problems behind the decreases of prices, however, it would stop transparent pricing and the opportunity of investors to access their funds, on the whole it would further increase market tension and insecurity.

BSE continuously monitors 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 emergency 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 2020, according to Q1 of 2020. As of 29 February, our revenues have exceeded planned proportioned values by 13%, 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.



## Social elements of employment and CSR

Apart from compulsory elements of employee benefits, Budapest Stock Exchange ensures further aids and benefits (social and health payments, jubilee allowances) to its employees, the regulations of which are set in Company Codes. For the sake of equal employee rights BSE applies a plan for equal opportunities prescribed by laws. BSE also strives to be more than a regular business towards those members of the society who are open to the activities of a stock exchange. In order to develop the national capital market and financial culture, the Company organises visits and instructional presentations to the Exchange office for high school students, but anyone interested can attend the presentations of BSE Academy. Together with Pénziránytű Alapítvány, BSE organised an online stock exchange game for high school students in 2018 and 2019, where participants could experience trading without risking their own funds, and learn about stock exchange markets and deals. Similarly to the game, Kochmeister competition is also an annual program where BSE rewards young talents who write the best studies about topics related to the capital market specified in advance.

Budapest, 29 April, 2020

**Richárd Végh**  
CEO

**Katalin Sámel**  
Financial Director