



ANNUAL REPORT
2022

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EXECUTIVE SUMMARY

of 2022

Challenges. Replanning. Year of records. Three important thoughts on BSE's turbulent period, in which the company's adaptability to change was particularly emphasised. Barely out of the shadow of the pandemic, the world was hit by another shock in 2022 with the outbreak of the war between Russia and Ukraine in February. The military conflict in the region has rewritten the economic landscape of recent years, challenging capital market players both regionally and globally. Such challenging situations also present unique opportunities, and the market development efforts of the Budapest Stock Exchange are more valuable in such critical circumstances, as only an efficient and vibrant capital market can ensure economic stability.

The economic repercussions of the war have shaken stock markets around the world, with a few exceptions; inflationary pressures, the energy crisis and supply chain disruptions have all had a negative impact on investor sentiment. The BUX, the primary index of the Budapest Stock Exchange, also reflected global market trends, with highly volatile trading throughout the year, accompanied by exceptionally high turnover in the first half of 2022. Like most stock markets, the BUX index fell in the first half of the year, before rising from its autumn low to close the year at 43,794 points.



Richárd Végh

Chief Executive Officer of
Budapest Stock Exchange

However, the economic environment has not reduced the number of companies listed on BSE. Thanks in part to BSE's corporate education efforts, many have recognised that a properly diversified funding mix can be a competitive advantage in critical times. BSE's mid-cap platform, BSE Xtend, closed a year full of records, almost tripling the number of issuers in 2022, reaching 18 companies by the end of the year. New entrants cover a remarkably broad range of activities, from cybersecurity to innovative real estate technology and pharmaceuticals.

Hungarian SMEs were active in other elements of the BSE service portfolio as well, with 9 new companies receiving IPO support under the Mentor Programme and 21 companies successfully completing the ELITE course during the year.

In addition to BSE Xtend, the regulated market also saw the addition of new issuers during the year, with DM-KER moving up a level from BSE Xtend and eSense coming onto the Standard Market as a new entrant. Another milestone was the listing of Vienna Insurance Group, one of the leading insurance companies in the Central and Eastern European region. The company debuted in the Premium category in the context of a special cross-listing.

Among our existing issuers, the largest public share sale of the year took place in the autumn, with Masterplast raising HUF 9.2 billion, of which more than HUF 2 billion was raised through retail subscription. In general, retail investor activity in the capital markets also reached a new level in 2022, with direct share ownership exceeding HUF 1,400 billion, meaning that one-sixth of the shares listed on the BSE were held by Hungarian retail investors by the end of the year.



Dr. Mihály Patai
Chairman of the Budapest
Stock Exchange

In addition to the growing number of issuers and retail share ownership, we have also made progress in another key area, sustainability, in 2022. The range of services offered by the Mentor Programme for small and medium-sized enterprises has also been further expanded. In ESG training and green finance consulting, accredited training institutions and consultants assist companies in understanding the ESG approach and in developing a company-specific framework that is essential for green finance.

The Budapest Stock Exchange closed a successful year in 2022 from a business point of view as well, with fee revenues increased by 20% year on year to HUF 3.7 billion and a net profit/loss of HUF -213 million. While keeping costs low, EBITDA continued to improve, as in previous years, reaching HUF 1,619 million, representing a 41% increase compared to 2021.

All this suggests that, despite the unexpected challenges, the Hungarian capital market ecosystem continued to progress in 2022. The Budapest Stock Exchange will continue to implement its strategy to ensure that this trend remains unbroken and that the capital market continues to be an important arena for the Hungarian economy.

“Despite the unexpected challenges, the domestic capital market ecosystem continued to progress in 2022.”

BUDAPEST STOCK EXCHANGE - AN INTRODUCTION



KEY GOALS AND OPERATION

A key player on the Hungarian money and capital markets, Budapest Stock Exchange Ltd. (BSE) provides economic operators with access to financial resources and offers investors a broad range of investment instruments. A key objective of the Exchange is to create a stable and independently financed Hungarian economy, and to continuously improve the financial literacy of the Hungarian people and the corporate sector.

As the successor to the first Hungarian stock exchange, founded over 159 years ago in 1864, BSE plays a key role the capital markets of both Hungary and the Central Eastern European region. As a result of the dynamic growth it achieved after its re-establishment in 1990, BSE now provides the best services in compliance with the standards of developed markets, to security issuers, traders and investors from around the world.

In the last more than three decades, Budapest Stock Exchange evolved into one of the most innovative markets 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 a wide range of products. In addition to equities and debt securities, which are the traditionally the most popular in Hungary, the range also includes investment funds and structured products, as well as international equities. Its derivatives market encompasses not only futures and options trading, but also a foreign currency market with the highest trading volume in Europe and a commodities market which is unique in the Central and Eastern Europe region.

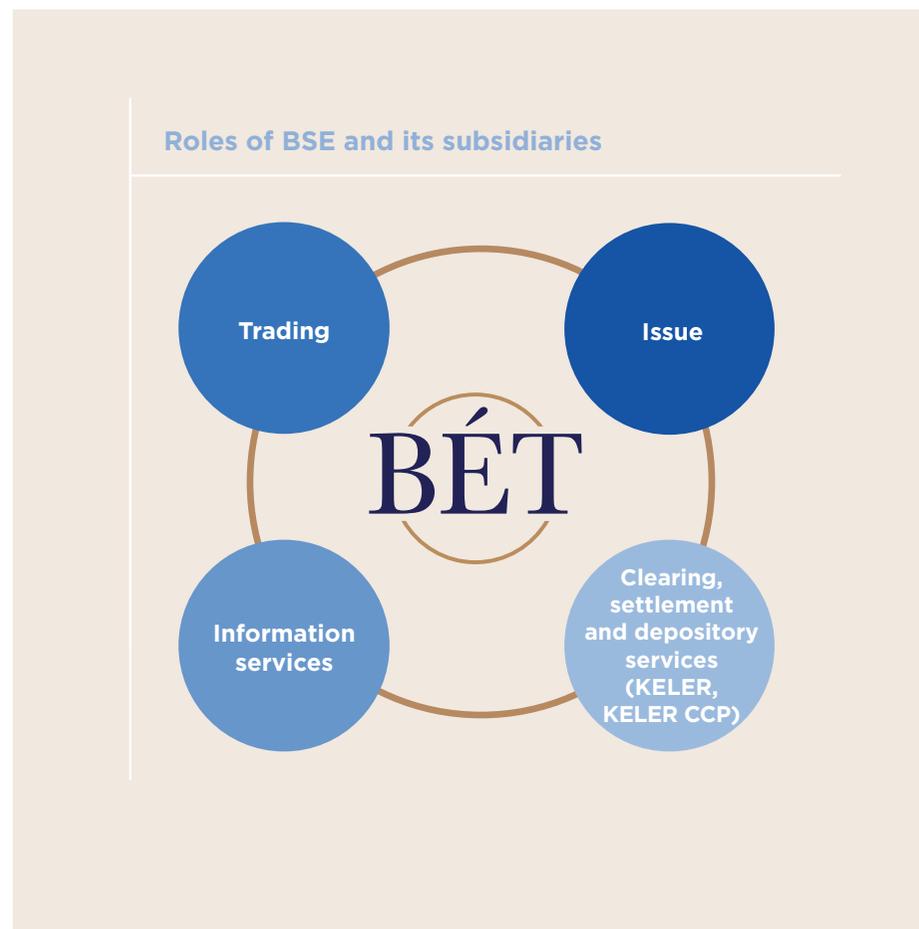
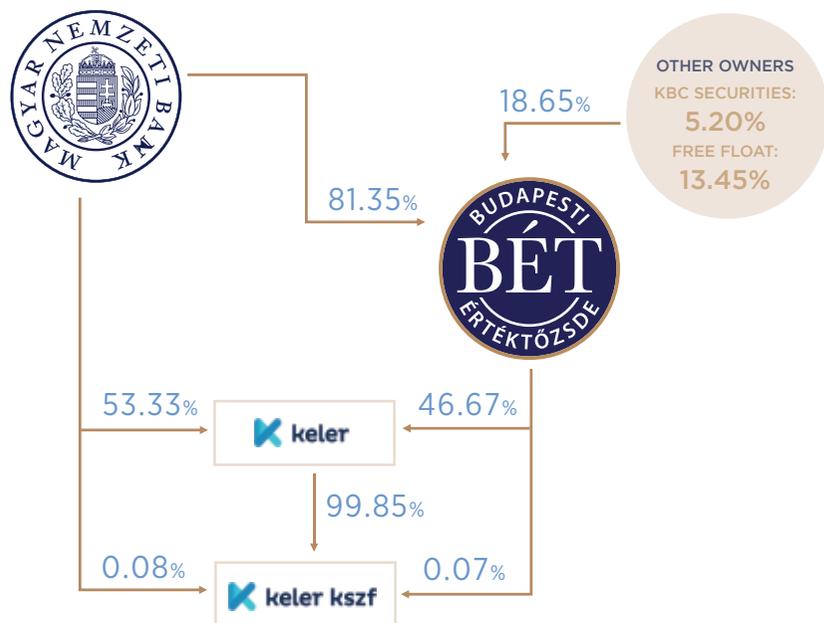
In summary, Budapest Stock Exchange provides issuance opportunities to companies raising funds, trading services to stock exchange member investment service providers and related information services to capital market participants. Apart from these activities, BSE, through its associates KELER and KELER CCP (KELER Group), is also involved in depository, settlement and clearing activities on the capital and energy markets.



BSE is committed to strengthening the role of capital markets in Hungary, helping companies grow and be competitive, while ensuring the prosperity of households, where the stock exchange enjoys a high level of trust as a key player.

On 20 November 2015, the Magyar Nemzeti Bank concluded a purchase agreement with the former owners of 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.

Ownership structure of BSE and its subsidiaries
(31 DECEMBER 2022)



STRATEGY OF BUDAPEST STOCK EXCHANGE

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

Although capital markets play a minor role in the Hungarian economy, even by the standards of its development level, recent years have seen an increasing demand for capital market financing and the emergence of new asset classes on the stock market, and, thanks to these processes catalysed in part by BSE, the stock exchange has brought some major achievements in strengthening the ecosystem and developing new products. Despite the high international and Hungarian interest rate environment in 2022 and the uncertain geopolitical and macroeconomic factors, BSE's position in this market is strong and could be one of the main beneficiaries of future capital market growth.

At the same time, BSE is also facing challenges: economies of scale are one of the main drivers of the consolidation processes seen in the sector,

but the current size of the Hungarian capital markets poses a strong constraint on the shift of the business model towards data solutions and technological innovation.

Value creation within the value chain is constantly shifting towards information technology, data, energy market products, and depository and CCP activities, causing a relative devaluation of the primary and secondary market business model. Furthermore, competitive pressure has increased in this area.

However, these risks are also opportunities: the current low level of development has the potential for significant organic growth; BSE is placing greater emphasis on regional cooperation, where more stock exchanges are in similar situations, which can generate revenue and cost synergies.

“BSE is placing greater emphasis on regional cooperation.”

The cornerstones of the new 5-year strategy

Exchange on the exchange

In addition to the many positive effects of going public (efficiency, transparency, broad range of shareholders, capital-raising opportunities, PR and marketing value), the listing of BSE is also a milestone in the realisation of the strategic objectives of the owners. The MNB, the majority owner intends to reduce its interest in BSE in the future and, if market conditions are favourable, it wishes to attract new investors and make them interested in the success of the Hungarian and regional capital markets. The IPO of BSE would be one of the first steps in this process.

New business segments and services

In the future, index developments and other new stock exchange services (e.g. data services), both for equities and bonds, will have a strong ESG focus, whether looking at current or potential new indices on the BSE. Sustainability is an increasingly important issue in Hungary and abroad. The exchange supports this process in the Hungarian capital market from two directions. Firstly, BSE's role is to be a catalysator of change as a central player in the capital market and to participate in building a green and sustainable capital market. Secondly, it also intended to open up to non-public capital markets with the launch of the new BSE Xmatch private placement platform.

Further extending the role of the capital market

We expect large corporations with decision centres in Hungary to make greater use of capital market solutions to financially support their strategic decisions. In addition to boosting the equity market, the development of the Hungarian corporate bond market also plays a key role, while increasing non-equity trading revenues is a further priority.

**Regional
and industry
cooperation**

The consolidation processes among European infrastructure providers and the increasing economic weight of the region give Budapest Stock Exchange an inescapable strategic point to address the different types of cooperation opportunities in the Central and Eastern European region.

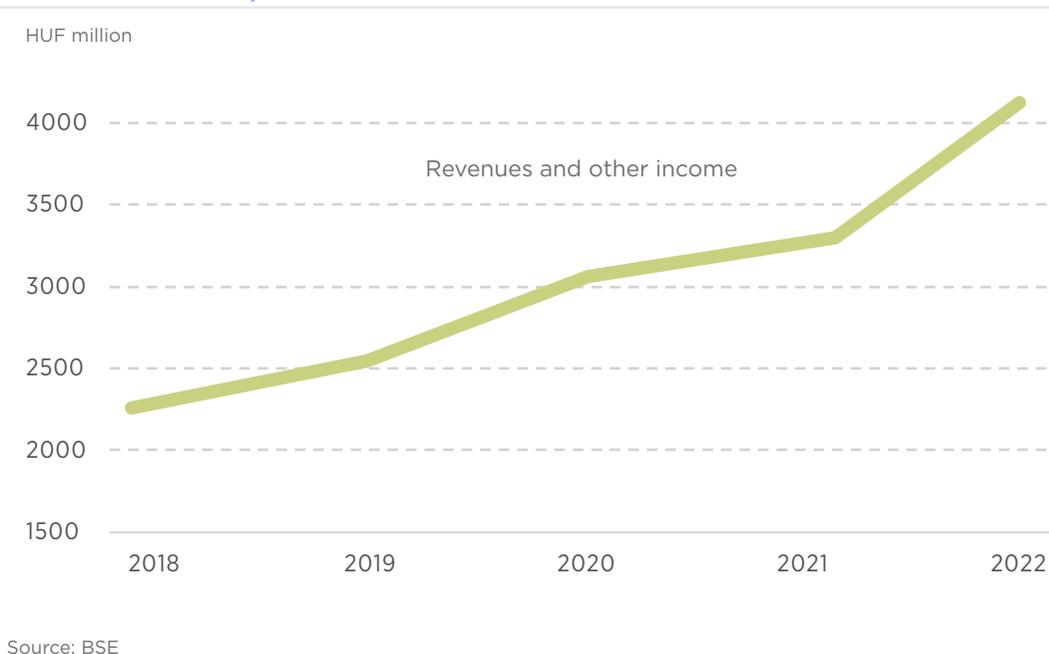
**IT innovation
and security**

BSE's strategic objective in information technology is twofold: supporting the implementation of its business strategy and meeting the regulatory requirements concerning information technology are equally important. To ensure that we can achieve these two goals, we are already looking for hardware and software solutions in the basic infrastructure that support IT operations in a reliable, automated and secure way. We continue to design and build our IT infrastructure using IT solutions from market-leading suppliers to ensure high levels of availability and quality required by the organisation's market-critical role in terms of infrastructure.

KEY BUSINESS FIGURES

The total revenue of the Budapest Stock Exchange in 2022 was HUF 4.3 billion, up by 28% year on year. As a result, despite the increase in operating costs and expenses, EBITDA amounted to HUF 1,619 million. Meanwhile, the profit after tax (including the consolidated profit or loss from KELER and the impairment loss recognised for the KELER Group) amounted to HUF -213 million.

Revenues of BSE, 2018–2022



10,048
HUF billion

– the equity market capitalisation of Budapest Stock Exchange on 31 December 2022

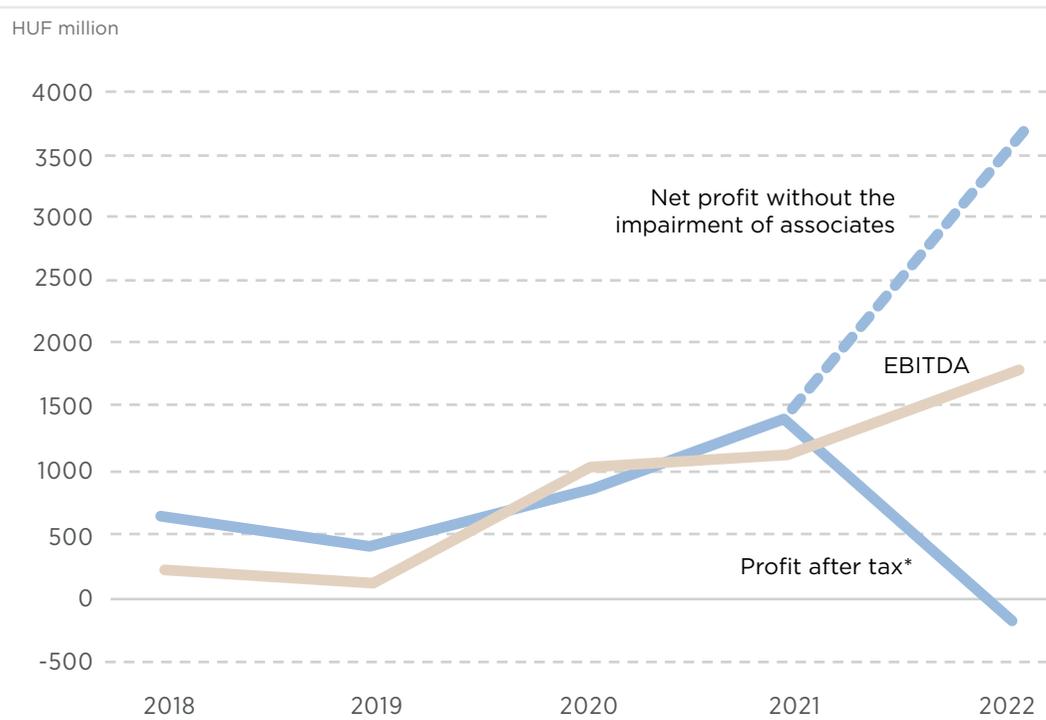
14.57
HUF billion

– the average daily spot equity market turnover in 2022

151
number of units

– the number of issuers at the end of the year, for all markets

BSE performance indicators – 2018-2022



* Together with the consolidated profit or loss from KELER and the impairment loss recognised for the KELER Group

Source: BSE

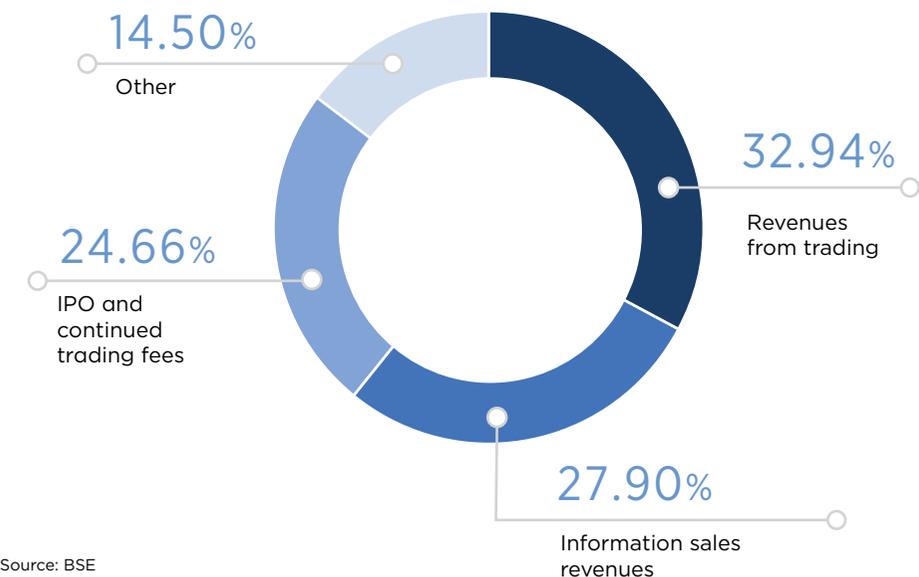


+41%

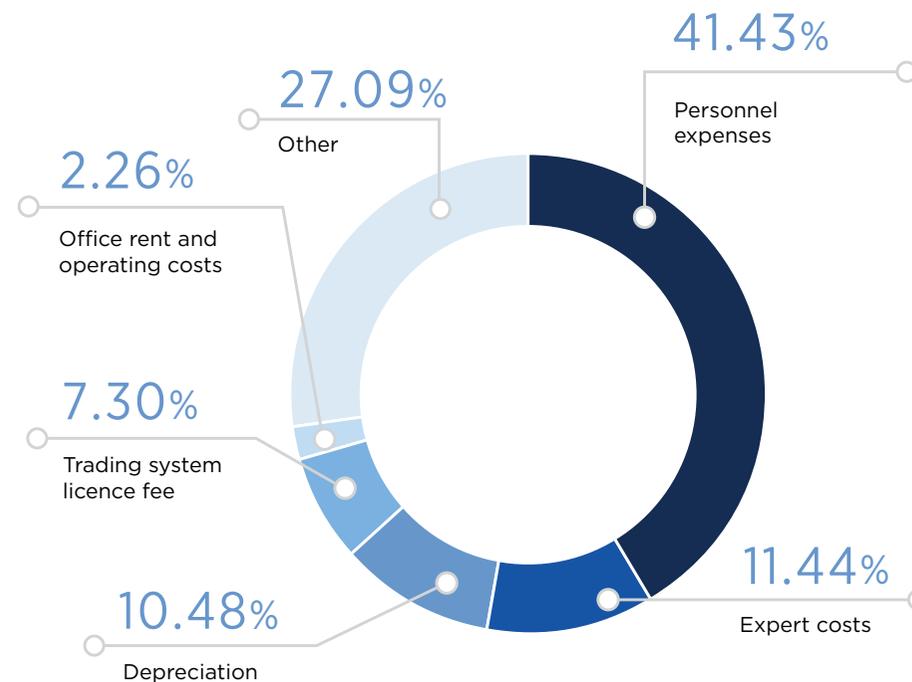
- EBITDA increase compared to the previous year

In BSE's three main business segments, trading revenues generated HUF 1,412 million, IPO and continued trading fees HUF 1,057 million, while information sales revenues generated HUF 1,196 million.

Revenue breakdown for 2022



Breakdown of exchange costs and expenses - 2022



Source: BSE

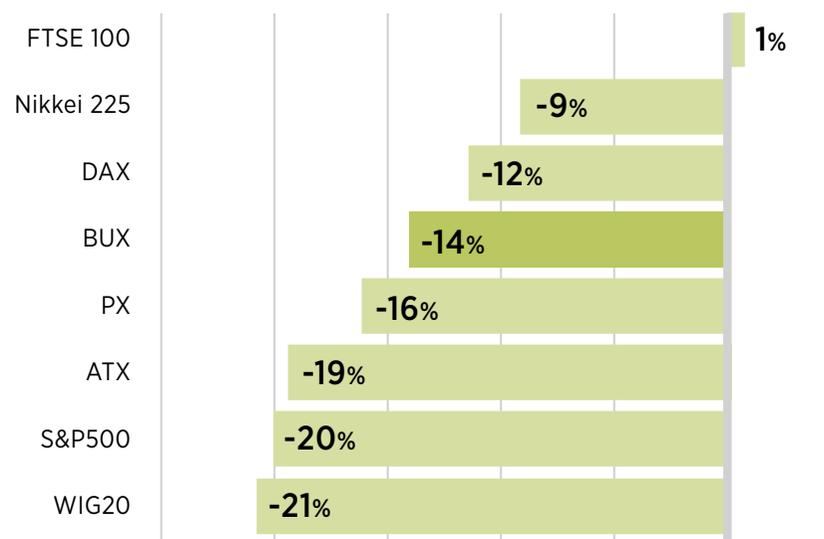
On the cost side, personnel expenses amounted to HUF 1,249 million, while trading system licence fees amounted to HUF 220 million and expert fees to HUF 345 million.

MARKET TRENDS

Over the past year, the war between Russia and Ukraine, and the energy crisis in Europe have determined the risks and, with them, market trends. Global economic growth has slowed, with annual GDP expected to fall in many countries. This is driven mainly by historically record high inflation and the response of increasingly tightening monetary conditions. Globally, asset prices showed significant volatility in 2022, driven mainly by war-related news, inflation and central bank expectations, China's Covid 19 lockdowns, and rising recession fears. The performance of major equity indices clearly shows that investors have turned away from equity markets in response to the changed return environment. Among regional indices, the BUX index fell less (-14%); apart from the FTSE 100, there was no positive performance in the European, North American and Far Eastern equity markets. Overall, the Hungarian stock market has performed relatively well over the past year.

Performance of major stock indices – 2022

Increase in year-end closing value compared to the end of 2021 (in local currency)



Source: Reuters, BSE, GPW, PSE, Wiener Boerse, Yahoo Finance

DETAILED SUMMARY
OF OUR BUSINESS
OPERATIONS
IN 2022



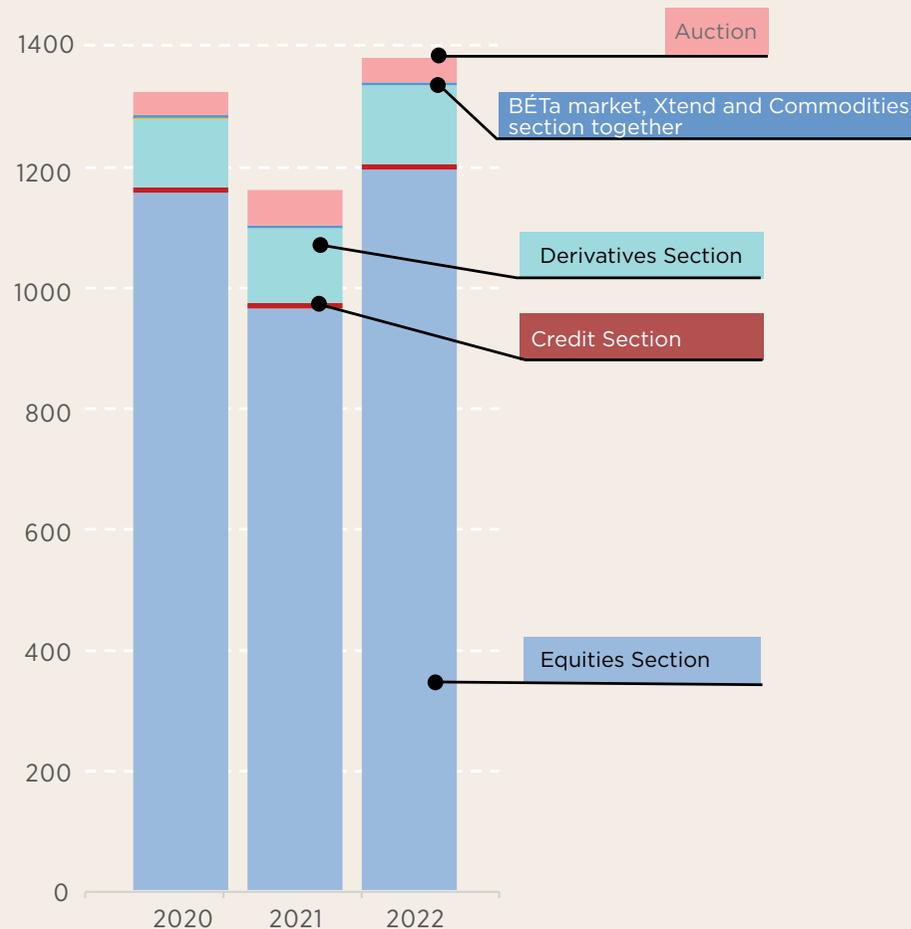
TRADING BUSINESS

The equity market is the most important segment of Budapest Stock Exchange, generating close to 90% of the trading revenues. By international standards, the Hungarian market is still one of the concentrated markets, with the three blue chip companies representing the majority of trading volumes.

The second largest trading revenue is generated by derivatives, which in 2022 meant a total revenue of HUF 132 million, up by 6% year on year. Trading revenues generated a total of HUF 1,412 million, up by 20% year on year. The primary reason for the increase was the extra high turnover in equity markets in the first half of the year, fuelled by increased market volatility.

Trading revenues by market - 2020-2022

HUF million

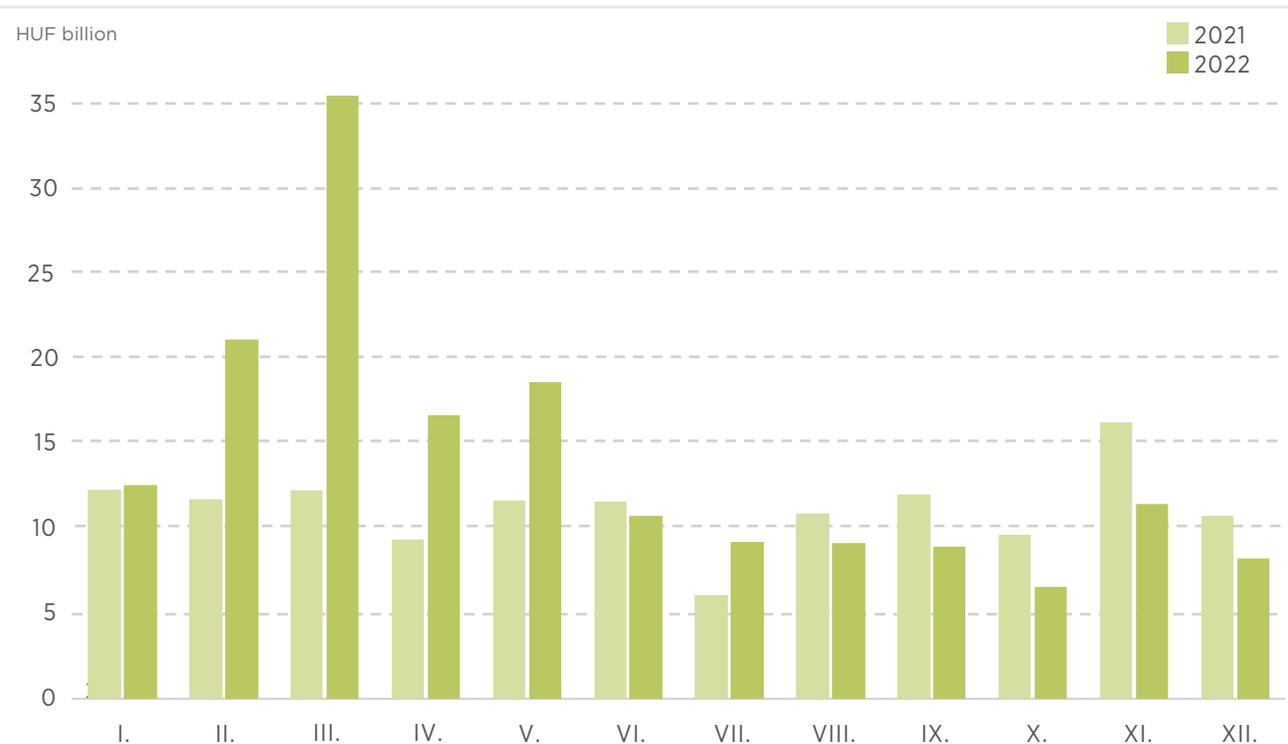


Source: BSE

Equities market

In 2022, equity market turnover moved in a positive direction in contrast to the stock market index, with an average daily turnover of HUF 13.93 billion (excluding block trades), a 25% increase compared to the previous year, due to high market volatility and capital outflows in the region. In line with the negative outlook for the Hungarian economy (inflationary pressures, tight monetary policy, austerity measures), BSE equity markets performed below their monthly averages for 2021 in the second half of the year.

Monthly averages of daily turnover on the spot market - 2021-2022



Source: BSE

Daily averages at annual level

HUF billion



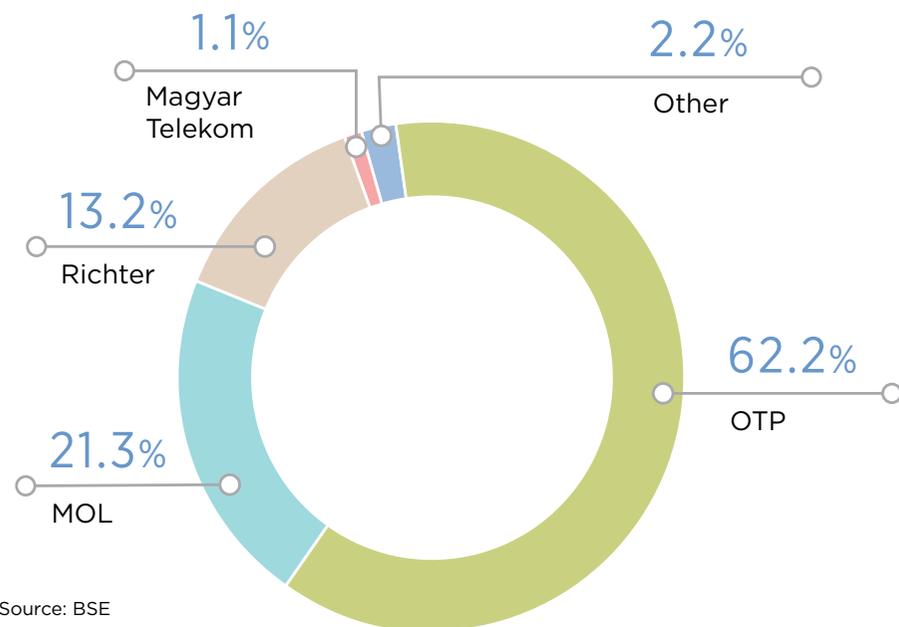
2021 average



2022 average

Source: BSE

Distribution of equity turnover concentration - 2022



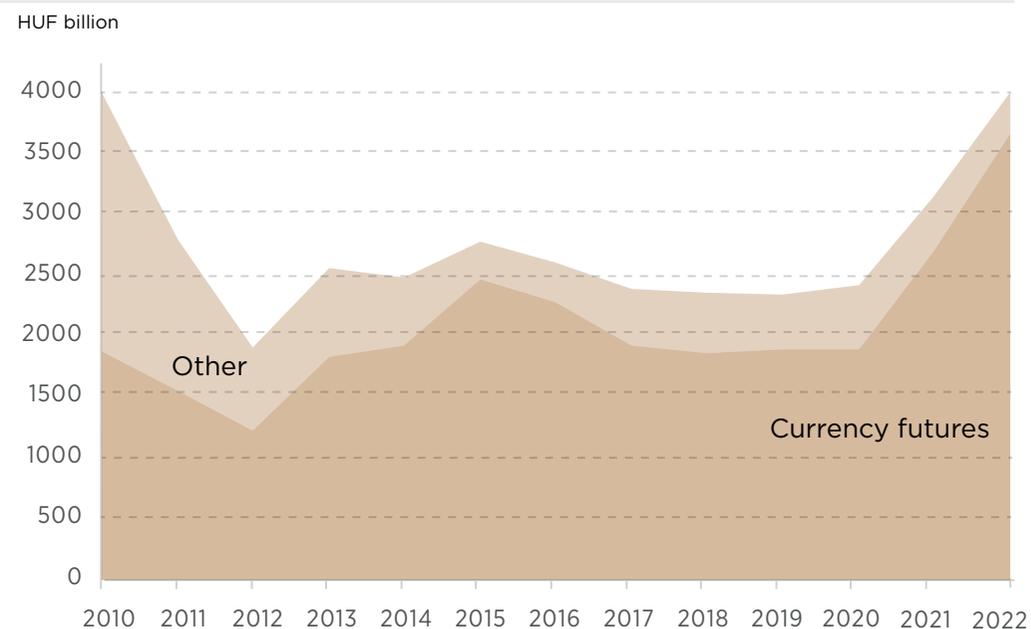
Source: BSE

The turnover in small- and medium-sized enterprises has declined, leading to an increase in the concentration of turnover in the Hungarian stock market in recent times. The three blue chip stocks made up 96.7% of the total turnover in 2022, 2.8 percentage points higher than in the previous year.

Futures market

On a year-on-year basis, the futures market turnover in terms of exchange rates grew by 27% in 2022. The strengthening was driven by a 36% increase in the turnover of currency futures. Over a two-year analysis horizon, compared to 2020 levels, the total futures market expanded by 65% and the currency futures by 9%. All other derivatives showed a decline, except for currency options, and grain futures and options. Grain futures exceeded HUF 13.7 billion in 2022, corresponding to a 60% increase.

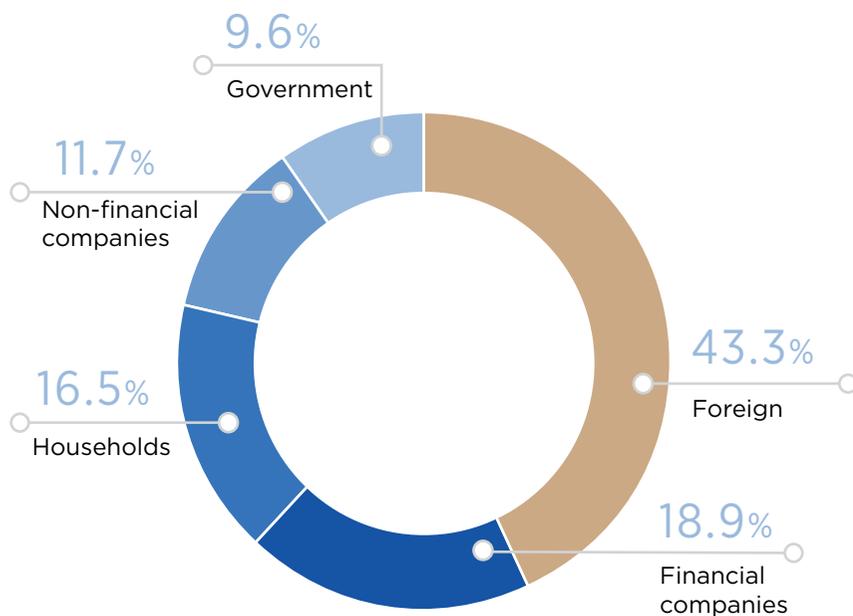
Futures market turnover - 2010-2022



Source: BSE

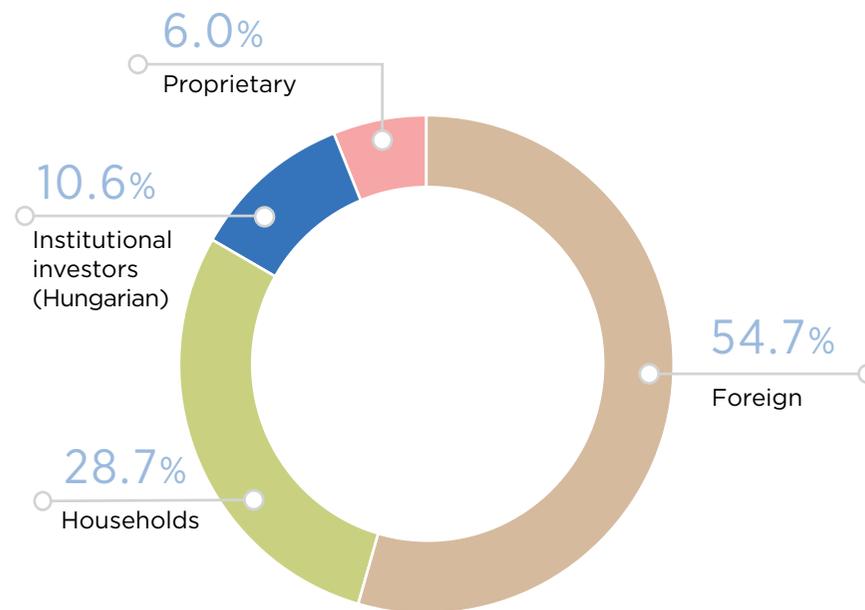
The Budapest Stock Exchange is an open market that is easily accessible for foreign investors, as evidenced by their 55% share of turnover and 43% shareholding. At the same time, the role of retail investors is also prominent, with retail investors generating almost 30% of turnover for BSE last year.

Distribution of equity market capitalisation by investor group - November 2022



Source: MNB

Distribution of spot market turnover - January to November 2022



Source: BSE

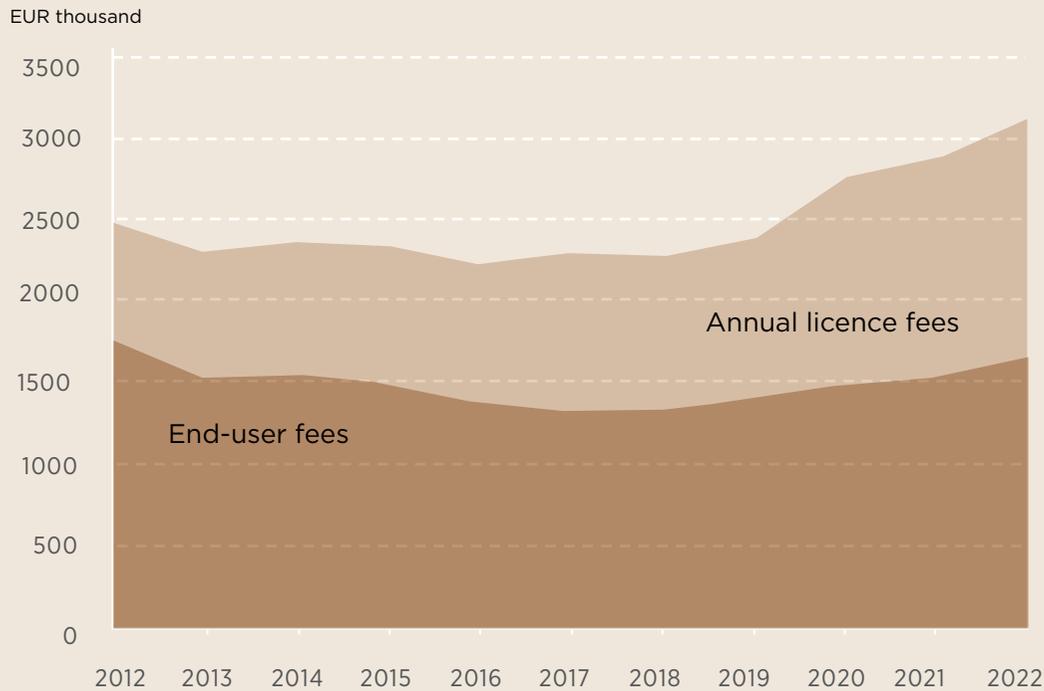


DATA SALES

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

Data sales revenues represent a stable one third of total BSE revenues. Thanks to our active sales and audit activity, we signed 13 new contracts in 2022, the same number as in the previous year, but with a significantly higher value.

Data sales revenues – 2012-2022



Source: BSE

In terms of user revenue trends, the event-driven and market turbulence-driven growth in user numbers and revenues of previous years peaked in the summer of 2022, and then stabilised after some decline. In response to market demand, we introduced our Tick-by-tick data product as a new service in July, for which we have signed a user contract until the end of the year.

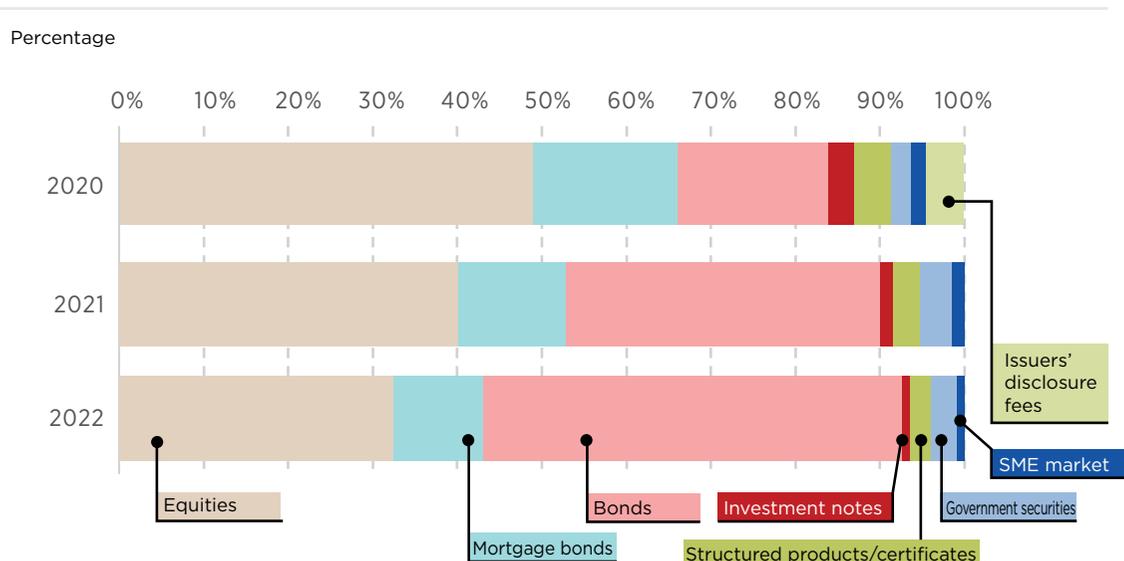
In 2022, as in previous years, we worked together with other member exchanges in the FESE (Federation of European Exchanges) Data Working Group on a number of issues.

ISSUER SERVICES

The primary markets of Budapest Stock Exchange enable companies of various sizes, mainly from Hungary, to raise funds for their growth.

BSE operates market segments specialised in equities, bonds, and small and medium-sized enterprises. For its services, BSE charges issuing companies an IPO fee upon admission to trading and an annual circulation maintenance fee, depending on the size of the issue. In 2022, companies issuing shares accounted for 32% of issuer revenues, while the share of bonds rose to 50% thanks to the Bond Funding for Growth Scheme.

Distribution of issuer revenues by market – 2020-2022



Source: BSE

+34%

- increase in revenues from issuers last year, reaching HUF 1,057 million

Equities market

In terms of issuer activity, 2022 was positive.

We welcomed eSense as a new entrant to the regulated market, and, for the second time in the history of the stock exchange, a move from the BSE Xtend market to the regulated market with the listing of DM-KER shares in the Standard category. The largest listing in recent times took place on 11 November 2022 with the listing of Vienna Insurance Group, the leading insurance company in Central and Eastern Europe, in the Premium category of the BSE with a capitalisation of HUF 1,207 billion, as a result the international group is now present in Budapest as well as on the Vienna Stock Exchange and the Prague Stock Exchange.

BSE equity market listings and capital increases - 2019-2022					
Market	Indicators	2019	2020	2021	2022
Regulated market	Value of transactions (HUF billion)*	348	14.5	32.6	1,891.8
	Number of transactions (pcs.)	14	9	15	13
	Issuers concerned	Opus, AutoWallis, MKB, Alteo, Akko, Nutex, SET, FuturAqua	Pensum, SunDell, AutoWallis, Nutex, Nordtelekom	Megakrán, ENEFI Preferred Stock, Eprolius, AutoWallis, Nutex, Sundell, SET Group, EHEP, 4iG, FuturAqua, Delta	Delta, DM-KER, eSense, Sundell, MKB, Alteo, UBM, 4iG, AutoWallis, FuturAqua, Amixa, Masterplast, VIG
Xtend equity market	Value of transactions (HUF billion)*	5	8	6.5	24.3
	Number of transactions (pcs.)	2	3	6	23
	Issuers concerned	Cybergastro, GOPD	DM-KER, Gloster, Cybergastro	OXO, NAP, Polyduct, Épduferr, Gloster	NAP, Épduferr, EU-Solar, ViVeTech, Gloster, Cybergastro, OXO, Biggeorge, Naturland, Navigator, Astrasun, Multihome, Energy Investment, Valberg, Goodwill Pharma, CDSys

Source: BSE

*At transaction price

In the regulated market, in addition to new listings, several listed companies carried out significant capital raisings, of which the HUF 9.2 billion secondary public offering (SPO) of Masterplast was the highest. In addition, the IPO through the merger of MKB, Budapest Bank and Takarékbank, which was completed at an IPO price of HUF 517 billion, brought a significant increase in capitalisation. The private issue of 4iG for nearly HUF 79 billion, the private capital increase of SunDell Estate for HUF 9 billion and UMB Holding for HUF 5 billion are also noteworthy.

BSE Xtend, the SME equity market of the stock exchange, saw a record number of IPOs in 2022, with 12 new issuers registering on BSE Xtend: Épduffer, Eu-Solar, ViVeTech, Biggeorge, Navigator, Naturland, Astrasun, Multihome, Eney Investment, Valberg, Goodwill Pharma and CDSYS. On the MTF market, IPOs and capital increases (NAP and Gloster) boosted BSE Xtend's capitalisation by HUF 4.9 billion.



“BSE Xtend, the SME equity market of the stock exchange, saw a record number of IPOs in 2022, with 12 new issuers registering on it.”

Debt securities market

The debt securities market continued its very strong upward trend in 2022. Overall, 37 new bonds were listed in the regulated market, of which MFB introduced the largest stock on the bond market, and EXIM also had a very significant bond issue.

The Exchange has also had an active year in the mortgage bond market, with 5 new mortgage bond issues and 16 additional

issues, bringing the total capitalisation of the listed stock to over HUF 2,011 billion.

Government bond market capitalisation increased by 16.7% from 2021 on the regulated market, reaching HUF 24,797 billion, through the launch of 12 new government bonds and 244 new issues.

Together with the euro-denominated government securities listed on BSE

Xbond, a total of HUF 29,019 billion of government securities can be traded on the exchange.

The turbulence caused by the war between Ukraine and Russia also led to increased activity in the certificates market: A total of 216 new certificates were introduced in 2022, compared to the 181 new certificates in the previous year.

BSE Xbond was the most active market on the Exchange in the first half of 2022. Thanks to the MNB's Bond Funding for Growth Scheme, the capitalisation of the BSE Xbond market reached HUF 2,813 billion by the end of the first half of the year, an increase of more than HUF 1,200 billion. The 31 corporate bonds introduced by the end of 2020 were increased by 53 in 2021 and by 32 a year later, bringing the total number of bonds traded at the end of 2022 to 116, reflecting the significant increase in the number of bonds introduced.

BSE credit market capitalisation* and Xbond listings – 2019-2022

	2019	2020	2021	2022
Government securities (HUF bn)	16,090	19,993	21,254	24,797
BSE Xbond government securities (HUF bn)	-	-	3,262	4,222
Corporate bonds (HUF bn)	568	704	1,141	1,677
Mortgage bonds (HUF bn)	1,321	1,785	1,723	2,011
BSE Xbond corporate bonds				
Value of transactions (HUF bn)	28	598	1,618	2,813
Quantity of bonds (pcs.)	1	31	84	116
Number of issuers (pcs.)	1	28	66	92
Green securities on BSE (pcs)**	-	2	20	29

*At year-end closing prices and EUR/HUF exchange rates; **Bonds, mortgage bonds, government bonds, ETFs and BSE Xbond corporate bonds

Source: BSE

The spread of sustainability and the growing volume of green investments have also contributed to an increase in the number of green corporate bonds on the stock market. As a result, 29 green securities were available for trading at the end of 2022, including green government bonds, in addition to corporate bonds, mortgage bonds, ETFs and Xbond corporate bonds.

Overall, 2022 can be considered a very successful year for issuers. Not only because there has been a significant increase in stock market capitalisation, both in equities and debt securities, but also because last year saw the largest number of IPOs since 1999, with 14 in total.



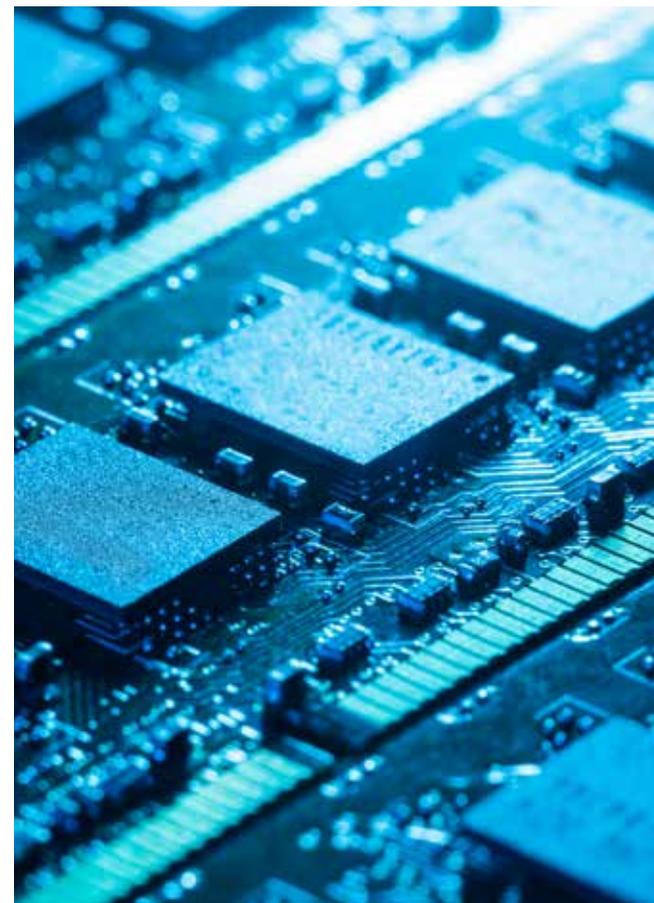
“Last year saw the largest number of IPOs since 1999, with 14 in total.”

INFORMATION TECHNOLOGY AND DIGITISATION

Similarly to the operating model of international and Hungarian financial and capital market service providers and institutions, the BSE's business operations rely predominantly on various IT solutions, including the services provided to our market partners. Consequently, one of the most important aspects is of course the continuous and reliable availability of these systems. However, in addition to operation and operational security, it is also necessary to ensure that these business IT applications evolve functionally in order to meet current user needs, security and other requirements. Just like every year, high availability and strict regulatory compliance required by the critical infrastructure role of the central market operation were a priority in 2022.

Trading on BSE takes place mainly on two central trading systems: the Frankfurt T7 (formerly Xetra) system, provided and operated by WBAG and DBAG, and the MMTS system, further developed and operated by BSE (technically, there are two MMTSs: MMTS1 for OTC auctioning and MMTS2 for the exchange-traded derivatives market).

The availability indicator was 100% in 2022 for spot, derivatives and auction markets.



Main areas of IT development in 2022

Increasing IT security

Given the growing importance of cybersecurity, we continuously improve our IT security capabilities and BSE's protection system. We plan to continue to focus on strengthening our IT security infrastructures and applications, as well as training our experts and maintaining IT security awareness among our employees.

Improving data-driven operations, strengthening data warehouse solutions

BSE is constantly working to store all business data in central databases wherever possible, and then to make these data available and analysable for all business segments or stakeholders (essentially by using the data warehouse infrastructure), i.e. to avoid the emergence of data silos that generally undermine the efficiency of business operations. Data warehouse and BI developments (analysis, reporting, including the mandatory reporting and data provision required by regulators) continued to play a key role in BSE's IT development activities in 2022.

Business process optimisation

The annual development plan also gave high priority to changes that would increase the digitisation of our existing internal business processes and tasks, replace manual work, and thereby increase operational efficiency and reduce operational risk. The Stock Exchange regularly reviews its business processes and informs the BSE Board of Directors of the measures taken, specifically to explore these opportunities.

A DEVELOPING CAPITAL MARKET ECOSYSTEM



PARTNER RELATIONS

BSE's strategic objective is to work closely with all capital market players. Every year, BSE's management and acquisition staff hold hundreds of meetings with managers and representatives of listed companies, investors, potential issuers, regulators, advisors, banks and foreign stock exchange organisations. In addition to presenting the strategy and market development efforts of BSE, the meetings also focus on collecting feedback from and information on the development needs of market players.

In 2022, BSE acquisition staff contacted companies interested in the Exchange's services through face-to-face and online meetings. In addition to presenting the BSE50 brochure, ELITE training, BSE Xmatch, the Mentoring Programme and other capital market-related information, in many cases we also assisted partners in taking the next step towards the stock exchange.

BSE attaches great importance to communicating and getting involved with a wide range of investors. We were in constant consultation with the managers of Hungarian venture capital funds and exchange traded fund managers.



NOMADs, or Nominated Advisors, are an important part of the ecosystem, providing corporate financing capital market expertise to Hungarian medium-sized enterprises, both during the listing process and during their public market presence. Verity Sailor Tanácsadó Kft., BDO Magyarország Pénzügyi Tanácsadó Zrt. and Stradamus Zrt. joined last year our 19 already contracted NOMAD partners.



IDENTIFYING IPO-READY COMPANIES

A priority task of the BSE's acquisitions area is to collect information about and meet companies established and managed by Hungarian owners. This includes identifying companies quantitatively, conducting face-to-face meetings and providing information on current capital market trends, and the training and financing opportunities available to them. Every year, hundreds of companies come to the BSE's attention, and 2022 was no different.

The powerhouse of the Hungarian economy is the Hungarian corporate sector, which is made up of a large number of small and medium-sized enterprises. The BSE would like to dispel the misconception that only large companies are fit to go public. The Exchange aims to strengthen an ecosystem that directly supports the development of Hungarian companies and the creation of an extensive financing structure. BSE's services offer unique opportunities to Hungarian SMEs for free or on a subsidised basis. Overall, the Exchange offers Hungarian companies

the opportunity to grow and raise capital with the help of the BSE Xtend capital market segment tailored to SMEs, and the many services that are available along the way, in addition to government grants and bank loans.

To showcase exemplary company stories, the Exchange has produced, every year since 2016, the "BSE50 - The Success Stories of Fifty Hungarian Companies", a publication that focuses business attention on Hungarian companies with outstanding performance and successful leaps forward. A key selection criterion is that the company be a prominent player in its market and have a successful track record and growth potential that could be a good basis for future development, whether it is business development, listing or international expansion.

For the seventh time, this year again we presented the success stories of fifty Hungarian companies, creating a community of nearly 350 companies, giving them the opportunity to participate in the annual BSE50 conference and the regular BSE50 Club events.



The EY analysis shows that the Fifty generated a combined revenue of HUF 319 billion and an EBITDA of HUF 41 billion in the 2021 business year. The average revenue of BSE50 companies was HUF 6.3 billion and their average EBITDA was HUF 824 million, corresponding to an EBITDA margin of 16%. Despite the challenges in the year under review, the companies presented managed to increase their revenues by an average of 11% and their EBITDA margin by 3% compared to the previous fiscal year. As regards geographical distribution, Pest county continues to lead the field with 24 companies (20 of which have their headquarters in Budapest), while new companies are from 13 counties. The companies selected in 2022 employ a total number of 8,191 employees. The range of industries was again diverse, but four sectors made up 80% of the field: 11 manufacturing, 11 commercial, 10 information/communication and 8 construction companies were presented in our publication.



The Exchange's major corporate summit, the BSE50 Conference, was held in November 2022. The event was attended by representatives of competitive Hungarian companies: the executive managements of the 50 new entrants and the 300 companies already in the BSE50 Club, as well as banking, investment and consulting representatives of the capital market ecosystem. The keynote speech was delivered by Dr. Mihály Patai, Deputy Governor of Magyar Nemzeti Bank and Chairman of the Budapest Stock Exchange. In keeping with tradition, the highlight of the conference was the presentation of the BSE50 publication, which spotlights Hungarian medium-sized enterprises. The professional conference featured individual presentations and panel discussions on topics of particular relevance to the profession,

such as global and macroeconomic trends, the energy situation, financing opportunities, the implications of going public and sustainable finance.

In addition to Dr. Mihály Patai, other speakers at the conference included Levente Szabó, Deputy CEO of Magyar Bankholding, Dr. György Bacsa, Managing Director of Mol, and Marta Testi, CEO of ELITE's international business development network.

During the panel discussions, companies with key roles in the Hungarian financial and capital markets such as EY, Széchenyi Funds, Hiventures, Masterplast, Gloster, Café Frei, Büttner, Continest, Éltex, Civita Group and Kermann were represented.

ELITE PROGRAMME

With almost 1,300 member companies internationally, the ELITE Programme, a subsidiary of the Euronext Group since 2021, was launched in 2012 by Borsa Italiana. The partnership between the ELITE and the Budapest Stock Exchange offers Hungarian companies the opportunity to join the Programme since 2016, which has played a key role in BSE's range of services for medium-sized enterprises ever since.

Uniquely in the region, the Hungarian ELITE community now has nearly 60 member companies. These companies represent almost every region of the country, covering a broad spectrum of economic sectors from food to metal processing, IT and health services.



The ELITE Programme targets companies with high growth potential that are looking to use external funds to implement their plans, to improve their corporate governance skills, to implement intergenerational succession, or simply to find business opportunities or expand their international network.

Besides incorporating international best practices, the Programme is unique in its step-by-step approach and its high degree of interactivity, i.e. continuous feedback and peer mentoring. However, ELITE offers participating companies much more than education: community, visibility, networking and business opportunities.

Now in its tenth year, and having been available on BSE for five years, the business development programme closed 2022 with outstanding results as a fine celebration of its double anniversary. This year, more Hungarian SMEs than ever before, 21 in total, have successfully completed the Programme and three companies have entered the training programme.

In addition to the English modules in Milan, BSE offered a wide range of Hungarian sessions in 2022, where the most renowned experts offered representatives of Hungarian ELITE companies up-to-date and practical information focusing on the Hungarian environment. The Hungarian events, which were attended by representatives of companies currently attending the training programme, as well as a number of previously graduated companies, were also a great opportunity for companies and other market players to network.

Seven of the Hungarian companies that have completed the ELITE Programme are now listed on the BSE. In 2021 Megakrán and in 2022 DM-KER moved from the BSE Xtend to the Standard category of the main market, followed by UBM Holding. As for BSE Xtend, Gloster, one of the first to enter this market, was joined last year by another three ELITE companies: ViVeTech, Astrasun and Goodwill Pharma. Their example demonstrates the importance of the ELITE Programme on the road to listing.

“Now in its tenth year, and having been available on BSE for five years, the business development programme closed 2022 with outstanding results as a fine celebration of its double anniversary.”



BSE XMATCH

The services of the Exchange for small and medium-sized enterprises were expanded in 2019 with the BSE Xmatch initiative, which addresses Hungarian emerging companies, a wide range of institutional investors and other relevant capital market players through events and an online platform. The aim of BSE Xmatch is to assist these players to build relationships and trust in a closed circle, thus supporting the financing of SMEs and facilitating successful private transactions. Since the launch of the BSE Xmatch events in November 2019, the Exchange has offered a total of 17 companies seeking private equity investment the opportunity to present themselves.

Experience shows that BSE Xmatch fits efficiently into both the Budapest Stock Exchange's range of services supporting small and medium-sized enterprises and the strategy of dynamic growth companies seeking to achieve new levels. The success of the meetings is also demonstrated by the results achieved: eight of the BSE Xmatch presenters so far have successfully registered on the BSE Xtend market after conducting private transactions. Previous entrants DM-KER, Gloster, OXO Technologies and NAP were joined by Épduferr, Navigator Investments, Astrasun and Vertikal Group.

MENTORING PROGRAMME

In order for the capital market to grow, support for the preparation of companies preparing to go public is needed, and BSE started working together with the Ministry of National Economy and several other public actors in 2016. Since 2018, the Economic Development and Innovation Operational Programme (EDIOP), and since 2019, the BSE Mentoring Programme has also been available in the Central Hungary Region (CHR). As a result, SMEs are eligible to receive a non-fundable grant from BSE, which can be used to acquire the know-how for capital market financing and to finance the costs of listing on the Exchange. In addition to the two activities originally supported, sustainability-related project elements were added to the Mentoring Programme last year, as it will be of paramount importance for the Hungarian SME sector to prepare for this challenge and meet supplier, financing and investor expectations in a timely manner.

Therefore, in practice, the BSE provides 100% funding for companies' participation in the international ELITE Programme, as well as for the one-day ESG training available at its accredited ESG training institutions, and contributes to up to 50% of the cost of

consulting services that directly support a company's going public or the development of a green financing framework.

In 2022, the ELITE was no longer open to new companies, but 21 of the companies in the programme have completed the two-year course. Last year, 90 companies applied for and received financial support for the one-day ESG training programme.

As far as the programme supporting preparation for the stock exchange, the most important date was the end of March 2022, this was the date by which when SMEs had to submit their applications to the BSE. 9 companies took advantage of this opportunity, and 6 of them successfully completed their projects by the end of the year. Of the companies that had previously joined the programme, 3 more started trading their shares, bringing the total number of companies that entered the BSE Xtend market with the support of the Mentoring Programme to 9 last year.

One company has undertaken to develop a green financing framework under the project during 2022 and has successfully completed it by the end of the year.

BRAND-BUILDING, COMMUNICATION



STOCK MARKETS IN THE INTERNATIONAL COMMUNICATION AND MEDIA SPACE

Much of the world has now moved on from the entirely online events of the pandemic, with face-to-face events re-emerging with a renewed momentum in communication tools. At the same time, digital communication channels continued to play an important role for stock exchanges, having evolved dramatically in the wake of the epidemic.



PRESS COMMUNICATION WITH A PROFESSIONAL FOCUS AND INCREASING SOCIAL MEDIA PRESENCE

In 2022, as in previous years, Budapest Stock Exchange focused its communications on increasing public awareness of the stock exchange, and promoting retail share ownership, while special emphasis was also placed on the BSE's market development activities in support of the development of the Hungarian mid-cap sector. To build the brand of the stock exchange and to embed it as deeply as possible in public awareness, communications were even stronger than in previous years. As a result, various capital market news appeared frequently on mainstream online and offline media platforms.



The Budapest Stock Exchange has been mentioned almost 13,000 times in the media. From a press communication point of view, the most frequent topics were again related to monthly turnover figures, new entrants to the stock exchange, key economic events, and Hungarian and international cooperations. In addition to interviews in the relevant media, we also took advantage of platforms that were in line with current trends, for example, BSE experts were featured as guests on several podcasts.

The number of followers on our social media platforms has continued to grow, thanks to an intensive and conceptual content strategy. Facebook, the primary platform used to inform and reach the general public, already has more than 20,000 followers on BSE’s page, while LinkedIn, which focuses more on professional and corporate communication, has more than 4,600 followers, representing a 22% increase in its fully organic follower base

Followers of the BSE Facebook page - 2022



Source: BSE

compared to 2021.

Twitter, which supports international communication, is also attracting more and more returning visitors every month. BSE's YouTube channel was also active, with the most popular videos having content related to educational and professional conferences and events.

Number of LinkedIn followers - 2022

Thousand followers



Source: BSE

“BSE’s YouTube channel was also active, with the most popular videos having content related to educational and professional conferences.”



EVENTS RETURN AT FULL REVS

BSE has always attached great importance to cultivating personal relationships, be it with partners, investors, newcomers to the stock exchange or long-standing issuers. It was therefore a particularly welcome development to return to offline events for all events in 2022, following the hybrid setup of the previous year.

In addition to the two flagship events of the year, Best of BSE in the spring and the BSE50 Conference in the autumn,

the ELITE Programme workshops, issuer forums and BSE Xmatch meetings were also held. To improve public financial literacy, we supported a number of professional conferences and financial-themed competitions for young people last year as well. Additionally, we sponsored international events, of which the Singapore Fintech Festival was the highlight. 2022 was also a year of bells: the BSE's iconic bell rang more than ever before, 14 times, to welcome new listings or other important occasions.

At the same time, we kept the digital format, for example in the case of the BSE e-Academy, thus making it possible to participate online and to watch the event.

MARKET AND PRODUCT DEVELOPMENTS



Companies involved in the analysis/market-making programme of BSE

Investment service provider	Analysed shares	Quoted shares
Concorde Értékpapír Zrt.	Autowallis, ANY Biztonsági Nyomda, CIG Pannónia, Duna House, Waberer's, Wizz Air	- - -
Equilor Befektetési Zrt.	Opus Global	Alteo, Masterplast, Duna House
MKB Bank Nyrt.	Alteo, Masterplast	ANY Biztonsági Nyomda,
OTP Bank Nyrt.	PannErgy	AutoWallis, PannErgy, Gloster
Wood & Company Financial Services a.s	Graphisoft Park SE	-

Source: BSE

ANALYSIS/MARKET-MAKING PROGRAMME

BSE launched its analysis and market-making programme in December 2017 to support the shares of small and medium-sized companies.

The primary objective of the programme is to provide liquidity and regular high-quality valuations for the securities involved, in order to develop a more efficient stock market.

After a successful pilot year, the BSE Board of Directors agreed at the end of 2018 that the Exchange should continue the programme with some modifications for a 3-year period. After this period,

and thanks to the continued success of the programme, a new 3-year analysis and market-making programme were launched in 2022.

As regards service providers, last year, analysing and market-making companies that are members of the BSE's Equities Section continued to participate in the programme, and the existing pairs of issuers and analysts/market makers were maintained. In terms of analysis, 5 investment providers analysed 12 issuers, with a total of 48 major analyses and several smaller analyst commentaries over 1 year.

The first issuer on the BSE Xtend market also appeared in market-making: Starting from Q4 2022, OTP Bank Plc has been the market-maker for the shares of Gloster Infokommunikációs Nyrt. In addition, Duna House Nyrt. was added to the shares for which market-making is done by MKB Bank.

DEVELOPMENT OF ISSUER SERVICES: RESPONSIBLE CORPORATE GOVERNANCE, DIGITISATION AND EDUCATION

Strengthening effective corporate governance among listed companies has been a key objective of BSE's strategy in recent times. The Exchange's Corporate Governance Committee was set up in 2004 with the aim of supervising the continued development of recommendations by taking Hungarian industry requirements, draft EU legislation and general international trends into consideration, and also representing industry considerations in the field of the further development of corporate law. Through the work of the Committee, the Exchange wishes to ensure that representatives of the professional community are involved in the decision-making process on the recommendations in an organised framework, while maintaining BSE's initiating role. Issuers, regulatory authorities and the representatives of the Exchange, as

well as independent market experts and attorneys are all represented in the Committee.

The committee which is now known as the Corporate Governance Committee, strives to continuously improve and adapt the recommendations to the changing market and legal environment, in terms of their application, processing and presentation. In 2019, BSE created and made available on its website an online platform. The first time issuers uploaded their Corporate Governance Reports through this interface was in 2020. The interface serves a dual purpose: on the one hand, it helps issuers to fill in the reports in a more uniform and correct way; and on the other hand, it allows the Committee an easier processing and, in particular, statistical analysis of the information contained in the reports, supporting the preparation of the

annual monitoring report to be prepared annually in line with the European Commission Recommendation 2014/208/EU, which has, therefore, become more concise and coherent, enhanced by the use of visual tools (charts and tables) to aid understanding.

Corporate Governance Recommendations are constantly updated, the latest amendment was required due to the enactment of Act LXVII of 2019 on the Promotion of Long-term Shareholder Engagement and its amendment with the new rules to be applied for the first time in 2020. Overall, 2022 experience suggests that issuers' compliance with the recommendations is improving steadily.

BSE is also committed to supporting issuers with high-quality and useful

professional events. As part of this, we regularly organise issuer forums for those concerned on issues of topical interest, in particular on the obligation to provide information, key regulatory issues concerning extraordinary and insider information. Given the specificities of the BSE Xbond market, regular forums are organised on specific topics (the main topic was credit ratings) for these players and those concerned. The events always generate a lot of interest and positive feedback.

Through the Budapest Institute of Banking (BIB), we have been participating in training programmes for several years, including investor relations (IR) training for beginners and advanced professionals, usually twice a year, in addition to the Exchange's professional programme management activities. In addition to speakers from BSE and MNB, we have worked with practicing professionals and issuers to create a substantial programme for IR professionals. We

are planning to integrate it into regular BIB courses, offering continuous training and maintaining the knowledge of professionals working in investor relations.

“Given the specificities of the BSE Xbond market, regular forums are organised on specific topics for these players and those concerned.”



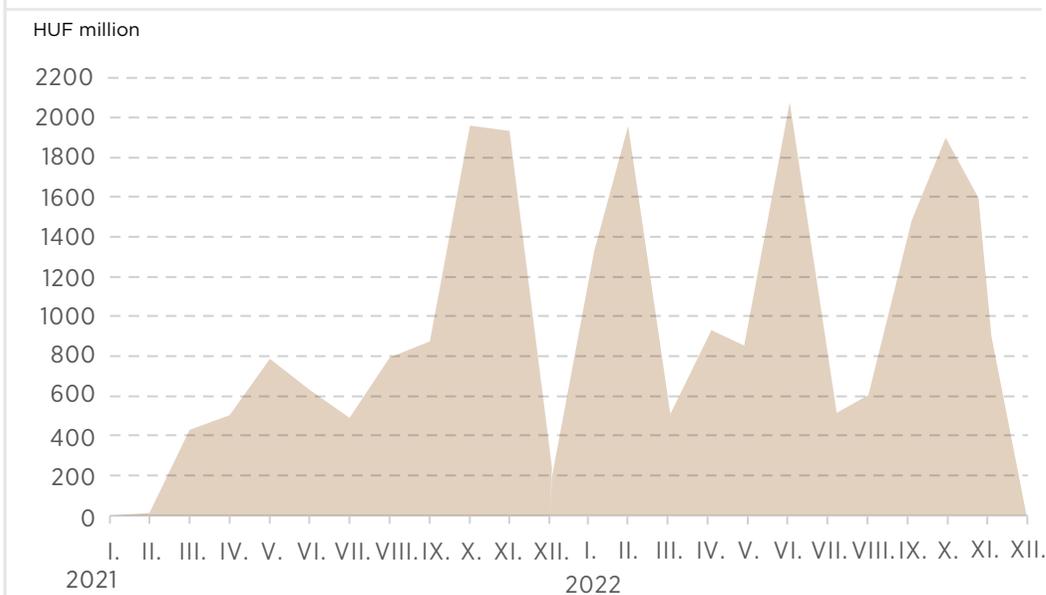
BSE COMMODITY MARKET - A NEW CHAPTER

The beginning of 2021 saw the start of a new chapter in the BSE commodity market with the help of an external commodity market expert and Equilor Befektetési Zrt., reforming the product range and the rules and adjusting trading hours to international markets. After a promising first year, 2022 brought unexpected natural and global political challenges for the Hungarian agricultural sector, which naturally left their mark on the BSE commodity market.

Despite the challenges, turnover on the BSE commodity market increased: In 2022, turnover measured in the number of contracts concluded increased by 9.7%, and turnover in exchange rate terms increased (due to rising prices) by 59.5%. Feed corn continues to generate the largest share of turnover, with significant activity in sunflower seed and feed wheat products.

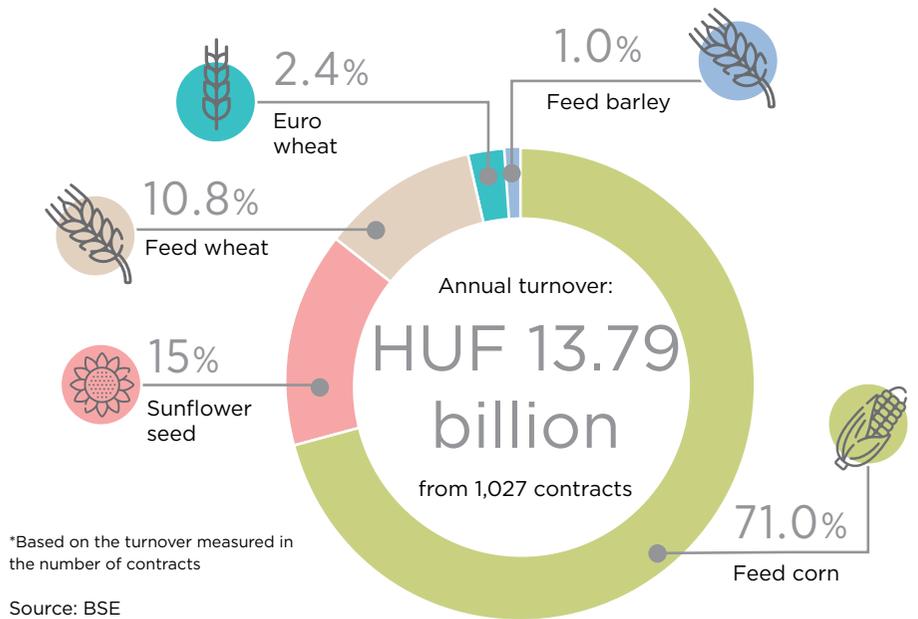
The main reason for this positive performance is the growing active client base. An increasing number of people are recognising the added value of trading on the BSE, and are using stock exchange trading for what it is. In order to enable the BSE to meet client needs in the best possible quality, options trading was reintroduced last year alongside futures, and the first transactions were also concluded.

Monthly turnover on the BSE commodity market - 2021-2022

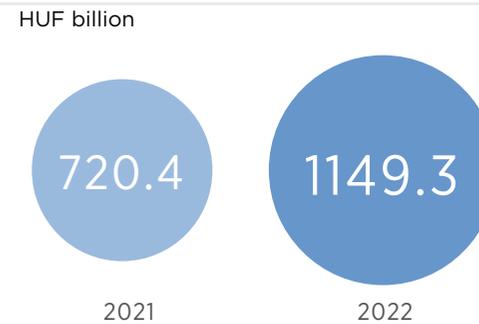


Source: BSE

Breakdown of BSE commodity market turnover - 2022*



Monthly averages at annual level



Source: BSE

AN ACTIVE YEAR ON THE BSE XTEND MARKET

The development of the capital market eco-system among medium-sized enterprises is a key element of the BSE strategy. To this end, we created a new market for mid-caps in 2017, the BSE Xtend, which aims to widen the range of potential issuers and investors to include small and medium-sized enterprises.

2022 was an outstanding year for the market, which is in its fifth year of operation. A record number of companies entered the capital market, with 12 companies listing their securities. After two years on the BSE Xtend market, DM-KER switched to the regulated market in March. (The first such upgrade took place at the end of 2021, when Megakrán, which has followed a similar path of development, was upgraded to Standard.) Therefore, the BSE Xtend market closed 2022 with 18 companies.



INTERNATIONAL INITIATIVES

BSE has been actively involved in the work of certain professional committees of the Federation of European Stock Exchanges (FESE) since 1999, and has been a full member of the FESE since 2015.

As well as facilitating the establishment of cooperation with other member exchanges, membership also provides useful international experience, helping the Hungarian capital market to develop in accordance with the European principles. In 2022, the key topics included the finalisation and implementation of the regulation on the creation of a Consolidated Tape for reporting activities, the renewal of the MiFID II / MiFIR regulation, the examination of the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD) reporting regulations and the Green Bond standard regulations. The FESE has been actively consulting with both regulators and capital market participants.

In 2022, Budapest Stock Exchange continued to facilitate consultations between issuing companies and potential or existing international investors. In January, we presented our midcap companies to European and overseas investors in an online event. In June, we visited Ljubljana to promote the Hungarian capital market to local pension and fund managers, and in November, we organised an event in Warsaw with PKO BP, Poland's leading investment service provider, where Polish pension and fund managers had the opportunity to meet Hungarian blue chip and mid-cap issuers. In addition, the Exchange sponsored conferences organised by leading investment service providers (such as Wood&Co's events in New York and Prague), which also led to numerous meetings between Hungarian issuers and international investors.

“In 2022, Budapest Stock Exchange continued to facilitate consultations between issuing companies and potential or existing international investors.”

SUSTAINABILITY: ESG DEVELOPMENTS AND CORPORATE SOCIAL RESPONSIBILITY (CSR)



SUSTAINABILITY AS A PRIORITY, REGULATORY DEVELOPMENTS

Despite uncertain geopolitical developments, supply chain disruptions, rising inflation and energy prices, the spread of the idea of sustainability and sustainable business operations is one of the most prominent phenomena of our time, strongly affecting capital markets. Recently, economic operators have increasingly referred to sustainability criteria as ESG aspects, which include environmental, social and governance aspects that affect the operation of companies from multiple sides.

The spread of the ESG approach and the steady and dynamically strengthening of its impact on economic actors will not stop in 2022.

Companies are under increasing pressure from both investors and regulators to implement and communicate ESG

issues. The EU regulatory framework is evolving, with the SFDR¹ provisions for financial market participants (website and pre-contractual and company-level disclosures on adverse sustainability impacts) coming into force in 2021, and the Level 2 RTS, originally scheduled for 2022, entering into force in January 2023, after a one-year delay. The latter requires even more detailed product-level disclosures from providers of investment products and clarifies and specifies the rules that entered into force in 2021.

In 2022, the CSRD Directive (Corporate Sustainability Reporting Directive), which regulates corporate sustainability reporting and amends the directive on the disclosure of non-financial information, came into force, directly affecting EU issuers.



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

The regulations will make reporting mandatory for large European and certain third-country companies and listed companies operating in Europe from 2024 (until 2029), starting with the largest European companies in the first year.

At the same time, ESG regulation is intensifying globally, particularly in the United Kingdom, North America and more developed markets in Asia and Australia. This regulatory phenomenon creates appropriate standards in capital markets, helping investors to make better-informed decisions, while at the same time the different investment rules across geographical regions will certainly pose challenges.

The Taxonomy Regulation² issued in 2020, which lays down and frames a standard definition of sustainable activities as a reference for other sustainability legislation will also be continuously updated with implementing details and amendments. It can therefore be said that the regulatory environment is evolving extremely dynamically, forcing economic operators to react and take active action.

“The regulatory environment is evolving extremely dynamically, forcing economic operators to react and take active action.”

² Regulation (EU) No 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

BSE'S SUSTAINABILITY STRATEGY

Sustainability is becoming an increasingly significant focus area in the Exchange's strategy. In this context, the Exchange a key player of the capital market considers it its responsibility to catalyse green transition, while actively contributing to the implementation of the global sustainability goals, their adaptation to the capital market and the creation of the necessary tools and infrastructure. As a company, it also seeks to integrate the principles of sustainable business operations into its strategy and activities. The BSE's ESG ambitions and its impact on sustainable development are therefore characterised by a specific dual role, which also defines its strategic objectives.

On the one hand, as an economic operator, it has a direct impact on its immediate living environment and its stakeholders, just like any other market player. In this context, its primary task is to assess

these impacts, to assess and mitigate any negative impacts and to strengthen any positive environmental impact.

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



The ESG approach started years ago in the stock market by embracing best corporate governance practices and developing relevant recommendations. Since then, BSE has taken a number of steps in this direction, both in terms of market developments and its own operations, and with the creation of its ESG strategy for 2023-2025, it aims to translate these efforts into a structured form and an action plan with specific objectives. This action plan is called the ADEPT strategy.

Pillars of the ADEPT strategy





COMMUNITY BUILDING

In recent years, BSE has developed close professional partnerships and joined initiatives in order to better understand ESG issues (assessing risks and exploiting opportunities). These are about developing the role and best practices of exchanges and other market participants in ESG development, coordinating their activities and building a supportive regulatory framework. In 2022, BSE played an active role in these partnerships.

ACTIVE PARTNER RELATIONS

- In 2019, the Exchange joined the United Nations Sustainable Stock Exchanges Initiative (SSEI), applying its principles to shape its own sustainability activities on an ongoing basis.
- BSE is also an active contributor in the European Federation of Stock Exchanges' Sustainability Working Group, where it supports lobbying efforts to develop a sustainability regulatory framework.
- In 2022, BSE continued its participation in the Business Council for Sustainable Development in Hungary (BCSDH).
- Last year, BSE continued to work closely with the Sustainability Section of the Hungarian Economic Association (HEA), the specialised ministries and MNB.
- BSE participated as a speaker at the conference of the KÖVET Association for a Sustainable Economy.
- The German-Hungarian Chamber of Industry and Commerce and the Budapest Stock Exchange signed a cooperation agreement in 2022.

The aim of the joint projects is to support small and medium-sized Hungarian enterprises to effectively meet the requirements of sustainable business operations.

SUSTAINABILITY DATA REPORTING, IMPROVEMENT OF ESG TRANSPARENCY

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

The increasing demand for sustainability (non-financial) data and the tightening of regulations in this area represent a new field not only for stock exchanges but for all professionals, which is challenging due to its interdisciplinary nature and its broad scope. Another important aspect is that the market for sustainable investment products is still developing in Hungary, and the lack

of reliable and comparable data from companies is a major obstacle in this development. The Exchange therefore makes promoting the provision of high quality corporate data a top priority.

Q2 2022 saw the start of the development of an assessment framework to measure the ESG maturity and transparency level of SMEs more accurately, while improving their ESG data reporting capabilities and capacities. The project aims to develop a cross-sectoral simplified evaluation methodology that takes into account the characteristics of the Hungarian market, the constraints of SMEs, the constantly evolving legal environment and the most important internationally used

reporting frameworks. It is essential that the assessment also offers them tangible benefits, improving their competitive position and their ability to meet market demands with particular regard to ESG requirements in supply chains, and obtaining bank loans.

In addition to the methodology, we also launched a call for applications for the development and operation of a web-based IT “pilot” solution (portal) for the collection, processing and visualisation of ESG-specific corporate business data. These projects are also funded as a complement to the two current grant programmes.

EDUCATION AND GUIDANCE

BSE has recognised that one of the obstacles to sustainable development in the Hungarian market is a lack of knowledge about the topic of sustainable development, and has therefore identified education as one of its most important functions. Its main aim is to increase the general knowledge of sustainability among market operators as widely as possible.



SOCIAL ASSISTANCE (CSR)

The market status and role of BSE requires BSE also to perform activities that carry social importance, but which at the same time also fit into its strategy, through which it can lead by example for other players in the capital market.

CSR ACTIVITIES

- In recent years, our social responsibility has focused on financial education and support for critically ill children.
 - The primary objective of the BSE e-Academies, free stock exchange courses for the general public, is to improve investor awareness.
 - In the BSE Stock Derby stock market game, students can try their hand at trading on the real market with virtual money and real price information.
 - BSE has established the Kochmeister Award, which has been awarded at the CFA Society Hungary's stock analysis competition in recent years.
 - We are also professional sponsors of academic competitions and contests such as the KEBA Stock Exchange Game.
 - We regularly invite secondary school and university students to the Exchange's headquarters to presentations by experts on how the stock market and capital markets work.
- For many years, BSE has supported the Csodalámpa Alapítvány (Magic Lamp Foundation), which grants children with serious illnesses their wishes. In addition to financial support, our staff have been regularly involved in granting wishes as well.
 - BSE and its employees also supported aid organisations to help refugees from Ukraine.

ESG PRINCIPLES IN OUR OWN OPERATIONS

In 2022, BSE conducted its first ESG due diligence of its own operations. The Board of Directors assessed the results and accordingly approved the sustainability objectives and strategy, continuously monitoring and annually evaluating their implementation. The Exchange has carried out due diligence by identifying the stakeholders and obtaining their views.

As part of its due diligence, BSE has carried out a materiality test to identify the most important (material) issues for its operations that have a significant impact on the environment, the economy or society.

MATERIAL TOPICS IDENTIFIED

- Cybersecurity
- Business continuity
- Corporate governance and risk management
- Employees (employment, health, safety and other aspects)
- Diversity, equal treatment and non-discrimination
- Compliance

OTHER IMPORTANT, BUT NOT PRIORITY TOPICS

- Emission
- Energy consumption
- Indirect economic effects of stock exchange operations
- Lobbying and regulatory efforts by the Exchange

The BSE's environmental impact cannot be considered significant, either because of its size or the nature of its activities, but the exchange is nonetheless committed to environmental sustainability.

As an employer, the core values of the Budapest Stock Exchange include the principle of equality and, in line with this, it has formulated and implemented an equal opportunities plan. To ensure equal opportunities, the plan has the following objectives:

- Ensuring equal treatment in recruiting and employing people.
- Human resource development, on-the-job training, retraining and learning support.
- Assessing and improving working conditions, especially for workers over 50 and for employees with disabilities, employees with reduced working capacity and employees with impaired health.
- Facilitating the retirement process.

In order to assess compliance with the equal opportunities plan, BSE carries out an employee survey every two years.

THE PROFILE OF THE KELER GROUP



KELER DEPOSITORY

KELER was founded in 1993 by Magyar Nemzeti Bank (MNB), Budapest Stock Exchange (BSE) and Budapest Commodity Exchange, and is currently owned by MNB (53.33%) and BSE (46.67%). Its primary purpose is to serve as an efficient background institution for the Hungarian capital market, among other things by creating, modifying and cancelling securities, managing central securities accounts, operating the securities clearing system and providing other services.

KELER operates in Hungary as a Central Securities Depository (CSD) authorised to provide basic CSD services and non-banking and certain ancillary banking services under the provisions of the Central Securities Depositories Regulation (CSDR) and the Hungarian Capital Market Act. In addition to the securities depository functions, KELER also provides cash account management services to institutional clients, solely to support its core business. Clients can also apply for and renew LEI codes, and KELER supports them in meeting their market reporting obligations.



Some of the activities pursued by KELER are primarily aimed at serving the Hungarian capital market and secondarily at assisting in the settlement of international securities transactions. All securities transactions concluded on BSE are settled by KELER.

THE MAIN ACTIVITIES OF KELER

Basic services

CENTRAL SECURITIES REGISTER

KELER keeps records of the securities issued by it, as well as of the securities governed by the Capital Market Act that have been notified to KELER, blocked or declared void.

DEMATERIALIZED SECURITIES SERVICES

KELER manages a central securities account for all dematerialised securities issued by it and provides a range of related services to issuers (initial issuance and tap issuance; partial or complete cancellation of a series; squeezing out; conversion and reconversion; replacement of documents; daily creation/cancellation of investment notes; payment of consideration for the conversion of shares produced by printing into dematerialised shares).

SECURITIES ACCOUNTS FOR INSTITUTIONAL CLIENTS

KELER keeps securities accounts for participants in the securities settlement system in order to debit and credit securities.

SETTLEMENT OF SECURITIES ORDERS

In relation to Hungarian securities, KELER settles regulated market transactions guaranteed and not guaranteed by the KELER CCP, as well as transactions concluded outside the regulated market (e.g. OTC prompt, primary market and repo transactions).

SERVICES RELATED TO
SHAREHOLDER REGISTERS

Ancillary non-banking services

These services provided by KELER include share register management, depositary services, shareholder verification services, corporate event management, paying agent services and the organisation of general meetings.

ISSUING ISIN CODES

KELER issues ISIN codes for securities and derivative products as a national code issuer under the authorisation of the Capital Market Act (in the case of revenues, this is shown under Code Issuing Services). The ISIN codes allow the unique identification of securities.

PARTICIPATION IN THE SETTLEMENT
OF INTERNATIONAL SECURITIES
TRANSACTIONS

This includes the management of social events.

REGULAR REPORTING

Services related to deposited printed securities

Within the framework of the market reporting service, KELER supports its clients in meeting their reporting obligations in accordance with EMIR, REMIT, MIFID II and SFTR.

ISSUING LEI CODES

As part of this, KELER provides services both as a code issuer and as an intermediary.

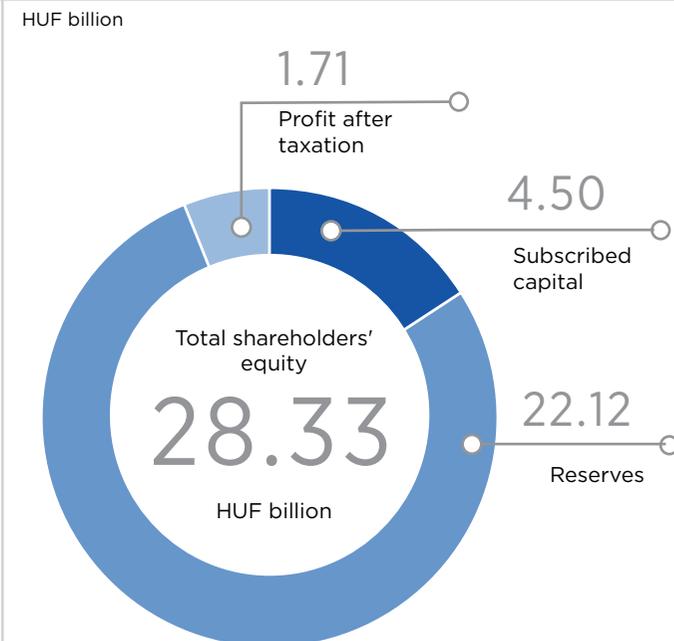
Ancillary banking services

- KELER ensures the cash-side settlement of securities transactions for institutional clients.
- It clears spot commodity market transactions through its depositary service.
- It holds a deposit account for issuers in certain cases.

The key financial data and the economic management of Keler Ltd.

In 2022, Hungarian businesses faced both positive and rather challenging times, as a result of domestic and international economic events. While wage increases and government transfers to households at the beginning of the year continued to fuel the post-covid economic recovery, the second half of the year saw a slowdown in economic performance, driven by soaring inflation, dwindling EU funds, a depreciating Hungarian forint, tightening fiscal policy and a fall in lending as a result of significant interest rate hikes. The beginning of the year still witnessed a GDP growth of around 7%; however, the end of the last quarter of the year saw the Hungarian Central Statistical Office estimate the volume index of gross domestic product at 0.4%, based on the analysis of the market trends presented. All these processes have had an indirect impact on the financial management and financial performance of KELER.

Equity of KELER Ltd., 2022



Source: KELER Ltd.

EQUITY: The Company's equity for the year is HUF 28.33 billion, of which more than HUF 22 billion is reserves. Profit after tax is over HUF 1.7 billion.

FEES AND COMMISSIONS FROM CLEARING-HOUSE, DEPOSITARY AND CREDIT INSTITUTION ACTIVITIES:

As the majority of KELER Ltd.'s revenues are derived from the custody of public debt issued in HUF and related securities transactions, the stable operation of the securities depository is ensured even in the difficult economic circumstances outlined above. Although the ratio between Hungarian forint-denominated and foreign currency-denominated government debt deteriorated for KELER during the period under review (the latter's weight increased), the inflation-linked fee increase still helped the securities depository to record revenues. KELER's revenues from fees and commissions amounted to nearly HUF 7.8 billion. The

stock of securities in custody (debt and equity instruments together) rose to HUF 61.87 billion by the end of 2022, an increase of more than 18% year on year.

INTEREST RATE EARNINGS: Strongly rising capital market yields pushed KELER's interest margin to over HUF 1.6 billion, increasing the value of income from its core activities by 29.8% year on year.

OPERATING EXPENSES:

Effective financial management continued to be largely driven by strict cost control throughout the organisation, but the successful launch of the KELER Service Development Programme (SDP) and the related depreciation charge and the recognition of the extra profit tax levied (with all other operating expenses changing) caused the total operating expenses of the securities depository to increase by 31.5% year on year.

OPERATING PROFIT/LOSS: The situation is positive in this regard as well, with KELER achieving an operating profit of HUF 2.1 billion in 2022, an increase of 13.6% percent year on year.

PROFIT/LOSS BEFORE TAXATION: This indicator, similar to the operating result, amounted to HUF 2.1 billion, which is HUF 252 million, or 13.6% higher year on year.

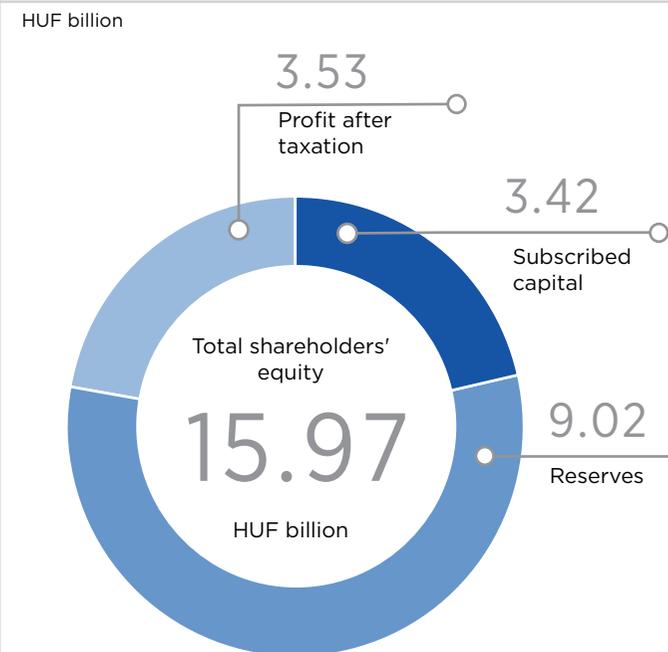
KELER CCP

The authorisation of KELER CCP Central Counterparty Ltd. under EMIR entitles the company to operate as a central counterparty in all EU Member States for the specified asset classes. The company also provides clearing services to several market operators as a clearing house and sub-clearing services as a general clearing member.

On 31 December 2022, the client base of KELER CCP consisted of 151 operators. The client base included 30 capital market traders (capital market clearing members), 66 gas market traders (gas market clearing members) and 71 energy market traders (sub-clearing members). For gas and energy clients, 16 clients provide both services.

The company is under the exclusive supervision of Magyar Nemzeti Bank, in close cooperation with the European Securities and Markets Authority (ESMA). The main shareholder of KELER CCP is KELER Ltd., with a 99.85% stake; MNB owns 0.08% and the Budapest Stock Exchange 0.07%.

Equity of KELER CCP Ltd. - 2022



Source: KELER CCP Ltd.

467% - the expected ratio of equity to subscribed capital for KELER CCP Ltd.

THE MAIN ACTIVITIES OF KELER CCP

Central counterparty activities

The core business of KELER CCP is to provide clearing and related underwriting services as a central counterparty with respect to Budapest Stock Exchange, MTS S.p.A. and the gas trading venues of the Hungarian gas market. As a central counterparty, KELER CCP clears transactions concluded on the following trading venues on the basis of agreements with cooperating counterparties:

BUDAPEST STOCK EXCHANGE	Equity, bond, foreign currency derivatives, interest rate, equity and commodity futures and options products; operator of a trading venue (hereinafter referred to as operator): BSE
BÉTA MARKET	Equity and ETF MTF market; operator: BSE
XTEND MARKET	Equity MTF market; operator: BSE
XBOND MARKET	Bond MTF market; operator: BSE
MTS HUNGARY	Bond MTF market; operator: MTS S.p.A.
IT PLATFORM	Balancing natural gas settlement; operator: FGSZ Zrt.
TRADING PLATFORM	Spot natural gas market; operator: FGSZ Kereskedési Platform Kft.
CEEGEX	Organised spot natural gas market; operator: CEEGEX Zrt.
HUDEX/GAS SEGMENT	Organised futures natural gas market; operator: HUDEX Energiatőzsde Zrt.

General clearing member (GCM segment)

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

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

The key financial data and the economic management of KELER CCP Ltd.

After an easing of the years-long coronavirus pandemic, 2022 could have brought improved prospects and a significant recovery in our economic environment. Unfortunately, the war between Russia and Ukraine, the energy crisis, sanctions, runaway and accelerating inflation, and the resulting extreme difficulties have led to new challenges for business organisations, rather than a recovery. To reduce inflation, central banks have typically raised their reference interest rates and tightened monetary conditions. Investors turned away from risky assets, with a very significant correction in many asset classes. 2022 was a year of intense stock market movements, increased uncertainty, volatility, falling stock indices and rising bond yields.

A crisis with such high volatility, rising yields and intense investor reaction usually also increases stock market trading. This usually has a positive indirect impact on the turnover and profitability of central counterparties and clearing houses. The related volume growth resulting from the price increases experienced in the energy markets, as well as the increase in the yield environment available on investment opportunities, had an overall positive impact on the profitability of KELER CCP during the period under review.

EQUITY: The equity of the KELER CCP for the year under review is HUF 15.97 billion. Within that the reserves exceed HUF 9 billion and the profit after tax is HUF 3.53 billion.

FEES AND COMMISSIONS FROM CLEARING HOUSE AND GUARANTOR ACTIVITIES:

The launch of the Russian offensive in February had an even more extreme effect on capital markets than the turbulent market trading triggered by the Covid19 outbreak in 2020. The exposure of Hungarian companies and Hungary itself, coupled with high levels of market liquidity, caused a severe fall in the prices of Hungarian assets and the Hungarian forint. The spot market saw more transactions in 2022 than in the last ten years, reaching a peak of more than 400,000 in March and a cumulative total of 2.41 million. Capital market fee revenues grew by around 35% year on year thanks to the outstanding turnover. The events of the war, the sanctions against Russia and the scarcity of alternative supply capacity have pushed up the price of energy commodities. The

volume cleared by KELER CCP in the general clearing market (GCM) increased overall, but its composition changed: spot market contracts predominated. The rise in free-market energy prices has pushed up security management fee revenues from HUF 1 billion to HUF 2.8 billion. The unprecedented increase in revenues has made it possible to manage the increase in operating expenditure of several hundred million forints without any difficulty.

INCOME FROM OWN AND EXTERNAL PORTFOLIOS: In addition to the fee income directly derived from its business activities, KELER CCP also generated interest income from the investment and management of its own and third-party portfolios.

OPERATING EXPENSES: While the total amount of these expenses increased by more than 12% compared to 2021, reaching HUF 1.9 billion, the net operating profitability of the CCP was one of the best ever, at around HUF 2.6 billion.

(The bulk of the cost increase was, on the one hand, made up of operational and volume-related costs directly related to the surge in turnover and activity and, on the other hand, related to staff and IT services affected by inflation.)

INVESTMENT PROFIT OR LOSS: The extremely rapid increase in returns and, through this, the returns available on the capital and investable assets of KELER CCP have increased to an extraordinary extent in 2022. This allowed the Company to generate interest income of approximately HUF 1 billion in the period under review.

PROFIT OR LOSS ON FINANCIAL ASSET REVALUATION: The high asset level of KELER CCP and the further deterioration of the Hungarian forint resulted in a financial income of almost HUF 200 million due to the revaluation.

PROFIT/LOSS BEFORE TAXATION: These effects resulted in a 2022 profit before taxation of nearly HUF 3.9 billion, which is the best in the history of KELER CCP.

OTHER DATA



Events after the reporting date

The Exchange launched preparations to enter the Hungarian regulated market, i.e. becoming a listed company in 2021, and continued them in 2022. As of the date of signing of these financial statements, Magyar Nemzeti Bank's procedure of admission of the securities to trading on the stock exchange has not started.

Macroeconomic environment

BSE plays an important role in the capital financing of Hungarian companies, which means that the Hungarian macroeconomic environment has a significant impact on the willingness of these companies to go public, and also has a major impact on the investor perception of companies already listed. Therefore, a significant deterioration in macroeconomic indicators (e.g. GDP, sovereign risk, inflation, unemployment rate, household savings) could lower companies' willingness for capital financing, which would have a negative impact on BSE issuers' revenues.

Although a deterioration in macroeconomic indicators could boost BSE's trading activity in the short term

due to a sudden surge in market volatility; however, a sustained negative shift in indicators could reduce investor activity in the Hungarian market in the long term, which could lead to a decline in both BSE's revenues and profitability.

It is important to stress that foreign investors play a key role in BSE trading activity, representing 55% of total spot secondary market turnover in 2022. Therefore, if Hungarian macroeconomic indicators develop unfavourably for these investor groups, this could have a significant impact on the operation of BSE.

Organisation

On 31 December 2022, the number of employees at Budapest Stock Exchange increased from 60 at the end of 2021 to 63.

Financial investments

In accordance with the statutory requirements, the BSE invests its free cash in fixed-term deposits or government bonds for a period of less than one year. BSE has no credit debts, its cash and tied assets are stable and there is no liquidity risk.

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED ON 31 DECEMBER 2022



SEPARATE STATEMENT OF FINANCIAL POSITION (HUF MILLION)

Description	Note No.	31/12/2022	31/12/2021	01/01/2021 Recalculated
ASSETS				
Property, plant and equipment	12	275	99	132
Intangible assets	12	303	274	259
Right of use assets	13	868	124	230
Investments in associates measured using the equity method and investments in subsidiaries	14	12,100	13,619	13,014
Loans given, at amortised cost	15	13	0	0
Non-current assets		13,559	14,116	13,635
Inventories	15	9	9	9
Trade and other receivables	15	570	138	151
Income tax receivables	11	0	0	7
Prepaid expenses	15	29	48	85
Accrued revenues	15	632	648	476
Cash and cash equivalents	15	3,954	3,468	2,272
Current assets		5,194	4,311	3000
Assets held for sale		0	0	427
TOTAL ASSETS		18,753	18,427	17,062

Description	Note No.	31/12/2022	31/12/2021	01/01/2021 Recalculated
EQUITY AND LIABILITIES				
Subscribed capital (par value: HUF 100/share)	16	541	541	541
Retained earnings	16	15,240	15,955	14,533
Revaluation reserve from associates	16	-51	-37	11
Total shareholders' equity		15,730	16,459	15,085
Provisions	17	0	2	2
Long-term liabilities from employee benefits	18	7	11	10
Non-current lease liability	13	887	21	168
Deferred tax liabilities	11	640	764	657
Non-current liabilities		1,534	798	837
Trade payables and other short-term liabilities	19	1,036	825	774
Short-term corporate tax liabilities	19	91	0	
Current lease liability	13	94	134	115
Prepaid revenues	19	60	63	63
Accrued expenses	19	205	146	186
Short-term liabilities from employee benefits	18	3	2	2
Current liabilities		1,489	1,170	1,140
Liabilities		3,023	1,968	1,977
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		18,753	18,427	17,062

SEPARATE STATEMENT OF COMPREHENSIVE INCOME (HUF MILLION)

Description	Note No.	2022	2021
Revenue	7	3,665	3,056
Other income	7	622	290
Expenses for material costs	8	-4	-3
Expenses of services used	8	-924	-827
Personnel costs	9	-1,249	-1,178
Depreciation and amortisation	12, 13	-316	-292
Expenses arising from miscellaneous other costs	8	-573	-409
Share in the profit or loss of associates	14	2,448	900
Impairment of associates	14	-3,953	0
Financial income	10	147	34
Finance expenses	10	-89	-17
Expenses/income due to expected credit losses	15	-5	5
Profit before taxation		-231	1,559
Income tax expense	11	18	-134
Net profit or loss		-213	1,425
Other comprehensive income			
Of which items to be subsequently reclassified to profit or loss			
Share in the other comprehensive income of associates	16	-13	-48
Other comprehensive income		-13	-48
Total comprehensive income		-226	1377

SEPARATE STATEMENT OF CHANGES IN EQUITY (HUF MILLION)

Description	Subscribed capital	Other reserve	Retained earnings	Revaluation reserve from associates	Total shareholders' equity
Financial Year Ended 31 December 2021					
Balance as of 1 January 2021 (published earlier)	541	2,576	11,957	11	15,085
Balance as of 1 January 2021 (recalculated)	541	0	14,533	11	15,085
Net profit/loss or other comprehensive income for the fiscal year 2021			1,422	-48	1,374
Balance as of 31 December 2021 (published earlier)	541	2,576	13,379	-37	16,459
Balance as of 31 December 2021 (recalculated)	541	0	15,955	-37	16,459
Fiscal year ended 31 December 2022					
Balance as of 1 January 2022	541	0	15,955	-37	16,459
Net profit or loss/other comprehensive income for fiscal year 2022			-213	-13	-226
Dividend payment from retained earnings			-503		-503
Balance as of 31 December 2022	541	0	15,239	-50	15,730
Note No.	16	4	16	16	16

SEPARATE STATEMENT OF CASH FLOWS (HUF MILLION)

Description	Note No.	2022	2021
Cash flows from operating activities			
Profit before taxation		-231	1,556
Adjustments to reconcile net profit to operating cash flows			
Depreciation and amortisation	12, 13	316	292
Share of associated companies profit before taxation	14	-2,448	-900
Adjustment for interest expenses on leases	13	33	7
Creation/reversal of provisions	17	-2	0
Reclassification to cash flow arising from investing activities	10	-136	-11
Modification not involving cash flow (unrealised exchange rate difference)	10	56	-8
Derecognised leasing liability and right-of-use asset, items not involving cash flow	13	-28	0
Impairments and reversals	14.15	3,958	-5
Employee benefits (part without cash flow)	18	-3	1
Working capital adjustments			
Net (increase)/decrease in trade and other receivables	15	-397	-110
Net change in advances received on government grants	19	190	84
Net increase/(decrease) in trade and other creditors	19	102	-96
Income tax paid	11	-40	-4
Net Cash from Operating Activities		1,371	806

Description	Note No.	2022	2021
Cash flows from investing activities			
Interest received	10	136	11
Purchase of intangibles, property, plant and equipment	12	-417	-176
Income from the sale of participations	14	0	577
Loans to subsidiaries and the repayment thereof	22	0	100
Employee loans	15	-19	0
Repayment of employee loans	15	1	0
Net cash flow from investing activities		-299	512
Cash flows from financing activities			
IFRS 16 lease principal and interest payments	13	-144	-132
Dividends paid	24	-503	0
Net cash flow from financing activities		-647	-132
Net increase/(decrease) in cash and cash equivalents		425	1,186
Cash and Cash Equivalents at Beginning of Year	15	3,468	2,272
Unrealised exchange differences on cash and cash equivalents at year-end		61	10
Cash and Cash Equivalents at End of Year	15	3,954	3,468

1. REPORTING ENTITY

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

Budapest Stock Exchange Ltd. (hereinafter BSE or Company) was founded on 21 June 1990

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

The four main activities of the Company:

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

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

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

2. BASIS OF PREPARATION

A) STATEMENT OF COMPLIANCE

These financial statements present BSE's assets, performance and financial position. The separate financial statements of the Company are prepared by BSE management and published after approval by the BSE Board of Directors.

The financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board (IASB). The Company has applied IFRSs as adopted by the European Union. IFRSs comprise IFRSs and IASs as well as IFRICs and SICs as developed by the Interpretations Committee. The executive management declares that the financial statements fully comply with the requirements of the International Financial Reporting Standards (IFRSs) and International Accounting Standards adopted by the European Union, as well as the related interpretations (IFRS/IAS and IFRIC/SIC) applicable for the given period.

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

B) GOING CONCERN PRINCIPLE

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

C) BASIS OF MEASUREMENT

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

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

D) FUNCTIONAL AND PRESENTATION CURRENCY

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

3. SUMMARY OF KEY ACCOUNTING POLICIES

A) USE OF ESTIMATES AND JUDGEMENTS

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

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

Impairment loss to be recognised

Overdue days	Impairment loss to be recognised as a percentage of the exposed balance
Overdue less than 90 days	1%
Overdue between 90 and 180 days	20%
Overdue between 181 and 365 days	50%
Overdue more than a year	100%

In the statement of financial position, BSE has taken into account estimates and past experience for the impairment of receivables. Back testing has found a marginal difference between the results of the model developed in this way and the results of the individual measurements used previously.

Estimates and assumptions were also applied in the calculation of Employee benefits, according to BSE statistics (the basis of the calculation is explained in Note 3.1)).

For the rates used for the depreciation of tangible assets, see Note 3.g) and h).

The Company used estimates in measuring its holdings in associates; see Note 14.

The financial statement does not contain any other significant estimates.

B) BASIS OF PREPARATION

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

Founded in 2017, Budapest Institute of Banking Zrt. (BIB) was a 100% subsidiary of the Company until its sale in 2021. As the Group had no exemption under IFRS 10, it also prepared consolidated financial statements (in addition to these statements) from the fiscal year 2017 to the fiscal year 2021, where BIB is consolidated, being a 100% subsidiary of BSE. BIB was sold on 9 December 2021.

In 2019, BSE founded Első Értékpapírosítási Tanácsadó Zrt. (ELÉT), of which it was the 100% owner. ELÉT was sold on 26 February 2021.

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

C) FOREIGN CURRENCY TRANSACTIONS

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

Foreign currency differences arising on retranslation are recognised in profit or loss.

D) INVESTMENTS IN ASSOCIATES

An associate is an entity over which the investor has significant influence, and is not a subsidiary or joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for with the equity method and shown at cost, adjusted by the amount of the impairment loss.

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

If there is objective evidence that an investment in an associate is impaired, the requirements of IAS 36 shall be applied to determine whether an impairment loss should be recognised for the investment. In this case, the full carrying amount of the investment is tested for impairment by comparing the recoverable amount (the higher of value in use and fair value less costs of disposal) with the carrying amount.

E) INTERESTS IN SUBSIDIARIES

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments that are 100% owned by BSE meet this condition.

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

F) IFRS 9 – FINANCIAL INSTRUMENTS

(a) Classification and measurement

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

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

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

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

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

(b) Impairment

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

(c) Accounting policy

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

FINANCIAL ASSETS

Initial recognition and measurement

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

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

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

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

As for receivables, BSE business model is to collect cash flows, while the primary aim for securities is to collect cash flows, but selling is not excluded.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Profits and losses are recognised in profit or loss.

Financial assets of BSE measured at amortised cost include cash and cash equivalents, trade receivables and employee loans.

Financial assets at fair value through OCI (debt instruments)

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

- We hold the financial asset in a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

Derecognition

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

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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that BSE has retained.

Impairment of financial assets

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

Impairment of trade receivables

For **trade receivables** and contract assets, BSE applies a simplified approach in calculating ECLs. BSE has established an ECL matrix that is based on its historical credit loss experience. Back testing has found a marginal difference between the results of the model developed in this way and the results of the individual measurements used previously. An impairment loss of 100% is recognised for receivables due in more than one year, and a minimum of 1% for receivables due within one year, see Note 3(a).

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

The financial liabilities of BSE include **trade and other payables**.

Subsequent measurement

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

Derecognition

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

Offsetting of financial instruments

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

G) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Annual depreciation rates

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

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

H) INTANGIBLE ASSETS

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

Annual depreciation rates

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

I) IMPAIRMENT

I. Financial assets

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

II. Non-financial assets

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

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

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

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

J) CASH AND CASH EQUIVALENTS

In the Statement of financial position, cash and cash equivalents are made up of the following: cash (i.e. cash on hand and payment accounts) and cash equivalents. Cash equivalents are short-term (typically with an original maturity of three months or less) and highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Due to their low risk, cash and cash equivalents are reported in the same way as bank statements.

K) INVENTORIES

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

L) EMPLOYEE BENEFITS

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

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

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

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

M) PROVISIONS

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

N) REVENUE

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

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

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

1. A contract is concluded under the standard if the following conditions are met:

- The parties have accepted the contract and are committed to its implementation;
- The rights of the parties can be clearly determined on the basis of it,
- The contract has an economic benefit,
- It is likely that the seller will receive the consideration for the goods/services provided, even if it uses legal means to collect it.

- In the case of contract amendments, it should be examined how the content of the contract has changed, because it is possible that the amendment should be interpreted as a separate contract.

2. Identifying performance obligations:

At contract inception, the Company shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct, or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

3. Determining the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both fixed and variable amounts.

4. Assigning the price of the transaction to the individual obligations: The seller must allocate the price of the transaction between each obligation. If individual prices cannot be assigned to each obligation, an estimate is used for allocation in accordance with the methods adopted by the standard.

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

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

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

Characteristics of the different types of revenue of BSE:

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

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

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

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

- Annual fees are recognised straight line over the 12 month period to which the fee relates.
- Admission fees are recognised at the time of admission to trading.

- Data, transaction, information and exchange charges are recognised in the month in which the data is provided or the transaction is effected.

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

Time of recognition of individual revenue types

Revenue type	At the given point in time	During the period in question (year/month/quarter)
Revenues from trading fees		
Annual admission fees		X
Trading fees (monthly)		X
Auctions	X	
Connection fees, licenses		X
Revenues from listing fees		
Listing (one-off) fee	X	
Quarterly fee		X
Revenues from sale of information		
Annual vendor fees		X
Monthly vendor fees		X
Other information services	X	X

Transactions accounted for on a net basis

BSE acts as an intermediary in some transactions, i.e. it resells the purchased service to a third party in an unchanged form. In such cases, BSE accounts for revenues and expenses on a net basis (such as the provision of secure lines to brokers). Other transactions generate commissions or revenue splits that would not arise in the absence of the revenue realised (such as auction revenues or data sales audit commissions). The transactions listed are reported on a net basis by BSE.

O) FINANCE INCOME AND EXPENSES

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

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

BSE reports the exchange rate difference net and separately for both realised and unrealised items.

P) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Between 2010 and 2021, financial intermediaries were obliged to pay a banking tax under Act LIX of 2006, at a rate of 5.6% of their adjusted net revenue in the second year before the tax year. The tax had to be recognised as operating expenses as it is not a net income based, but a revenue based tax.

Q) EVENTS AFTER THE BALANCE SHEET DATE

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

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

We disclose all non-adjusting events, if any, in the Notes to the Financial Statements, please see Note 23.

R) GOVERNMENT GRANTS

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

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

S) LEASES

Identifying a lease

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

The Company uses the flow chart in paragraph B31 of Appendix B of IFRS 16 to identify leases (see next page).

In 2021 and 2022, the Company's property lease agreements were contracts that the Company determined, upon examination, to contain a lease. The current lease agreement does not include a termination option, only an extension option, and it expires in February 2032. (The previous lease agreement was due to expire in February 2023, but was terminated in February 2022.) The Company used a lessee's incremental borrowing rate as allowed by the standards, because the implicit interest rate in the transaction is difficult to determine.

Recognition at the lessee

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

Recognition exemptions

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

Measurement of right-of-use asset

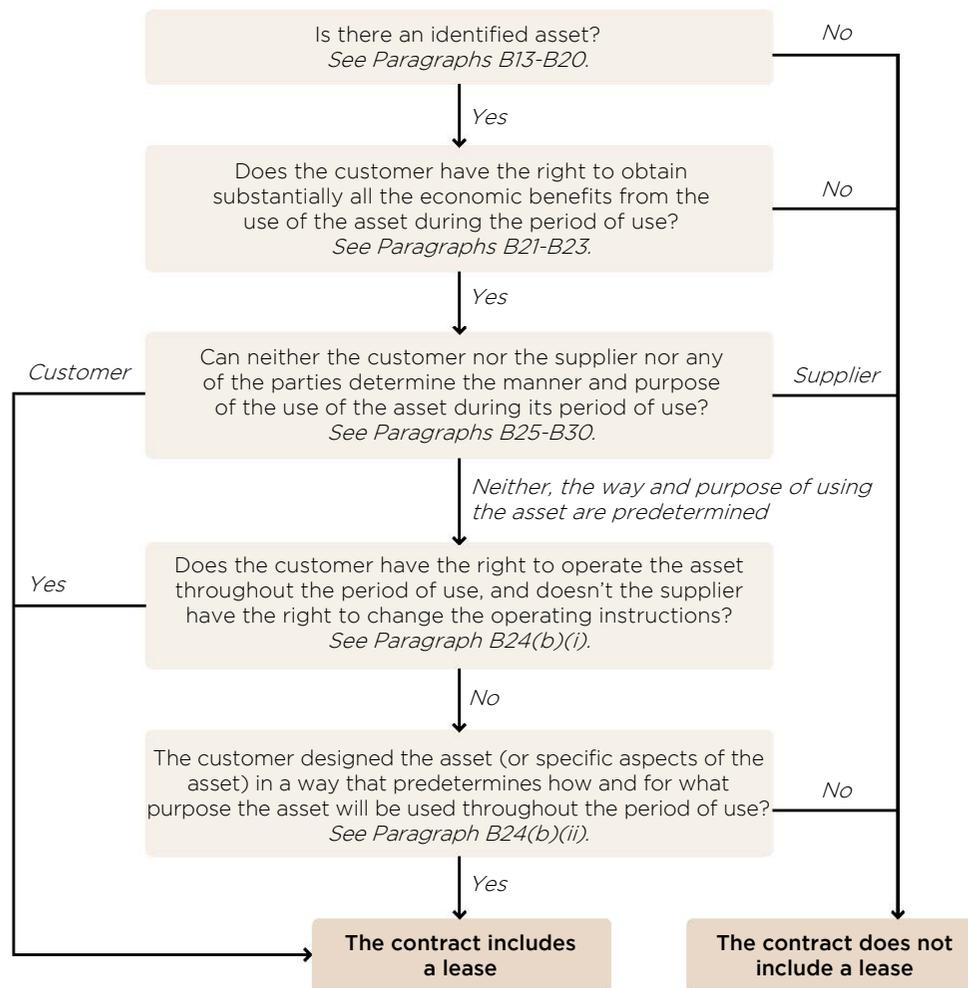
The Company reports its assets used under leases as right-of-use assets in the balance sheet. The right-of-use assets are valued according to the cost model, with depreciation recognised primarily on the basis of the contractual term. The Company tests right-of-use assets for impairment in accordance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

Right-of-use assets are separated in the Notes.

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

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

Lease contract classification IFRS 16.B31



Recognition at the lessor

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

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

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

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

- it transfers the underlying asset to the lessee at the end of the lease term,

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

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

T) ASSETS HELD FOR SALE

BSE may classify a non-current asset (or disposal group) as held for sale if its carrying amount is recovered primarily through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and its sale must be highly probable.

For the sale to be highly probable,

- the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated; further,
- the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value; in addition,

the sale should be able to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes will be made to the plan or that the plan will be withdrawn.

Measurement: BSE shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount or fair value less costs to sell.

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

A) CHANGES IN ACCOUNTING POLICIES

Impact of changes of IFRSs effective from 1 January 2022 and the introduction of new standards on financial statements

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

- Amendments to **IFRS 3** “Business Combinations”; **IAS 16** “Property, Plant and Equipment”; **IAS 37** “Provisions, Contingent Liabilities and Contingent Assets” – Annual Improvements (effective for reporting periods beginning on or after 1 January 2022).

The Company believes that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Company.

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

- **IFRS 17** “Insurance Contracts”, including the amendments to IFRS 17 (effective for reporting periods beginning on or after 1 January 2023),

- Amendments to **IAS 8** “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of accounting estimates (effective for reporting periods beginning on or after 1 January 2023),
- Amendments to **IAS 1** “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosure of accounting policies (effective for reporting periods beginning on or after 1 January 2023),
- Amendments to **IAS 12** “Income taxes” – Deferred tax related to assets and liabilities arising from a single transaction (effective for reporting periods beginning on or after 1 January 2023),
- Amendments to **IFRS 17** “Insurance Contracts” – initial application of IFRS 17 and IFRS 9 – Comparative information (effective for reporting periods beginning on or after 1 January 2023).

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

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

- Amendments to **IAS 1** “Presentation of Financial Statements” – Classification of liabilities as current and non-current – Postponement of the effective date, Non-current liabilities with covenants (effective for reporting periods beginning on or after 1 January 2024),
- Amendments to **IFRS 16** “Leases” – Lease liability in case of leaseback transactions (effective for reporting periods beginning on or after 1 January 2024),
- Amendments to **IFRS 10** “Consolidated Financial Statements” and **IAS 28** “Investments in Associates and Joint Ventures” – Sale or transfer of assets between an investor and its associate or joint ventures (effective date deferred indefinitely pending the conclusion of the research project on the equity method),

- **IFRS 14** “Regulatory Deferral Accounts” (effective for reporting periods beginning on or after 1 January 2016) – the European Commission decided not to apply the endorsement process to the current interim standard and to wait for the final standard.

The implementation of these amendments, new standards and interpretations would not have a material impact on the Company’s separate financial statements.

B) ERRORS IN PREVIOUS PERIODS

In the financial statements for the periods prior to 2022, the following items were included in Equity as **Other reserves**:

- The General Meeting accepted on 30 April 2002 the evaluation that was prepared by American Appraisal Kft., based on which the revaluation difference was HUF 2,245 million for KELER Központi Értéktár Zrt. This was a one-off market evaluation, which BSE had the opportunity to carry out because it had become a joint stock company. This value was booked by BSE at the time of its transformation in 2002.

- Other reserves also include grants received definitively before 2000 (between 1992 and 1994) for stock exchange development, amounting to HUF 331 million.

In closing 2022, the content of Other reserves was reviewed and the previous classification needs to be corrected. The items listed should correctly be shown in Retained earnings.

The grants definitively received should not be recorded separately, and the revaluation difference of KELER should be reclassified to Retained earnings because the Company accounts for Associates by the equity method and therefore any related profit/loss is recognised in profit or loss, which ultimately increases/decreases Retained earnings.

Presentation before correction (HUF million)

Description	31/12/2021	01/12/2020	12/2019
Subscribed capital	541	541	541
Other reserve	2,576	2,576	2,576
Retained earnings	13,379	11,957	11,217
Revaluation reserve from associates	-37	11	5
Total shareholders' equity	16,459	15,085	14,339

Presentation after correction (HUF million)

Description	31/12/2021	01/12/2020	31/12/2019
Subscribed capital	541	541	541
Other reserve	0	0	0
Retained earnings	15,955	14,533	13,793
Revaluation reserve from associates	-37	11	5
Total shareholders' equity	16,459	15,085	14,339

5. FINANCIAL RISK MANAGEMENT

A) DISCLOSURE OF RISKS ACCORDING TO IFRS 7

Risk characterisation and sensitivity analysis

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

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

- credit risk,
- liquidity risk,
- market risk.

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

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

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

B) CREDIT RISK

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

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

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

The credit risk analysis shows the following positions

Description	31/12/2022	31/12/2021
Non-overdue receivables	545	106
<30 days	8	17
31-60 days	0	3
61-90 days	17	3
91-180 days	4	3
181-360 days	1	13
360 days <	18	21
Total (trade and other receivables, gross)	594	166

Definition of default

For internal credit risk management purposes, BSE considers the following to be events of default, as past experience has shown that financial instruments that meet any of the following criteria are generally not recovered:

- Information from internal or external sources indicates that the debtor is unlikely to be able to pay its creditors, including BSE, in full.

Notwithstanding the above analysis, BSE will consider a financial instrument to be in default when it is more than 90 days overdue, unless BSE has reasonable and supported information to demonstrate that a default criterion of more than 90 days is more acceptable.

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, BSE compares the risk of default of the financial instrument at the reporting date with the risk of default of the financial instrument at the date of initial recognition.

In such assessments, BSE takes into account both quantitative and qualitative information that is reasonable and supported, including past experience and information about the future that is available without unreasonable cost or effort.

Information about the future includes the company's future prospects, in which BSE and its debtors operate, as well as actual and projected economic information from various external sources relating to BSE's core business.

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

- Existing or anticipated adverse changes in business, financial or economic conditions that are expected to significantly reduce the debtor's ability to meet its debt obligations
- Actual or expected significant deterioration in the debtor's operating profits
- A significant increase in the credit risk of other financial instruments of the same debtor
- An actual or anticipated significant adverse change in the debtor's regulatory, economic or technological environment that results in a significant reduction in the debtor's ability to meet its debt obligations

Regardless of the outcome of the above assessment, BSE assumes that the credit risk of a financial instrument has increased significantly since initial recognition if contractual payments are more than 30 days overdue, unless BSE has reasonable and substantiated information demonstrating the contrary.

Nevertheless, BSE assumes that the credit risk of a financial instrument has not significantly increased since initial recognition if the financial instrument is considered to be of low credit risk at the reporting date.

Maturities shown by the liquidity analysis (HUF million)

31 December 2022	Overdue	due within 1 year	due within 1-5 years	due after 5 years or in a certain situation	Total	Of which interest
Loans given, at amortised cost	0	0	13	0	13	1
Trade and other receivables (gross)	49	545	0	0	594	0
Accrued revenues	0	632	0	0	632	0
Cash and cash equivalents	0	3,954	0	0	3,954	0
Total financial assets	49	5,131	13	0	5,193	1
Employee benefit liabilities	0	3	4	3	10	0
Non-current lease liability	0	0	410	477	887	0
Deferred tax liabilities	0	0	11	629	640	0
Trade payables and other short-term liabilities	0	1,036	0	0	1,036	0
Short-term corporate tax liabilities	0	91	0	0	91	0
Current lease liability	0	94	0	0	94	0
Accrued expenses	0	205	0	0	205	0
Total financial liabilities	0	1,429	425	1,109	2,963	0

Financial instruments written off can still be recovered under BSE recovery procedures, with legal advice if necessary. The amounts recovered are recognised in the statement of profit or loss.

For trade receivables, BSE uses the valuation matrix presented in Note 3(a) (i.e. trade receivables are grouped).

A financial instrument is considered to be of low credit risk if

- the financial instrument has a low non-performance risk
- The debtor is able to meet its contractual payment obligations in the short term
- In the longer term, adverse changes in economic and business conditions may, but do not necessarily, reduce a borrower's ability to meet its contractual payment obligations

BSE considers a financial instrument to be of low credit risk if the partner has a strong financial position and no amounts are past due.

Currently, there are no significant financial assets where a method other than the simplified procedure is applied (trade receivables valuation matrix).

Write Off Policy

BSE writes off a financial instrument if it has information indicating that the debtor is facing serious financial difficulties and that recovery is unrealistic, for example if liquidation or bankruptcy proceedings have been initiated against the debtor.

C) LIQUIDITY RISK

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

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

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

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

The liquidity analysis shows that the liquidity risk is low because financial assets due in one year cover both financial liabilities due in one year and financial liabilities due beyond one year.

Liquidity analysis – comparative data from the previous year (HUF million)

31 December 2021	Overdue	due within 1 year	due within 1-5 years	due after 5 years or in a certain situation	Total	Of which interest
Trade and other receivables (gross)	60	106	0	0	166	0
Tax assets	0	0	0	0	0	0
Accrued revenues	0	696	0	0	696	0
Cash and cash equivalents	0	3,468	0	0	3,468	0
Total financial assets	60	4,270	0	0	4,330	0
Provisions	0	0	2	0	2	0
Employee benefit liabilities	0	2	4	7	13	0
Non-current lease liability	0	0	21	0	21	0
Deferred tax liabilities	0	0	0	764	764	0
Trade payables and other short-term liabilities	0	825	0	0	825	0
Current lease liability	0	134	0	0	134	0
Accrued expenses	0	209	0	0	209	0
Total financial liabilities	0	1,170	27	771	1,968	0

D) MARKET RISK

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

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

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

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

E) CAPITAL MANAGEMENT

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

The Board of Directors monitors the return on capital.

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

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

6. FINANCIAL INSTRUMENTS: DISCLOSURES

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

The Stock Exchange currently has no instruments with variable interest rates. This chapter presents the interest rate sensitivity of bank deposits with fixed interest rates.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables (if any) remain constant. The analysis was carried out on the same basis for 2021.

Interest rate sensitivity analysis (HUF million)

Description	2022	2021
Interest income from banks	132	9
Average amount of Cash and cash equivalents	3,711	2,870
Average effective interest rate	3.56%	0.31%
Effect of change in interest rate (+1%)	37	29
Effect of change in interest rate (+5%)	186	144

Assuming that interest rates changed by 1%, income would have increased by HUF 37 million in 2022; a 5% change would have increased income by HUF 186 million.

B) FOREIGN CURRENCY SENSITIVITY

The following tables show sensitivity to a possible change in the EUR/HUF exchange rate (with all other factors held constant). The estimated impact on BSE's profit before taxation is calculated by applying an annual average exchange rate deviation of +/-5% (net effect of income and expenses). For revenues, the most significant foreign currency items are those from data sales.

Foreign currency sensitivity analysis (HUF million)

Description	2022	2021
Changes in the EUR/HUF exchange rate	+5% -5%	+5% -5%
Impact on profit before taxation	43 -43	26 -26

For costs, XETRA licence fees, lease payments, expert fees and other software licenses. BSE has no significant transactions in other currencies.

Analysis of the impact of the year-end cash balance (HUF million)

Description	2022	2021
Year-end amount of cash and cash equivalents denominated in EUR (in thousands of EUR)	1,862	2,119
Year-end balance of cash and cash equivalents denominated in EUR (in millions of HUF)	745	782
Year-end EUR/HUF exchange rate	400.25	369.00
Effect of +5% EUR/HUF exchange rate change on year-end balance (unrealised exchange rate gain)	37	39
Effect of -5% EUR/HUF exchange rate change on year-end balance (unrealised exchange rate loss)	-37	-39

C) FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that you would receive to sell an asset or would pay to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

Measurement level 3: A measurement that uses inputs not directly observable with respect to the value of the asset or liability.

Classification of financial instruments

The Company measures its financial instruments at amortised cost:

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

Presentation of assets and liabilities not measured at fair value by classification into the appropriate level of the fair value hierarchy

All instruments are in level 3 of the fair value measurement except cash and cash equivalents, which are in level 2.

The measurement procedure for financial instruments is as follows:

- Loans given, at amortised cost 3(f)
- Accrual of trade and other receivables and revenues 3(a) and 3(f)
- Cash and cash equivalents 3(j)
- Accrued trade payables and other current liabilities, costs and expenses 3(f)

Classification of financial instruments (HUF million)

Date / Description	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Securities at fair value through other comprehensive income	Financial liabilities at amortised cost	Carrying value	Actual value
31 December 2022						
Loans given, at amortised cost	0	13	0	0	13	13
Trade and other receivables	0	570	0	0	570	570
Accrued revenues	0	632	0	0	632	632
Cash and cash equivalents	0	3,954	0	0	3,954	3,954
Trade payables and other short-term liabilities	0	0	0	1,036	1,036	1,036
Accrued expenses	0	0	0	205	205	205
31 December 2021						
Trade and other receivables	0	138	0	0	138	138
Tax assets	0	0	0	0	0	0
Accrued revenues	0	648	0	0	648	648
Cash and cash equivalents	0	3,468	0	0	3,468	3,468
Trade payables and other short-term liabilities	0	0	0	825	825	825
Accrued expenses	0	0	0	146	146	146

7. REVENUES AND OTHER INCOME

Revenue (HUF million)

Description	2022	2021
Revenues from trading fees		
Annual admission fees	64	65
Fees of trading (monthly) and auctions	1,323	1,078
Connection fees, licenses	25	32
Revenues from listing fees		
Listing (one-off) fee	177	145
Quarterly fee	880	644
Revenues from data sales		
Annual vendor fees	509	476
Monthly vendor fees	665	566
Other information services	22	46
Revenues from other services	0	4
Total Revenues	3,665	3,056

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

Other revenues (HUF million)

Description	2022	2021
Revenue from government grants	524	231
Other income	98	59
Total Other Income	622	290

Government grants

Total amount of non-repayable grants available under the EDIOP-1.1.7-2017-00001 programme (after the increase of the 2022 budget): HUF 1,307 million, the aim of which is to implement training and mentoring programmes and to provide stock exchange preparation for IPOs for companies identified in the context of the call.

The mirror project of EDIOP, the “BSE Mentoring Programme in the Central Hungary Region” project, focuses on the central region and targets the same elements of stock market development. After the increase of the 2022 budget, a total of HUF 846.75 million is available for this purpose.

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

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

There are no unfulfilled conditions or other contingent liabilities related to the recognised government contribution.

Government grants are not recognised until there is reasonable evidence that BSE will meet the conditions attached to them and that BSE will accordingly receive the grants. Reasonable evidence means anything:

- that, in terms of content, is in compliance with the grant agreement,
- does not exceed the budget,
- proving that interim settlement claims have been approved up to the date of the report.

Recognition of government grants (HUF million)

Description	2022	2021
2019 EDIOP items	1	39
2020 EDIOP items	3	25
2021 EDIOP items	6	63
2022 EDIOP items	194	0
2019 CHR items	0	19
2020 CHR items	5	11
2021 CHR items	91	140
2022 CHR items	269	
Total Accrued income for projects	569	297
2020 EDIOP items (ELITE training)	0	0
2020 CHR items (ELITE trainings)	0	0
2021 EDIOP items (ELITE training)	0	9
2021 CHR items (ELITE training)	0	20
2022 EDIOP items (ELITE training)	6	0
2022 CHR items (ELITE trainings)	0	0
Total prepaid expenses for projects	6	29

Description	2022	2021
EDIOP advance	154	314
CHR advance	632	282
Total project advances received (within other current liabilities)	786	596
Personnel expenses – EDIOP	45	34
Personnel expenses – CHR	33	25
Expert costs – EDIOP	9	7
Expert costs – CHR	7	7
Other costs - CHR	8	8
Grants to SMEs – EDIOP	125	2
Grants to SMEs – CHR	147	47
ELITE trainings – EDIOP	56	49
ELITE trainings – CHR	55	52
ESG trainings and workshops – EDIOP	11	0
ESG trainings and workshops – CHR	13	0
Total project-related items (within other revenue)	509	231

8. OPERATING EXPENSES

Expert fees also include amounts which are paid on behalf of SMEs within the grant schemes, and are eligible for recognition during the term of the programmes, thus are also included in 'Other revenues' (HUF 120 million in 2022, HUF 133 million in 2021).

Expert fees also include the fees of audits and other consultation used in 2021 and 2022 due to preparations for listing on the BSE regulated market.

Licence fees are not significant and include short-term (maximum 1 year) software licences and asset leases. The operating costs of the rented office were higher due to the move in February 2022. Other services include service expenses incurred in the normal course of the business.

The reason for the reduction in Contributions on wages and salaries is that the social contribution tax was 15.5% in 2021 but only 13% in 2022, and the previous 1.5% vocational contribution was abolished from 2022. The banking tax was abolished starting from 2022. As operating costs for the year had increased, the amount of non-deductible VAT for the year has also changed significantly.

Operating costs (HUF million)

Description	Note No.	2022	2021
Expenses for material costs		4	3
Expenses of services used		924	827
Expert fees		345	357
PR, marketing and sales costs		93	97
License fees		261	254
Leased office operating costs		113	38
Other services		112	82
Personnel costs		1,249	1,178
Wages and salaries		1,052	958
Contributions on wages and salaries		151	167
Other personnel type expenses		46	53
Depreciation and amortisation	12, 13	316	292
Depreciation charge of right-of-use asset		104	106
Amortisation of intangible assets, depreciation charge of tangible fixed assets		212	186
Expenses arising from miscellaneous other costs		573	412
Banking tax		0	149
Local business tax		76	62
Non-deductible VAT		183	109
Mediated EDIOP and CHR grants		272	49
Other costs		42	43
Other expenses		0	0
Total operating expenses		3,066	2,712

9. EMPLOYEE INFORMATION

The average number of employees during the year was 60 (2021: 61). The Employee costs presented below are part of Operating expenses (Note 8). A significant part of other personal expenses includes employee Cafeteria benefits.

Employee costs (HUF million)

Description	2022	2021
Wages and salaries	1,052	958
Contributions on wages and salaries	151	167
Other personnel type expenses	46	53
Total	1,249	1,178

10. FINANCE INCOME AND EXPENSES

Interest income increased significantly due to the change in the yield environment: while in the first half of the year, bank deposits were made at an annual interest rate of around 4-7%, at the end of the year, they were already made at an annual interest rate of 12.8%.

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

The interest on the lease liability increased because in February 2022, BSE entered into a new 10-year lease agreement, which means that the effective interest rate has to be calculated on a significantly higher lease liability.

Finance income (HUF million)

Description	2022	2021
Interest income from banks and other sources	136	11
Realised exchange rate gains	11	13
Unrealised exchange rate gains	0	10
Total financial income	147	34

Finance expense (HUF million)

Description	2022	2021
Unrealised exchange rate losses	56	10
Interest of lease liability (effective interest)	33	7
Total financial expenses	89	17

11. TAXATION

Tax expense (HUF million)

Description	2022	2021
Current income tax expense		
Corporate tax	106	27
	106	27
Deferred tax expense/reversal		
Origination of temporary differences	-124	107
	-124	107
Income tax expense	-18	134

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

The calculation of the actual corporate tax expense and the total income tax expense/income are shown in table "Tax calculation".

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

A significant part of Miscellaneous items contains the effect of the use of losses carried forward.

Tax calculation (HUF million)

Description	2022		2021	
	Amount	Tax effect	Amount	Tax effect
Profit before taxation	-231	-21	1,559	140
Total items increasing the tax base	4,192	377	186	17
<i>of which impairment related to the KELLER Group</i>	3,953	356	0	0
<i>of which depreciation according to IFRS</i>	212	19	186	17
Total items decreasing the tax base	-2,695	-243	-1,154	-104
<i>of which Share in the profit or loss of associates</i>	-2,448	-220	-900	-81
<i>of which Depreciation according to corporate tax</i>	-201	-18	-204	-18
Utilisation of loss carry-forwards	-89	-8	-296	-27
Corporate tax base	1,177	106	296	27
Applicable tax rate	9%		9%	
Corporate tax expense for the reporting year	-106		-27	
Deferred tax expenses/assets in the reporting year	124		-107	
Total income tax expense/income	18		-134	

Deferred tax liabilities are shown in table "Deferred taxes", while their calculation and sources are on the next page.

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 9%. The balance as on 31 December 2022 mainly represents the untaxed gain of investments in associated companies.

Deferred tax (HUF million)

Description	2022	2021
At beginning of the year	764	657
Debited/(Credited) in net profit	-124	107
At end of the year	640	764

Calculation and source of the deferred tax, 31/12/2022 (HUF million)

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

Calculation and source of the deferred tax, 31/12/2021 (HUF million)

Description	Carrying amount	Tax value	Difference
Property, plant and equipment	99	100	-1
Intangible assets	274	121	153
Right of use assets	124	0	124
Investments in associates measured using the equity method and investments in subsidiaries	13,619	5,115	8,504
Inventories	9	9	0
Trade and other receivables	138	167	-29
Tax assets	0	0	0
Prepaid expenses	48	48	0
Accrued revenues	648	648	0
Cash and cash equivalents	3,468	3,468	0
Provisions	2	0	-2
Employee benefit liabilities	13	0	-13
Non-current lease liability	21	0	-21
Trade payables and other short-term liabilities	825	825	0
Current lease liability	134	0	-134
Prepaid revenues	63	63	0
Accrued expenses	146	146	0
Loss carry-forward	0	89	-89
Total			8,492
Total deductible difference			-289
Total taxable difference			8,781
Total deferred tax assets			0
Total deferred tax liabilities			764

12. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Intangible assets are divided into the following categories:

- rights and patents,
- software licenses,
- proprietary software.

Rights and patents include trademarks, which have the same depreciation period as the trademark registration period (typically 10 years). BSE buys software licences typically for 3 years, so the amortisation period is the same. Proprietary software is typically amortised over 5 years.

Intangible and tangible assets, 2022 (HUF million)

Date / Description	Intangible assets	Tangible assets					Total
		Investments implemented on leased property	IT equipment	Office furniture, equipment and installations	Motor vehicles	Total tangible assets	
Cost							
as on 1 January 2022	1,697	46	474	109	22	651	2,348
Increase	166	163	86	2	0	251	417
Scrapping, sale	0	-43	-24	-40	0	-107	-107
as on 31 December 2022	1,863	166	536	71	22	795	2,658
Depreciation and amortisation							
as on 1 January 2022	46	390	101	15	552	1,975	
Charge for the year	137	15	57	3	0	75	212
Decrease due to de-recognition	0	-43	-24	-40	0	-107	-107
as on 31 December 2022	1,560	18	423	64	15	520	2,080
Carrying amount							
as on 1 January 2022	274	0	84	8	7	99	373
as on 31 December 2022	303	148	113	7	7	275	578

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

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

Intangible and tangible assets, 2021 (HUF million)

Date / Description	Intangible assets	Tangible assets					Total
		Investments implemented on leased property	IT equipment	Office furniture, equipment and installations	Motor vehicles	Total tangible assets	
Cost							
as at 1 January 2021	1,662	47	487	124	30	688	2,350
Increase	123	0	56	5	1	62	185
Scrapping, sale	-88	-1	-69	-20	-9	-99	-187
as at 31 December 2021	1,697	46	474	109	22	651	2,348
Depreciation and amortisation							
as on 1 January 2021	1,403	45	377	115	19	556	1,959
Charge for the year	108	1	73	4	0	78	186
Decrease due to de-recognition	-88	0	-60	-18	-4	-82	-170
as at 31 December 2021	1,423	46	390	101	15	552	1,975
Carrying amount							
as at 1 January 2021	259	2	110	9	11	132	391
as at 31 December 2021	274	0	84	8	7	99	373

13. LEASES UNDER IFRS 16

The right-of-use asset was capitalised on the basis of the contract for the office leased by BSE. In February 2022, BSE moved from its former headquarters to its new headquarters. Therefore, the right-of-use asset kept in the books at the end of 2021, together with the related provision and lease liability, has been

derecognised on that date. The effect of the derecognition on profit or loss is included in Other revenue in the amount of HUF 28 million.

The right-of-use asset corresponding to the lease agreement for the offices at Krisztina körút 55 was

booked in February 2022, together with the related lease liabilities. The right-of-use asset will be depreciated using the straight-line method until February 2032.

Recognition of right-of-use assets (HUF million)

Description	01/01/2022	01/01/2021
	31/12/2022	31/12/2021
Cost		
on 1 January	442	442
Recognition of a new right-of-use asset for the new headquarters (Krisztina krt. 55.)	954	0
Derecognition due to moving (Bank Center) -442	0	
on 31 December	954	442
Depreciation		
on 1 January	318	212
Charge for the year (Bank Center)	18	106
Derecognition (Bank Center)	-336	0
Charge for the year (Krisztina krt. 55.)	86	0
on 31 December	86	318
Carrying amount		
on 1 January	124	230
on 31 December	868	124

Calculation of related lease liabilities (HUF million)

Description	01/01/2022–	01/01/2021–
	31/12/2022	31/12/2021
Opening balance	155	283
Payment to the lessor (Bank Center)	-22	-132
Interest incurred (BC)	1	7
Derecognition due to moving (BC)	-134	
Recognition of a new lease liability for the new headquarters (K55)	954	
Payment to the lessor (K55)	-122	
Interest incurred (K55)	32	
Year-end foreign exchange revaluation difference	117	-3
Lease balance on 31 December	981	155
<i>Current lease liability</i>	<i>94</i>	<i>134</i>
<i>Non-current lease liability</i>	<i>887</i>	<i>21</i>

Maturity analysis of lease liabilities (HUF million)

Due date	Liability
in 2023	94
in 2024	97
in 2025	101
in 2026	104
in 2027	108
after 2027	477
Total	981

14. INVESTMENTS (INTERESTS IN OTHER ENTITIES)

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

Neither BSE nor any of its associates are investment companies or hold shares in such companies. All companies publish their separate financial statements in accordance with the law that applies to them.

A) SUBSIDIARIES

The former subsidiaries, Budapest Institute of Banking (BIB) Zrt. and Első Értékpapírosítási Tanácsadó Zrt. (ELÉT) were sold in 2021.

B) ASSOCIATES

The Company holds an investment of 46.67% (2021: 46.67%) in KELER and an investment of 0.07% (2021: 0.09%) in KELER CCP. KELER CCP is 99.85% (2021: 99.81%) owned by KELER.

Indicators of associates

Name of entity	Place of business	Ownership interest held by BSE (%)		Principal activities	Contact
		2022	2021		
KELER Ltd.	Hungary	46.67	46.67	depository services	associate
KELER CCP Ltd.	Hungary	0.07	0.09	clearing services	associate

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

The value of the existing investment in the KELER Group (HUF million)

Description	2022	2021
Opening balance	13,619	12,767
Share of post acquisition profit/loss	2,448	900
Share of other comprehensive income	-13	-48
Dividends received	0	0
Impairment of associates	-3,953	0
Closing balance	12,100	13,619

Aggregated IFRS consolidated financial information of KELER as on 31 December (HUF million)

Description	2022	2021
Total assets	468,947	510,422
Total liabilities	434,571	481,258
Total shareholders' equity	34,376	29,164
Profit or loss from core activity	15,356	9,293
Profit or loss for the year	5,240	1,925
Other comprehensive income	-28	-103
Total comprehensive income	5,212	1,822

BSE is required to apply the requirements of IAS 36 to ensure that assets are carried at no more than their recoverable amount.

The standard specifies the indications that could give rise to an impairment loss. If any of these indications apply, the entity shall prepare a formal estimate of recoverable amount.

BSE's management has identified the following fundamental factors that made it necessary to estimate the value of the interest held in KELER:

- unfavourable macroeconomic environment,
- the effects of the banking tax levied in 2022,
- the assessment of Hungarian assets has generally deteriorated due to rising risk premiums.

Due to the reasons detailed above, BSE saw it appropriate to assess the value of the interest in KELER.

BSE has assessed the company on a discounted cash flow (DCF) basis. The investment value was determined by forecasting the future cash flows of the KELER Group and discounting them to present value.

Accordingly, taking into account BSE's ownership interest, the value of BSE's interest in the associates is HUF 12,100 million.

Comparing this value with the value of HUF 16,053 million in the books, an impairment of HUF 3,953 million needs to be recognised.

15. CURRENT ASSETS

Current assets (HUF million)

Description	2022	2021
Inventories	9	9
Trade and other receivables	570	138
Corporate tax assets	0	0
Prepaid expenses	29	48
Accrued revenues	632	648
Cash and cash equivalents	3,954	3,468
Current assets	5,194	4,311

The Company had no significant value of inventory in 2022. These assets are not related to the Company's core business. The assets support the daily operation of the Company (stationery and other office related assets).

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

Trade receivables and their impairment (HUF million)

Description	2022	2021
Gross amount of trade receivables	594	166
Accumulated impairment	-24	-28
Net amount of trade receivables	570	138
Accumulated impairment as of 1 January	28	37
Net change of impairment	-4	-9
Accumulated impairment losses on 31 December	24	28

The write-off ratio of trade receivables is low and not significant. The write-off resulting from credit losses was HUF 5 million in 2022, and HUF 5 million was reversed in 2021, which is 0.14% of the annual revenues in 2022 (0.16% in 2021).

BSE provided housing loans to employees in 2022, of which HUF 1 million is due within one year, and is included in Trade and other receivables. The part maturing in more than one year is included in Non-current assets under Loans granted measured at amortised cost (HUF 13 million).

Cash and Cash Equivalents contains only the balance of cash in bank accounts and deposit accounts. Due to their low risk, cash and cash equivalents are reported in the same way as bank statements for the reporting date.

The fair value of the receivables presented is close to their carrying amount. The above items are non-interest-bearing, except for cash equivalents, which bear interest when tied up. While in the first half of the year, bank deposits were made at an annual interest rate of around 4-7%, at the end of the year, they were already made at an annual interest rate of 12.8% due to changes in the economic environment.

For maturity analysis, see Note 5.

16. EQUITY

Subscribed capital

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

company limited by shares due to general succession.

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

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

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2021: 5,413,481) ordinary shares with par value of HUF 100 each. All shares rank pari passu in the event of a winding up.

The share capital represents shares held by the following shareholders:

Ownership ratios of shareholders

Description	2022	2021
Magyar Nemzeti Bank	81.4%	81.4%
KBC Securities Hungary Branch Office	5.2%	5.2%
Concorde Értékpapír Zrt.	4.2 %	4.2 %
OTP Bank Plc.	2.7%	2.7%
Erste Bank Hungary Zrt.	2.3%	2.3%
MOL Nyrt.	2.2%	2.2%
Others (all under 2% individually)	2.1%	2.1%
Total	100.0%	100.0%

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

Retained earnings

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

Revaluation reserve from associates

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

Equity correlation table

Section 114/B of the Accounting Act requires that the IFRS equity data be used to determine the equity as defined in this section.

Calculation of equity (HUF million)

Description	31/12/2022
Equity according to IFRS	15,730
+ amount of additional payment received, shown as a liability according to IFRS	0
- amount of additional payment made, shown as an asset according to IFRS	0
+ funds received and to be placed in capital reserves, if they are deferred income (IFRS)	0
+ value of assets taken over, if they are deferred income (IFRS)	0
- capital increase resulting in an equity instrument if it had to be recognised as a receivable from shareholders (IFRS)	0
Equity (reconciled)	15,730

Individual equity elements, as reconciled (HUF million)

Description	31/12/2022
<i>Subscribed capital according to IFRS</i>	
Subscribed capital, as shown in the deed of incorporation, is the same as the capital registered with the court of company registration	541
Capital subscribed, but not paid up	0
<i>Reserves in deposit opening</i>	0
+ Additional payments received	0
+ Development reserve (adjusted for tax effect)	0
Reserves in deposit (reconciled)	0
<i>Retained earnings</i>	
+ Accumulated profit after tax and unallocated from prior years, in accordance with IFRS	-502
+/- Amounts credited or charged to accumulated profit or loss under IFRSs	0
- Amount of additional payment made, shown as an asset	0
- Unutilised development reserve less related deferred tax	0
+ Closing retained earnings before transition year, adjusted for transition adjustments	15,955
Retained earnings (reconciled)	15,453
<i>Profit after taxation</i>	

Profit after tax, Point 9 of Section 114/A of the Accounting Act -213

Revaluation reserve

Cumulative amount of items recognised in other comprehensive income -51

Capital reserve

Reconciled equity 15,730

- Subscribed capital according to IFRS	-541
- Capital subscribed, but not paid up	0
- Reserves in deposit	0
- Retained earnings	-15,453
- Profit after taxation	213
- Revaluation reserve	51
Capital reserve (reconciled)	0

*Equity after reconciliation:**Adjusted equity (according to Section 114/B of the Accounting Act)*

Subscribed capital	541
Capital subscribed, but not paid up	0
Capital reserve	0
Retained earnings	15,453
Reserves in deposit	0
Revaluation reserve	-51
Profit after taxation	-213
15,730	

+ Retained earnings (reconciled)	15,453
+ Profit after tax for the year	-213
- Value growth of investment property (adjusted for tax effects)	0

Retained earnings available for dividend payment 15,240

17. PROVISIONS

Provisions (HUF million)

Description	2022	2021
Opening balance	2	2
Additions	0	0
Reversals of provisions (due to moving)	-2	0
Closing balance	0	2

The estimated liability for restoration costs related to the lease contract (restoring the underlying asset to the condition required by the terms and conditions of the lease) is recognised as a provision. The provision originally made in 2019 was recognised against Right-of-use assets. Budapest Stock Exchange Ltd. moved to its new headquarters in 2022, so the provision was reversed and no significant restoration costs were incurred. The costs related to moving have been recognised in profit or loss, except for the specific fit-out work in the new office, which has been recognised under Property, plant and equipment. Based on the experience of the moving in 2022, no new provision for restoration has been made in relation to the new lease agreement.

18. EMPLOYEE BENEFITS: JUBILEE BENEFITS

Jubilee benefits (HUF million)

Description	2022	2021
Jubilee obligation as at 1 January	13	12
Interest cost	1	1
Current service cost	-3	2
Benefits paid	-3	-2
Actuarial gains/losses	2	0
Jubilee liabilities		
on 31 December	10	13
<i>of which short-term</i>	3	3
<i>of which long-term</i>	7	10

The sum of Current service costs and Actuarial gains/losses are included in Operating Expenses, under Personnel Expenses. For the turnover rate, BSE applied 11.5% in its estimates based on its own statistics. For discounting, the interest rate on currently available government bonds with a maturity of 15-20 years (currently 8.19%) is applied. Jubilee benefits are awarded after 5, 10, 15, 20, 25 and 30 years of service at the stock exchange.

Of the long-term benefits, HUF 3 million will be due between 1 and 5 years, and HUF 7 million beyond 5 years (in 2021, the values of the two categories were HUF 4 million and HUF 6 million, respectively).

19. CURRENT LIABILITIES

Current liabilities (HUF million)

Description	2022	2021
Accrued bonuses and expenses	205	146
Accruals, prepaid listing fees	60	63
Other items	0	0
Trade and other payables	119	103
Current lease liability	94	134
Advances received for project EDIOP and Central Hungarian	786	596
Short-term corporate tax liabilities	91	0
Other tax items	131	126
Employee benefits	3	2
Current liabilities	1,489	1,170

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

20. TRANSITION TO IFRS

Prior to the fiscal year beginning on 1 January 2022, the Company prepared its separate financial statements in accordance with the Hungarian accounting rules for submission to local authorities. From the business year 2022, the Stock Exchange will prepare its financial statements for this purpose in accordance with IFRS as adopted by the European Union.

The Company has been publishing financial statements in accordance with IFRS by its own choice for several years, and therefore has not

qualified as a first-time adopter under IFRS 1; however, in the future, it will publish and deposit these financial statements as its legally required accounts, and will not prepare accounts in accordance with the general rules of Hungarian Accounting Act.

The reconciliation of equity under IFRS and equity under the Hungarian accounting rules for the transition date (1 January 2021) and the last day of the comparative period (31 December 2021) is as follows:

Reconciliation of equity between Hungarian accounting regulations and IFRS (HUF million)

Description	Transition date: 01/01/2021	Last balance sheet date according to Hungarian rules: 31/12/2021
In the report according to Hungarian regulations	8,134	8,720
Effect of valuation of an associate using the equity method	7,652	8,504
Effect of lease agreement (IFRS 16)	-56	-35
Effect of deferred tax	-657	-764
Effect of jubilee benefits	-12	-13
VAT effect of intangible and tangible assets	34	49
Reserves for credit losses under IFRS 9	-10	-2
Recalculated for IFRS	15,085	16,459

Reconciliation of the last profit before taxation published under Hungarian law and the profit or loss under IFRS for the same period (business year 2021):

Reconciliation of profit after tax between previous accounting regulations and IFRS (HUF million)

Description	2021
In a report according to Hungarian regulations	586
Share in the profit or loss of associates	900
Effect of deferred tax	-107
Effect of jubilee benefits	-1
VAT effect of intangible and tangible assets	14
Effect of reserves for credit loss	8
Effect of lease agreements on profit or loss (IFRS 16)	25
Recalculated for IFRS	1,425
Other comprehensive income (associates' effect)	-48
Total comprehensive income in IFRS	1377

See Note 16 for the equity correlation table.

21. DISCLOSURES REQUIRED BY GOVERNMENT DECREE NO. 459/2015 (XII. 29.)

According to the Government Decree, the Notes must include the following:

a) The number of stock exchange traders

- The stock exchange members at Budapest Stock Exchange Ltd. totalled at 22 as on 31 December 2022.
- At the end of 2022, 17 members in the Equities Section, 17 members in the Debt Securities Section, and 12 members in the Derivatives Section (futures market: 12 members, options market: 10 members) and 1 member in the Commodities Section had trading rights.
- At the end of the year, the BÉTa Market had 11 members, the Xtend Market 12 and the Xbond Market 10.
- Only 6 members have auction trading rights.

b) The number of new stock exchange traders joining the stock exchange during the fiscal year and the amount of fees paid for trading rights

- No new membership rights were created in 2022.

c) The decrease in the number of stock exchange traders in the fiscal year

- Terminated stock exchange memberships in 2022: Random Capital Brokers Zrt., 3 October 2022

d) The total amount of annual fees paid by stock exchange traders from the revenues of stock exchange activities

- See Note 7.

22. RELATED PARTY INFORMATION

Transactions with related parties

The following transactions occurred with related parties:

Balance sheet (HUF million)

Name of related party	Account type	2022	2021
	Trade accounts receivable	1.0	0.6
KELER CCP Ltd.		0.0	0.0
KELER Ltd.		0.0	0.0
Magyar Nemzeti Bank		1.0	0.6
	Trade accounts payable	10.3	1.6
KELER CCP Ltd.		0.0	0.0
KELER Ltd.		1.4	1.0
Magyar Nemzeti Bank		5.0	0.6
MNB-Ingatlan Kft. (MNB-Real Estate Ltd.)		1.0	0.0
MNB-Biztonsági Szolgáltatások Zrt. (MNB-Security Services Plc.)		2.9	0.0

Reconciliation of equity between Hungarian accounting regulations and IFRS (HUF million)

Name of related party	Transaction type	2022	2021
	Sale of goods and services to related parties	16.2	17.8
KELER CCP Ltd.	Sponsorship	1.0	0.0
KELER Ltd.	Sponsorship	1.0	0.0
KELER Ltd.	Disclosure obligations	8.9	8.9
KELER Ltd.	Other	0.0	0.1
Magyar Nemzeti Bank	Dual training	1.2	0.8
Magyar Nemzeti Bank	Leased lines and accesses	4.1	4.9
Magyar Nemzeti Bank	Stock exchange activity revenue	0.0	0.5
Budapest Institute of Banking Zrt.	Interest on loan	0.0	1.6
Első Értékpapírosítási Tanácsadó Zrt.	Sub-contracted services revenue	0.0	1.0
	Purchase of services from related parties	94.2	18.6
KELER Ltd.	Share register management	1.0	0.5
KELER Ltd.	Securities account management	0.4	0.4
KELER Ltd.	Data sales	8.0	8.0
KELER Ltd.	Other	1.8	1.0
KELER Ltd.	Securities registration fee	1.3	0.0
Magyar Nemzeti Bank	Amounts paid to MNB as Supervisory Authority	6.0	3.1
Magyar Nemzeti Bank	Rentals for events	3.3	0.0
Magyar Nemzeti Bank	Other	3.2	0.0
MNB-Ingatlan Kft. (MNB-Real Estate Ltd.)	Property rent and operating costs	58.2	0.0
MNB-Biztonsági Szolgáltatások Zrt. (MNB-Security Services Plc.)	Expert fees	9.8	0.0
MNB-Biztonsági Szolgáltatások Zrt. (MNB-Security Services Plc.)	Other	1.2	0.0
Budapest Institute of Banking Zrt.	Education	0.0	2.6
Budapest Institute of Banking Zrt.	Sponsorship fee	0.0	1.0
Első Értékpapírosítási Tanácsadó Zrt.	Asset purchases	0.0	2.0

The majority owner of BSE is Magyar Nemzeti Bank (the Hungarian National Bank), which is owned by the Hungarian State. In the normal course of business, BSE does business with a number of companies controlled or jointly controlled by the MNB, or with companies in which the MNB has significant influence. These are typically issuers whose securities are listed on the BSE. These transactions generate fee income in the normal course of business, which the company recognises as revenue. These counterparties do not even reach 1.5% of annual revenue in terms of total annual turnover, so the transactions are not significant. The service fees are the same as the normal stock exchange fees, without any discounts for associate status.

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

Members of the Board of Directors

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

Members of the Supervisory Board

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

Key management compensation

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

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

Key management compensation (HUF million)

Description	2022	2021
Salaries including bonuses and social security contributions	282	254
Company car allowance	2	2
Short-term employee benefits	284	256
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payment	0	0
Total remuneration	284	256

The controlling organisation is the Magyar Nemzeti Bank.

The list of its subsidiaries as on 31 December 2022 is the following:

Subsidiaries on 31 December 2022

Subsidiary's name	Place of business	Ownership interest held by the controlling entity (%)		Principal activities
		2022	2021	
Magyar Pénzverő Zrt. (Hungarian Mint Plc.)	Hungary	100.0	100.0	Produce circulation coins
Pénzjegynyomda Zrt. (Hungarian Banknote Printing Shareholding Co.)	Hungary	100.0	100.0	Production of Hungarian forint banknotes and secure documents
GIRO Zrt.	Hungary	100.0	100.0	Payment system operation
MNB-Biztonsági Szolgáltatások Zrt. (MNB-Security Services Plc.)	Hungary	100.0	100.0	Security and protective services
MNB-Ingatlan Kft. (MNB-Real Estate Ltd.)	Hungary	100.0	100.0	Property rental and management
Pénzügyi Stabilitási és Felszámoló Nonprofit Kft. (Financial Stability and Liquidator Non-profit Ltd.)	Hungary	100.0	100.0	Liquidation of financial institutions
Budapest Stock Exchange Ltd.	Hungary	81.4	81.4	Official listings on the stock exchange
KELER Központi Értéktár Zrt. (KELER Zrt.)	Hungary	53.3	53.3	Depository services
KELER CCP Central Counterparty Zrt. (KELER CCP Zrt.)	Hungary	0.1	0.1	Clearing service
MNB-EduLab Kompetencia Kft.	Hungary	100.0	100.0	Education, training

23. EVENTS AFTER BALANCE SHEET DATE

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

Macroeconomic environment

BSE plays an important role in the capital financing of Hungarian companies, which means that the Hungarian macroeconomic environment has a significant impact on the willingness of these companies to go public, and also has a major impact on the investor perception of companies already listed. Therefore, a significant deterioration in macroeconomic indicators (e.g. GDP, sovereign risk, inflation, unemployment rate, household savings) could lower companies' willingness for capital financing, which would have a negative impact on BSE issuers' revenues. Although a deterioration in macroeconomic indicators could boost BSE's trading activity in the short term due to a sudden surge in market volatility; however, a sustained negative shift in indicators could reduce investor activity in the Hungarian market in the long term, which could lead to a decline in both BSE's revenues and profitability. It is important to stress that foreign investors play a key role in BSE trading activity, representing 55% of total spot secondary market turnover in 2022, which means that an adverse change in Hungarian macroeconomic indicators for these investor groups would have a significant impact on BSE's operations.

24. PROPOSED AND APPROVED DIVIDENDS

In the fiscal year 2022, dividends of HUF 503,453,733 were paid on BSE's profit for 2021 (dividend per share: HUF 93). Based on the decision of the General Meeting, BSE will pay HUF 552,175,062 in dividends in 2023 with regard to the year 2022 (dividend per share: HUF 102).

25. AUDITOR-RELATED DISCLOSURES

Under Act C of 2000 (Hungarian Accounting Act), BSE is required to have its financial statements audited by an auditor. These financial statements have been audited by Deloitte Könyvvizsgáló és Tanácsadó Kft. (H-1068 Budapest, Dózsa György út 84/C.; tax number: 10443785-2-42; registration number with the Chamber of Hungarian Auditors: 00 0 083).

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

Apart from the statutory audit (fee for 2022: HUF 16.9 million), the auditor did not carry out any other activities for BSE.

26. AUTHORISATION OF FINANCIAL STATEMENTS FOR DISCLOSURE

BSE's financial statements were approved by the Board of Directors on 4 March 2023, and, at the same time, the Board authorised the disclosure of the Company's financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for 2022.



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