



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

For the year ended 31 December 2017

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Independent Auditors' Report

To the shareholders of Budapesti Értéktőzsde Zrt.

Opinion

We have audited the consolidated financial statements of Budapesti Értéktőzsde Zrt. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (hereinafter referred to as the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

We draw attention to the fact that these consolidated financial statements are not intended for statutory filing purposes. The Group is exempted from preparing and filing consolidated financial statements in accordance with Act C of 2000 on Accounting in force in Hungary (hereinafter: "the Act"). Therefore, this report does not constitute an independent auditors' report in accordance with Sections 156-158 of the Act.

Budapesti Értéktőzsde Zrt. - 33 - 2017.12.31.





Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





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

Budapest, 21 June 2018

KPMG Hungária Kft.

A handwritten signature in blue ink, appearing to be 'Gábor Agócs', written over the printed name.

Gábor Agócs
Partner

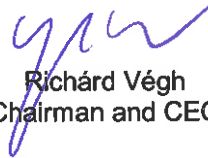


Statement of comprehensive income
For the year ending 31 December 2017
(in million HUF)

Consolidated Statement of financial position

	Notes	2017 HUF million	2016 HUF million
ASSETS			
Property, plant and equipment	13	209	153
Intangible assets	13	164	121
Investments accounted for using the equity method	14	13 492	14 845
Non-current assets		13 865	15 119
Inventories		6	5
Trade and other receivables	15	138	180
Prepaid expenses	16	272	204
Accrued revenues	17	26	12
Securities held to maturity	18	0	350
Cash and cash equivalents	19	754	194
Current assets		1 196	945
TOTAL ASSETS		15 061	16 064
EQUITY AND LIABILITIES			
Share capital	20	541	541
Reserves	21	2 576	2 576
Retained earnings		10 757	11 790
Total shareholders' equity		13 874	14 907
Employee benefits	9	9	11
Deferred tax liability	12	749	876
Total non-current liabilities		758	887
Provisions	25	0	0
Trade and other payables	22	200	79
Prepaid revenues	23	64	65
Accrued expenses	24	165	126
Total current liabilities		429	270
Total liabilities		1 187	1 157
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		15 061	16 064

Budapest, 21 June, 2018


Richárd Végh
Chairman and CEO


Ildikó Auguszt
Financial Director

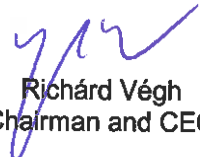
The accompanying notes to the financial statements on pages 6 to 26
form an integral part of these financial statements.

Statement of comprehensive income
For the year ending 31 December 2017
(in million HUF)

Consolidated Statement of Profit or Loss and other comprehensive income

	Notes	2017 HUF million	2016 HUF million
Revenues	6	2 256	2 134
Other income		208	25
Operating expenses	7	-2 250	-2 103
Provisions	21	0	39
Impairment on receivables		-4	-10
Financial income	10	4	4
Financial expense	11	-1	-9
Share of profit/loss from associate	14	-1 353	945
Net profit before taxation		-1 140	1 025
Taxation	12	107	784
Net profit/loss for the year		-1 033	1 809
Total comprehensive income for the year		-1 033	1 809

Budapest, 21 June, 2018


Richárd Végh
Chairman and CEO


Ildikó Auguszt
Financial Director

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

Statement of changes in Shareholders' equity
For the year ending 31 December 2017
(in million HUF)

Consolidated Statement of changes in equity

	Share capital	Capital reserve	Retained earnings	Total shareholder's equity
Financial Year Ended 31 December 2016				
Balance at 1 January 2016	541	2 576	9 981	13 098
Dividend paid from profit 2015			0	0
<i>Subtotal: Capital transactions with shareholders</i>	0	0	0	0
Profit/loss for financial year 2016	0	0	1 809	1 809
<i>Subtotal: Total comprehensive income for the year</i>	0	0	1 809	1 809
Balance at 31 December 2016	541	2 576	11 790	14 907
Financial Year Ended 31 December 2017				
Balance at 1 January 2017	541	2 576	11 790	14 907
Dividend paid from profit 2016			0	0
<i>Subtotal: Capital transactions with shareholders</i>	0	0	0	0
Profit/loss for financial year 2017			-1 033	-1 033
<i>Subtotal: Total comprehensive income for the year</i>	0	0	-1 033	-1 033
Balance at 31 December 2017	541	2 576	10 757	13 874

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

Statement of Cash Flows
For the year ended 31 December 2017
(in million HUF)

Consolidated Statement of Cash Flows

	Notes	2017 HUF million	2016 HUF million
Cash flows from operating activities			
Net profit for the year		-1 033	1 809
Depreciation and amortisation	7	119	88
Share of associated companies profit before taxation	14	1 353	-945
Interest income	10	-8	-7
Income tax expense	12	-107	-784
Release of provisions	25	0	-39
Impairment on receivables		4	11
Proceeds from the sale of property, plant and equipment		0	0
Employee benefits	9	-2	11
Change in operating assets and liabilities			
Net (increase)/decrease in trade and other receivables	15	-44	-113
Net (increase)/decrease in inventories		-1	1
Net increase/(decrease) in trade and other creditors	22	159	14
Income tax paid	12	-20	0
Net Cash from Operating Activities		420	46
Cash flows from investing activities			
Interest received	10	8	7
Purchase of intangibles, property, plant and equipment	13	-219	-206
Sale of intangible, property, plant and equipments	13	1	3
Purchase of securities (short-term)	18	350	-350
Net cash flow from investing activities		140	-546
Cash flows from financing activities			
Dividends paid		0	0
Long term loan		0	0
Net cash flow from financing activities		0	0
Net increase / (decrease) in cash and cash equivalents		560	-500
Cash and Cash Equivalents at Beginning of Year	19	194	694
Cash and Cash Equivalents at End of Year	19	754	194

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2017
(in million HUF)

1. REPORTING ENTITY

Budapest Stock Exchange Ltd. (hereinafter referred as: "BSE" or "the Company") was founded on 21 June 1990. The four main activities of the Company are listing services, trading services, dissemination of market information and product development. The Company is operating under the relevant Capital Market Act. The Company's registered office is located at Szabadság tér 7, Budapest, Hungary. The ownership structure of the Company is presented in Note 18.

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

BSE has one subsidiary as of 31. December 2017, Budapest Institute of Banking (BIB) Zrt. BIB has been consolidated into the current Consolidated Financial Statements, as if BSE and BIB were one sole entity. Therefore the consolidated accounts of BSE and BIB are further referred to as the „Group”.

2. BASIS OF PREPARATION

a) Statement of compliance

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

These consolidated financial statements - on the basis of the authorization of the Board of Directors - were approved by the Chief Executive Officer on 21 June 2018.

b) Basis of measurement

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

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

c) Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgements

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

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

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

b) Basis of preparation

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

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

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

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

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

- (a) the carrying amount of the BSE's investment in BIB and BSE's portion of equity of each subsidiary are eliminated;
- (b) any non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
- (c) any non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them.

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

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2017
(in million HUF)

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

c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

d) Financial instruments

I. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Notes to the Consolidated Financial Statement
For the year ended 31 December 2017
(in million HUF)

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

II. Derivative financial instruments

The Group does not hold any derivative financial instruments.

e) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

f) Intangible assets

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

g) Impairment

I. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss, as other expense.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss, as other operating income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in profit or loss.

II. Non-financial assets

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

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

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

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2017
(in million HUF)

h) Employee benefits

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

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

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

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

i) Provisions

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

j) Revenue

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

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

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

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

- Annual fees are recognised straight line over the 12 month period to which the fee relates.
- Admission fees are recognised at the time of admission to trading.
- Data, transaction, information and exchange charges are recognised in the month in which the data is provided or the transaction is effected.

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

Notes to the Consolidated Financial Statement
For the year ended 31 December 2017
(in million HUF)

k) Finance income

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

l) Income tax

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

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

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

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

From 2010 financial intermediaries are obliged to pay a banking tax, currently levied at 5.6% of their adjusted net revenue of the second year before the tax year (currently 2015). The tax shall be recognized as operating expenses as it is not a net income based but a revenue based tax.

m) Events after the balance sheet date

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

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

4. FINANCIAL RISK MANAGEMENT

a) Overview

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

- credit risk
- liquidity risk
- market risk.

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

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

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

b) Credit risk

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

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

99 % of trade and other receivables bear little to no credit risk according to the Group's impairment estimation, as the vast majority of the Customers are assessed financially healthy. The Group therefore has very little aged receivables as of 31.12.2017.

c) Liquidity risk

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

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

Notes to the Consolidated Financial Statement
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In accordance with legal provisions, the Group invests its free liquid assets as a deposit in the case of a period of less than a month, for a period of over a month it invests them in government securities or time deposits. The Group's liquid assets are stable, and the Group believes its liquidity risk is low.

d) Market risk

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

The Group operates domestically only and is not exposed to significant foreign exchange risk. The Group prices are set by internal rules as authorized by the Board or by the Members. Financial assets are not exposed to interest rate risk with the exception of the investments as disclosed in Note 17.

e) Capital management

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

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

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

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5. PRESENTATION OF FINANCIAL INSTRUMENTS

a) Interest rate sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables (if any) remain constant. The analysis is performed on the same basis for 2016.

	2017 HUF million	2016 HUF million
Interest income from banks	2	3
Cash and cash equivalents	754	194
Average effective interest rate	0,27%	1,55%
Effect of change in interest rate (+1%)	8	2

Assuming that interest rates changed by 1%, income would have increased by HUF 8 million in 2017.

b) Foreign exchange sensitivity

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

c) Basis of determining fair value

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

Other financial instruments

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

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6. REVENUES AND OTHER INCOME

	2017 HUF million	2016 HUF million
Revenues from trading fees		
Annual admission fees	67	76
Fees of trading (monthly) and auctions	944	846
Connection fees, licenses	39	29
Revenues from listing fees		
Listing (one-off) fee	41	46
Quarterly fee	355	343
Revenues from sale of information		
Annual vendor fees	290	263
Monthly vendor fees	423	438
Other information services	34	37
Revenues from other services		
	63	56
Total Revenues	2 256	2 134

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

	2017 HUF million	2016 HUF million
Other income	208	25
Total Other Income	208	25

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

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7. OPERATING EXPENSES

	Notes	2017 HUF million	2016 HUF million
Personnel expenses	8	1006	976
Banking tax		121	179
Rental		195	103
Services utilised		62	56
Strategy development services		215	200
Non-deductible VAT		108	91
Depreciation of property, plant and equipment, intangibles	11	119	88
PR, marketing costs		145	88
Local community business tax		43	41
Communication expenses		8	8
Material costs		6	6
Maintenance costs		22	19
Travelling expenses		16	15
Licence fees		96	97
Other administration expenses		88	136
Total		2 250	2 103

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

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8. EMPLOYEE INFORMATION

	2017 HUF million	2016 HUF million
Wages and salaries	760	703
Social security costs	203	221
Other personnel type expenses	45	41
Total	1 008	965

The average number of employees during the year was 57 (2016: 54). The above presented Employee costs are part of Operating Expenses (Note 7).

9. JUBILEE BENEFITS

	2017 HUF million	2016 HUF million
Jubilee obligation as at 1 January	11	0
Interest cost	0	0
Current service cost	2	11
Benefits paid	-2	0
Actuarial gains/losses	-2	0
Jubilee obligation as at 31 December	9	11

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

10. FINANCIAL INCOME

	2017 HUF million	2016 HUF million
Interest income from banks	2	3
Foreign currency gains	0	0
Other financial income	2	1
Total	4	4

11. FINANCIAL EXPENSES

	2017 HUF million	2016 HUF million
Realised foreign exchange losses	1	9
Total	1	9

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For the year ended 31 December 2017
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12. TAXATION

	2017 HUF million	2016 HUF million
Current tax expense		
Corporate income tax	20	1
	20	1
Deferred tax expense/reversal		
Origination of temporary differences	-127	-785
	-127	-785
Total income tax expense	-107	-784

In 2016, tax rates were as follows: 10% corporate tax rate applies to a tax base up to HUF 500 million, 19% rate applies to a base exceeding this threshold. From 2017, the tax rate is flat 9%, therefore this rate is applicable for deferred tax calculations.

The above change in tax rates caused the tax expense in 2016 to be much higher than in 2017.

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

	2017		2016	
	%	HUF million	%	HUF million
Net profit before taxation		-1 140		1 025
Applicable tax rate	9,0%	-103	14,6%	150
Tax effect of				
- miscellaneous items	0,4%	-4	-91,1%	-934
Total income tax expense / benefit	9,4%	-107	-76,5%	-784

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

	2017 HUF million	2016 HUF million
At beginning of the year	876	1 661
Debited/(Credited) in net profit	-127	-785
At end of the year	749	876

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 9%. The balance at 31 December 2017 mainly represents the untaxed gain of investments in associated companies.

There are no unrecognized tax assets or liabilities.

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13. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

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

2016	Computer softwares and other intangible assets	Leasehold premises and related expenditure	IT equipment	Office furniture fixtures and other equipment	Motor vehicles	Total
	HUF million					
Cost						
1 January 2016	1 166	27	243	89	7	1 532
Additions	72	15	49	32	38	206
Disposals and charge offs	-57	0	-1	-3	-7	-68
31 December 2016	1 181	42	291	118	38	1 670
Depreciation charge						
1 January 2016	1 079	5	219	66	3	1 372
Charge for the year	38	8	20	19	3	88
Eliminated on disposals	-57	0	-1	-3	-3	-64
31 December 2016	1 060	13	238	82	3	1 396
Net book value						
1 January 2016	87	22	24	23	4	160
31 December 2016	121	29	53	36	35	274

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

Notes to the Consolidated Financial Statement
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14. INVESTMENTS IN ASSOCIATED COMPANY

The Company holds an investment of 46.67% (2016: 46.67%) in KELER and an investment of 0.13% (2016: 0.13%) in KELER CCP. KELER CCP is 99,72% owned by KELER.

	2017 HUF million	2016 HUF million
Opening balance	14 845	13 900
Share of post acquisition reserves	-1 353	945
Dividend received	0	0
Closing balance	13 492	14 845

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

	2017 HUF million	2016 HUF million
Assets	136 958	122 532
Liabilities	108 062	90 736
Total shareholders' equity	28 896	31 796
Revenues	6 947	7 354
Net profit for the year	-2 900	1 657

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

	2017 HUF million	2016 HUF million
Assets	86	n/a
Liabilities	6	n/a
Total shareholders' equity	80	n/a
Revenues	12	n/a
Net profit for the year	0	n/a

15. TRADE AND OTHER RECEIVABLES

	2017 HUF million	2016 HUF million
Trade and other receivables	138	180
Total Trade and other receivables	138	180

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16. PREPAID EXPENSES

	2017 HUF million	2016 HUF million
Prepaid expenses	272	204
Total Prepaid expenses	272	204

17. ACCRUED REVENUES

	2017 HUF million	2016 HUF million
Accrued revenues	26	12
Total Accrued revenues	26	12

18. SECURITIES HELD TO MATURITY

	2017 HUF million	2016 HUF million
T-bonds	0	350
Total	0	350

19. CASH AND CASH EQUIVALENTS

	2017 HUF million	2016 HUF million
Deposit and current accounts	754	194
Short term bank deposits	0	0
Total	754	194

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20. SHARE CAPITAL

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2016: 5,413,481) ordinary shares with par value of HUF 100. All shares rank pari passu in the event of a winding up. The share capital represents shares held by the following shareholders:

	2017 %	2016 %
Hungarian National Bank	81,4%	81,4%
KBC Securities Mo. Fióktelepe	5,2%	5,2%
CONCORDE Értékpapír Zrt.	4,2%	4,2%
OTP Bank Nyrt.	2,7%	2,7%
ERSTE Bank Hungary Zrt.	2,3%	2,3%
MOL	2,2%	2,2%
Others (all under 2% share individually)	2,0%	2,0%
Total	100,0%	100,0%

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

21. RESERVES

Capital reserve:

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

22. TRADE AND OTHER CREDITORS

	2017 HUF million	2016 HUF million
Accruals, prepaid listing fees	183	156
Accrued salaries and bonuses	45	35
Taxes and social security payable	72	70
Trade and other creditors	129	10
Total	429	271

23. PREPAID REVENUES

	2017 HUF million	2016 HUF million
Prepaid revenues	64	65
Total Prepaid revenues	64	65

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24. ACCRUED EXPENSES

	2017 HUF million	2016 HUF million
Accrued expenses	165	126
Total Accrued expenses	165	126

25. PROVISIONS

Provision was recognized for severance payment obligations in an amount of HUF 39M in 2015, released in 2016.

	2017 HUF million	2016 HUF million
Opening balance	0	39
Additions	0	0
Amounts charged against provisions	0	-39
Closing balance	0	0

26. RELATED PARTY INFORMATION

	Management		Shareholders with significant influence	
	2017	2016	2017	2016
	HUF million			
BALANCE SHEET				
Assets	0	0	0	0
Liabilities	0	0	0	0
INCOME STATEMENT				
Income	0	0	2	2
Expense	386	398	0	0

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

The only balance from or to related parties as of 31.12.2017 is an Account Receivable from MNB of 0,08 MHUF.

Members of the Board of Directors

Nagy Márton (until 28.02.2017)
Végh Richárd
dr. Selmeczi-Kovács Zsolt Zoltán (until 19.05.2017)
Barlai Róbert
dr. Bacsa György
dr. Balog Ádám
Cselovszki Róbert (until 11.05.2017)
Fucsala András Miklós (from 16.03.2017 to 14.11.2017)
dr. Máté Géza (from 25.05.2017)
Kuti Zsolt (from 25.05.2017)
dr. Fömmötör Barna (from 14.11.2017)

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Members of the Supervisory Board

Dr. Gerhardt Ferenc István
Kuti Zsolt (to 11.05.2017)
Bartha Lajos
Régely Károly
Herczku György (to 11.05.2017)
Dr. Kardkovács Kolos Viktor (from 30.01.2017)
dr. Selmeczi-Kovács Zsolt Zoltán (from 19.05.2017)
Kása Orsolya (from 26.05.2017)

The controlling entity is the Hungarian National Bank. The list of its subsidiaries as of 31 December 2017 is the following:

KELER Zrt. (KELER Ltd.)
KELER KSZF Zrt. (KELER CCP Ltd.)
Magyar Pénzverő Zrt. (Hungarian Mint cPlc.)
Pénzjegynyomda Zrt. (Hungarian Banknote Printing Shareholding Co.)
GIRO Zrt.
MNB-Biztonsági Szolgáltatások Zrt.
MNB-Jóléti Humán Szolgáltató és Üzemeltető Kft.
Pénzügyi Stabilitási és Felszámoló Nonprofit Kft. (Financial Stability and Liquidator Non-profit LLC)

Subsidiaries

The Company has one subsidiary, founded in 2017, Budapest Institute of Banking (BIB) Zrt. There have been trainings provided to BSE from BIB for under 1 MHUF in 2017, which has been eliminated due to the consolidation of BIB into the financial statements.

27. EVENTS AFTER BALANCE SHEET DAY

There were no material events after the reporting date which would influence the financial year ending 31.12.2017. In accordance with the proposal of Board of Director no dividend is planned to be paid out for the business year 2017.

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28. FORTHCOMING IFRS-s

Standards and interpretations issued but effective only for annual reporting periods beginning after 1 January 2018.

Standard/Interpretation	Impact on financial statements
<p>IFRS 9 Financial Instruments (2014)</p> <p>Effective for annual periods beginning on or after 1 January 2018.</p>	<p>This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.</p> <p>IFRS 9 does not have a significant impact on the financial instruments of the Entity as the Group generally holds Cash and Receivables that are not impaired.</p>
<p>IFRS 15 Revenue from contracts with customers</p> <p>Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.</p>	<p>The vast majority of the revenues of the Entity relate to services that are not separately marketable, therefore IFRS 15 does not have a significant impact on the financial statements.</p>
<p>Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</p>	<p>The Entity is not affected by IFRS 4.</p>
<p>IFRS 16 Leases</p> <p>Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.</p>	<p>It is expected that the new Standards will potentially impact the financial statements, since it will require the Entity to recognise in its statement of financial position assets and liabilities relating to operating leases for which the Entity acts as a lessee.</p> <p>The Entity has not yet prepared a detailed analysis of the expected qualitative impact of the new Standard.</p>
<p>IFRS 17 Insurance Contracts</p> <p>Effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted.</p>	<p>The Entity expects that the amendments will not have a material impact on the financial statements as the Entity does not operate in the insurance industry.</p>