



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

For the year ended 31 December 2016



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KPMG Hungária Kft.
Váci út 31.
H-1134 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Független könyvvizsgálói jelentés

A Budapesti Értéktőzsde Zrt. részvényeseinek

Vélemény

Elvégeztük a Budapesti Értéktőzsde Zrt. (továbbiakban „a Társaság”) 2016. évi pénzügyi kimutatásainak a könyvvizsgálatát, amely pénzügyi kimutatások a 2016. december 31-i fordulónapra elkészített pénzügyi helyzet-kimutatásból, az eredmény és az egyéb átfogó jövedelem ezen időponttal végződő évre vonatkozó kimutatásából, az ezen időponttal végződő évre vonatkozó sajátátkekváltozás-kimutatásból és cash flow-kimutatásból, valamint a jelentős számviteli politikák összefoglalását és egyéb magyarázó információkat tartalmazó kiegészítő megjegyzésekből állnak.

Véleményünk szerint a mellékelt pénzügyi kimutatások megbízható és valós képet adnak a Társaság 2016. december 31-én fennálló pénzügyi helyzetéről, valamint az ezen időponttal végződő évre vonatkozó pénzügyi teljesítményéről és cash-flow-iról a Nemzetközi Pénzügyi Beszámolási Standardokkal összhangban, ahogyan azokat az EU befogadta.

Vélemény alapja

Könyvvizsgálatunkat a Nemzetközi Könyvvizsgálati Standardokkal összhangban hajtottuk végre. Ezen standardok értelmében fennálló felelősségeink bővebb leírását jelentésünk „A könyvvizsgálónak a pénzügyi kimutatások könyvvizsgálataért való felelősségei” szakasza tartalmazza. Függetlenek vagyunk a Társaságtól a Könyvvizsgálók Nemzetközi Etikai Standardok Testülete által kiadott Könyvvizsgálók Etikai Kódexével (a továbbiakban „IESBA-kódex”) összhangban és eleget tettünk egyéb etikai felelősségeinknek az IESBA-kódexszel összhangban. Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő ahhoz, hogy megalapozza véleményünket.

A vezetés és az irányítással megbízott személyek felelősségei a pénzügyi kimutatásokért

A vezetés felelős a pénzügyi kimutatásoknak a Nemzetközi Pénzügyi Beszámolási Standardokkal, ahogyan azokat az EU befogadta, összhangban történő elkészítéséért és valós bemutatásáért, valamint az olyan belső kontrolléért, amelyet a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állítástól mentes pénzügyi kimutatások elkészítése.

A pénzügyi kimutatások elkészítése során a vezetés felelős a Társaság vállalkozás folytatására való képességének felméréseért, a vállalkozás folytatásával kapcsolatos kérdéseknek az adott helyzetnek megfelelő közzétételéért, valamint – kivéve, ha a vezetésnek szándékában áll megszüntetni a Társaságot vagy beszüntetni az üzletszerű tevékenységet, vagy amikor nem áll előtte ezen kívül más reális lehetőség – a vállalkozás folytatásának elvén alapuló számvitel alkalmazásáért.

Az irányítással megbízott személyek felelősek a Társaság pénzügyi beszámolási folyamatának felügyeletéért.

A könyvvizsgálónak a pénzügyi kimutatások könyvvizsgálataért való felelősségei

Célunk kellő bizonyosságot szerezni arról, hogy a pénzügyi kimutatások egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint a véleményünket tartalmazó könyvvizsgálói jelentést bocsátani ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Nemzetközi Könyvvizsgálati Standardokkal összhangban elvégzett könyvvizsgálat mindig feltárja a létező lényeges hibás állítást. A hibás állítások eredhetnek





csalásból vagy hibából, és lényegesnek minősülnek, ha önmagukban vagy együttesen ésszerű várakozások alapján befolyásolhatják a felhasználók adott pénzügyi kimutatások alapján meghozott gazdasági döntéseit.

A Nemzetközi Könyvvizsgálati Standardokkal összhangban elvégzett könyvvizsgálat részeként szakmai megítélést alkalmazunk és szakmai szkepticizmust tartunk fenn a könyvvizsgálat egésze során. Emellett:

- Azonosítjuk és felbecsüljük a pénzügyi kimutatások akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, az ezekre a kockázatokra reagáló könyvvizsgálati eljárásokat alakítunk ki és hajtunk végre, valamint a véleményünk megalapozásához elegendő és megfelelő könyvvizsgálati bizonyítékot szerzünk. A csalásból eredő lényeges hibás állítás fel nem tárásának kockázata nagyobb, mint a hibából eredő, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását.
- Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálati eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Társaság belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- Értékeljük a vezetés által alkalmazott számviteli politikák megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.
- Következtetést vonunk le arról, helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló számvitel alkalmazása, valamint a megszerzett könyvvizsgálati bizonyíték alapján arról, fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel a Társaság vállalkozás folytatására való képességével kapcsolatban. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, könyvvizsgálói jelentésünkben fel kell hívni a figyelmet a pénzügyi kimutatásokban lévő kapcsolódó közzétételekre, vagy, amennyiben az ilyen közzétételek nem megfelelőek, minősíteni kell véleményünket. Következtetéseink a könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálati bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy a Társaság nem tudja a vállalkozást folytatni.
- Értékeljük a pénzügyi kimutatások, beleértve a közzétételeket is, átfogó prezentálását, felépítését és tartalmát, valamint azt, hogy a pénzügyi kimutatások a valós bemutatást megvalósító módon mutatják-e be a mögöttes ügyleteket és eseményeket.

Kommunikáljuk az irányítással megbízott személyek felé - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve a belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is.

Budapest, 2017. május 26.

KPMG Hungária Kft.


Agócs Gábor
Partner





KPMG Hungária Kft.
Váci út 31.
H-1134 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

Independent Auditors' Report

To the shareholders of Budapesti Értéktőzsde Zrt.

Opinion

We have audited the financial statements of Budapesti Értéktőzsde Zrt. ("the Company"), which comprise the statement of financial position as at 31 December 2016, the 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its 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 Financial Statements section of our report. We are independent of the Company 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.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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

This is an English translation of the Independent Auditors' Report on the 2016 financial statements of the Budapesti Értéktőzsde Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete financial statements it refers to.





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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Budapest, 26 May 2017

KPMG Hungária Kft.



Gábor Agócs
Partner

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Statement of financial position
As at 31 December 2016
(in million HUF)

Statement of financial position

	Notes	2016 HUF million	2015 HUF million
ASSETS			
Property, plant and equipment	13	153	73
Intangible assets	13	121	87
Investments accounted for using the equity method	14	14 845	13 900
Non-current assets		15 119	14 060
Inventories		5	6
Trade and other receivables	15	396	294
Securities held to maturity	16	350	0
Cash and cash equivalents	17	194	694
Current assets		945	994
TOTAL ASSETS		16 064	15 054
EQUITY AND LIABILITIES			
Share capital	18	541	541
Reserves	19	2 576	2 576
Retained earnings		11 790	9 981
Total shareholders' equity		14 907	13 098
Deferred tax liability (<i>Non-current liabilities</i>)	12	876	1 661
Total non-current liabilities		876	1 661
Provisions	21	0	39
Employee benefits	9	11	0
Trade and other payables (<i>Current liabilities</i>)	20	270	256
Total current liabilities		281	295
Total liabilities		1 157	1 956
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16 064	15 054

Budapest, 26 May, 2017


Richárd Végh
Chairman and CEO


László 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 2016
(in million HUF)

Statement of Profit or Loss and other comprehensive income

	Notes	2016 HUF million	2015 HUF million
Revenues	6	2 134	2 139
Other income		25	24
Operating expenses	7	-2 103	-1 534
Provisions	21	39	-39
Impairment on receivables		-10	-19
Financial income	10	7	17
Financial expense	11	-12	-15
Share of profit from associate	14	945	633
Net profit before taxation		1 025	1 206
Taxation	12	784	-185
Net profit for the year		1 809	1 021
Total comprehensive income for the year		1 809	1 021

Budapest, 26 May, 2017


Richard 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 2016
(in million HUF)

Statement of changes in equity

	Share capital	Capital reserve	Retained earnings	Total shareholder's equity
Financial Year Ended 31 December 2015				
Balance at 1 January 2015	541	2 576	9 474	12 591
Dividend paid from profit 2014			-514	-514
Subtotal: Capital transactions with shareholders	0	0	-514	-514
Profit for financial year 2015	0	0	1 021	1 021
Subtotal: Total comprehensive income for the year	0	0	1 021	1 021
Balance at 31 December 2015	541	2 576	9 981	13 098
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
Subtotal: Capital transactions with shareholders	0	0	0	0
Profit for financial year 2016			1 809	1 809
Subtotal: Total comprehensive income for the year	0	0	1 809	1 809
Balance at 31 December 2016	541	2 576	11 790	14 907

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 2016
(in million HUF)

Statement of Cash Flows

	Notes	2016 HUF million	2015 HUF million
Cash flows from operating activities			
Net profit for the year		1 809	1 021
Depreciation and amortisation	7	28	72
Share of associated companies profit before taxation	14	-945	-633
Interest income	10	-7	-9
Income tax expense	12	-784	185
Release of provisions	21	-39	39
Impairment on receivables		11	19
Proceeds from the sale of property, plant and equipment		0	4
Employee benefits	9	11	0
Change in operating assets and liabilities			
Net (increase)/decrease in trade and other receivables	15	-113	52
Net (increase)/decrease in inventories		1	2
Net increase/(decrease) in trade and other creditors	20	14	-8
Income tax paid	12	0	-73
Net Cash from Operating Activities		46	667
Cash flows from investing activities			
Interest received	10	7	9
Purchase of intangibles, property, plant and equipment	13	-206	-60
Sale of intangible, property, plant and equipments	13	3	3
Purchase of securities (short-term)	16	-350	0
Net cash flow from investing activities		-546	-44
Cash flows from financing activities			
Dividends paid		0	-514
Long term loan		0	0
Net cash flow from financing activities		0	-514
Net Increase / (decrease) in cash and cash equivalents		-500	109
Cash and Cash Equivalents at Beginning of Year	17	694	585
Cash and Cash Equivalents at End of Year	17	194	694

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

1. REPORTING ENTITY

Budapest Stock Exchange Ltd. (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.)

2. BASIS OF PREPARATION

a) Statement of compliance

These individual 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 individual financial statements have been prepared for informational purposes and are not intended to be filed with local Authorities.

These individual financial statements - on the basis of the authorization of the Board of Directors - were approved by the Chief Executive Officer on 26 May 2016.

b) Basis of measurement

The individual 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 individual financial statements are presented in Hungarian Forint ("HUF"), which is the Company'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 statement of financial position, the Company applied estimates regarding Impairment on receivables, according to the payment history of its customers and other relevant factors. Estimates and assumptions were also applied in the calculation of Employee benefits, according to Company statistics (the basis of the calculation is explained in Note 3. II. h).

b) Basis of preparation

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.

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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company'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 Company 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 Company'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.

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 Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible assets

Software costs for the development and implementation of systems which enhance the services provided by the Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

II. Non-financial assets

The carrying amounts of the Company'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.

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 Company 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.

i) Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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:

- 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.

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 Company's right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 individual financial statements of the Company.

4. FINANCIAL RISK MANAGEMENT

a) Overview

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

- credit risk
- liquidity risk
- market risk.

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

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company 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 Company 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 Company has policies that limit the amount of credit exposure to any individual customer or financial institution other than the State. 97 % of Trade and other receivables bear insignificant credit risk according to the Company's impairment estimation, based on prior knowledge of the customers.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company'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 and available for sale security portfolio held by the Company are considered to be sufficient for liquidity management purposes.

In accordance with legal provisions, Company 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 company's liquid assets are stable, and the Company 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 Company'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 Company operates domestically only and is not exposed to significant foreign exchange risk. The Company 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 Company'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. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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

The Company is not subject to externally imposed capital requirements, except for the minimal share capital that needs to be 500 MHUF.

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

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 2015.

Effect in THUF	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	0	0	0	0
Interest rate sensitivity	0	0	0	0
31 December 2015				
Variable rate instruments	1 218	1 274	1 218	1 274
Interest rate sensitivity	1 218	1 274	1 218	1 274

b) Foreign exchange sensitivity

The Company operates domestically only 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.

Marketable securities available for sale

The fair value of marketable securities available for sale is determined by reference to their quoted bid price at the reporting date.

Other financial instruments

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

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

6. REVENUES

	2016 HUF million	2015 HUF million
Revenues from trading fees	951	928
Revenues from listing fees	389	387
Revenues from sale of information	738	764
Revenues from other services	56	60
Total	2 134	2 139

7. OPERATING EXPENSES

	Notes	2016 HUF million	2015 HUF million
Staff costs	8	965	646
Banking tax		179	179
Rental		103	91
Services utilised		56	80
Strategy development services		200	102
Non-deductible VAT		91	86
Depreciation of property, plant and equipment, intangibles	11	88	72
PR, marketing costs		88	32
Local community business tax		41	41
Communication expenses		8	7
Material costs		6	7
Maintenance costs		19	19
Travelling expenses		15	6
Licence fees		97	97
Other administration expenses		136	109
Jubilee benefits	9	11	0
Total		2 103	1 634

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

From 2010 financial intermediaries are obliged to pay a banking tax, levied at 5.6% of their 2009 adjusted net revenue. The tax shall be recognized as operating expenses.

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

8. EMPLOYEE INFORMATION

	2016 HUF million	2015 HUF million
Wages and salaries	703	467
Social security costs	221	150
Other personnel type expenses	41	29
Total	965	646

The average number of employees during the year was 54 (2015: 45).

9. JUBILEE BENEFITS

The company accounts for Jubilee benefits starting from financial year 2016. The Company 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.

	2016 HUF million	2015 HUF million
Jubilee obligation as at 1 January	0	0
Interest cost	0	0
Current service cost	11	0
Benefits paid	0	0
Actuarial gains/losses	0	0
Jubilee obligation as at 31 December	11	0

10. FINANCIAL INCOME

	2016 HUF million	2015 HUF million
Interest income from banks	3	9
Foreign currency gains	3	5
Other financial income	1	3
Total	7	17

11. FINANCIAL EXPENSES

	2016 HUF million	2015 HUF million
Realised foreign exchange losses	12	15
Total	12	15

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

12. TAXATION

	2016 HUF million	2015 HUF million
Current tax expense		
Corporate income tax	1	73
	1	73
Deferred tax expense/reversal		
Origination of temporary differences	-785	112
	-785	112
Total income tax expense	-784	185

Tax rates are 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. This is applicable to the Company from the 1 July, 2010. From 2017, the tax rate will be flat 9%, therefore this rate is applicable for deferred tax calculations.

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

	2016		2015	
	%	HUF million	%	HUF million
Net profit before taxation		1 025		1 206
Applicable tax rate	14,6%	150	15,3%	184
Tax effect of				
- miscellaneous items	-14,5%	-149	-9,2%	-111
Total current income tax expense / benefit	0,1%	1	6,1%	73

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

	2016 HUF million	2015 HUF million
At beginning of the year	1 661	1 549
Debited/(Credited) in net profit	-785	112
At end of the year	876	1 661

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using a tax rate of 9%. The tax rate change had a significant effect on the deferred tax liability in the statement of financial position, as the liability would have been 1 845 million HUF, had the tax rate remained the same. The balance at 31 December 2016 mainly represents the untaxed gain of investments in associated companies.

There are no unrecognized tax assets or liabilities.

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

13. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

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	36	1 670
Depreciation						
1 January 2016	1 079	5	219	68	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	63	36	36	274

2015	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 2015	1 189	38	265	164	19	1 675
Additions	1	27	5	26	0	59
Disposals and charge offs	-24	-38	-27	-101	-12	-202
31 December 2015	1 166	27	243	89	7	1 532
Depreciation charge						
1 January 2015	1 070	38	225	58	7	1 496
Charge for the year	33	5	21	10	3	72
Eliminated on disposals	-24	-38	-27	-100	-7	-196
31 December 2015	1 079	5	219	68	3	1 372
Net book value						
1 January 2015	119	0	40	6	12	179
31 December 2015	87	22	24	23	4	160

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

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

14. INVESTMENTS IN ASSOCIATED COMPANY

The Company holds an investment of 46.67% (2015: 46.67%) in KELER and an investment of 0.13% (2015: 0.13%) in KELER CCP. KELER CCP is 99,72% owned by KELER.

	2016 HUF million	2015 HUF million
Opening balance	13 900	13 267
Share of post acquisition reserves	945	633
Dividend received	0	0
Closing balance	14 845	13 900

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

	2016 HUF million	2015 HUF million
Assets	122 532	180 332
Liabilities	90 736	150 561
Total shareholders' equity	31 796	29 771
Revenues	7 354	9 202
Net profit for the year	1 657	1 316

15. TRADE AND OTHER RECEIVABLES

	2016 HUF million	2015 HUF million
Fees receivable	180	-91
Prepayments and accrued income	216	203
Total	396	294

16. SECURITIES HELD TO MATURITY

	2016 HUF million	2015 HUF million
T-bonds	350	0
Total	350	0

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

17. CASH AND CASH EQUIVALENTS

	2016 HUF million	2015 HUF million
Deposit and current accounts	194	344
Short term bank deposits	0	350
Total	194	694

18. SHARE CAPITAL

The Company's authorised, issued, called up and fully paid share capital comprises 5,413,481 (2015: 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:

	2016 %	2015 %
Hungarian National Bank	81,4%	75,8%
KBC Securities Mo. Fióltelepe	5,2%	5,2%
CONCORDE Értékpapír Zrt.	4,2%	4,2%
OTP Bank Nyrt.	2,7%	2,7%
ERSTE Bank Hungary Zrt.	2,3%	0,0%
MOL	2,2%	2,2%
URBANA Corporation	0,0%	3,1%
ING Bank Zrt.	0,0%	2,3%
Others (all under 2% share individually)	2,0%	4,6%
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.

19. 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.

Notes to the Financial Statement
For the year ended 31 December 2016
(in million HUF)

20. TRADE AND OTHER CREDITORS

	2016 HUF million	2015 HUF million
Accruals, prepaid listing fees	156	135
Accrued salaries and bonuses	35	28
Taxes and social security payable	70	75
Trade and other creditors	10	18
Total	271	256

21. Provisions

Provision was recognized for severance payment obligations in an amount of HUF 39M.

	2016 HUF million	2015 HUF million
Opening balance	39	0
Additions	0	39
Amounts charged against provisions	-39	0
Closing balance	0	39

22. Related party information

	Management		Shareholders with significant influence	
	2016	2015	2016	2015
	HUF million			
BALANCE SHEET				
Assets	0	0	0	0
Liabilities	0	0	0	0
INCOME STATEMENT				
Income - before the buyout	0	0	0	0
Expense - before the buyout	0	351	0	118
Income - after the buyout	0	0	2	-
Expense - after the buyout	398	24	0	1

At the end of November 2015, the National Bank of Hungary performed a buyout on CEESEG AG and Österreichische Kontrollbank AG, the previous two owners of Budapest Stock Exchange. The approval date of the registration was 9 December 2015.

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

Members of the Board of Directors

Márton Nagy (until 28.02.2017)
Végh Richárd (from 16.03.2017)
Selmeczi-Kovács Zsolt Zoltán
Barlai Róbert
dr. Bacsa György

Notes to the Financial Statement
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dr. Balog Ádám
Cselovszki Róbert
Fucsala András Miklós (from 16.03.2017)

Members of the Supervisory Board

Dr. Gerhardt Ferenc István
Kuti Zsolt
Bartha Lajos
Régely Károly
Herczku György
Dr. Kardkovács Kolos Viktor (from 16.03.2017)

The controlling entity is the Hungarian National Bank. The list of its subsidiaries as of 31 December 2016 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.)
MARK Magyar Reorganizációs és Követeléskezelő Zrt. (MARK Ltd.)
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)

23. EVENTS AFTER BALANCE SHEET DAY

There were no material events after the reporting date which would influence the financial year ending 31.12.2016. In accordance with the proposal of Board of Director no dividend is planned to be paid out for the business year 2016.

Notes to the Financial Statement
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(in million HUF)

24. FORTHCOMING IFRS-s

Standards and interpretations issued but effective only for annual reporting periods beginning after 1 January 2017.

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>The Entity does not expect IFRS 9 (2014) to have material impact on the financial statements. The classification and measurement of the Entity's financial instruments are not expected to change under IFRS 9 because of the nature of the Entity's operations and the types of financial instruments that it holds. However the entity believes that impairment losses are likely to increase and become more volatile for assets in the scope of expected credit loss impairment model. The entity has not yet finalised the impairment methodologies that it will apply under IFRS 9.</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>Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Entity's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Entity's financial statements. The timing and measurement of the Entity's revenues are not expected to change under IFRS 15 because of the nature of the Entity's operations and the types of revenues it earns.</p>
<p>Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture</p> <p>The effective date has not yet been determined by the IASB, however earlier adoption is permitted.</p>	<p>The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity has no significant transactions with its associate.</p>