



**Independent Auditors' Report issued on the
2016
Annual Financial Statements
and Business Report
of Budapesti Értéktőzsde Zrt**

This is an English translation of the independent Auditors' Report on the 2016 annual financial statements of 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 set of annual financial statements it refers to.





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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

Independent Auditors' Report

To the shareholders of Budapesti Értéktőzsde Zrt

Opinion

We have audited the 2016 annual financial statements of Budapesti Értéktőzsde Zrt (hereinafter referred to as "the Company"), which comprise the balance sheet as at 31 December 2016, which shows total assets of THUF 6,316,847 and profit after tax for the year of THUF 72,902, and the income statement for the year then ended, and supplementary notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying annual 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 for the year then ended in accordance with Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the annual financial statements in Hungary, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the 2016 Business Report of the Company. Management is responsible for the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements.

Our opinion on the annual financial statements expressed in the Opinion section of our report does not cover the business report.

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

With respect to the business report, based on the Act on Accounting, when reading the business report we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, if any.

Based on the work undertaken in the course of our audit, in our opinion:

- the 2016 business report of the Company is consistent with the 2016 annual financial statements of the Company; and

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- the business report has been prepared in accordance with the provisions of the Act on Accounting.

Our opinion on the business report does not include an opinion based on Section 156 (5) h) of the Act on Accounting due to the fact that there are no other legal requirements that are applicable to the business report of the Company.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

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

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

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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- 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 annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Budapest, 18 April 2017

KPMG Hungária Kft.

Registration number: 000202

Gábor Agócs
Partner, Professional Accountant
Registration number: 005600

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FINANCIAL STATEMENTS OF THE
BUDAPEST STOCK EXCHANGE
FOR THE YEAR 2016



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BALANCE SHEET

				HUF '000
a	Denomination b	31.12.2015 c	31.12.2016 d	
1	A. LONG-TERM ASSETS	5 275 281	5 370 641	
2	I. Intangible assets	87 087	111 936	
3	Capitalized value of formation, promotion and restructuring expenses	0	0	
4	Capitalized value of research and development	0	0	
5	Rights, representing assets	1 146	1 337	
6	Intellectual products	85 941	110 599	
7	Goodwill	0	0	
8	Advances and prepayments on intangible assets	0	0	
9	Value correction of intangible assets	0	0	
10	II. Tangible assets	73 172	143 683	
11	Buildings and related concessions and similar rights	22 426	28 966	
12	Plant machinery	25 235	52 878	
13	Other equipments and fittings, vehicles	25 511	55 378	
14	Assets in course of constructions	0	6 461	
15	Prepayments made on fixed assets	0	0	
16	Value correction of tangible assets	0	0	
17	III. Invested financial assets	5 115 022	5 115 022	
18	Significant participations	5 115 022	5 109 072	
19	Other participations	0	5 950	
20	Long term loan	0	0	
21	Securities signifying a long-term creditor relationship	0	0	
22	B. CURRENT ASSETS	790 165	728 355	
23	I. Stocks	6 200	4 847	
24	Raw materials and consumable goods	0	0	
25	Work in progress	0	0	
26	Finished goods	0	0	
27	Merchandise	6 200	4 847	
28	Prepayments made on stocks	0	0	
29	II. Receivables	90 087	180 491	
30	Trade debtors	85 049	97 841	
31	Receivables from affiliated undertaking	0	0	
32	Bills receivable	0	0	
33	Other debtors	5 038	82 650	
34	III. Securities	0	348 701	
35	Participation in affiliated undertaking	0	0	
36	Other participation	0	0	
37	Own shares, own partnership shares, re-exchangable shares	0	0	
38	Debt securities held for sale	0	348 701	
39	IV. Cash and cash equivalents	693 878	194 316	
40	Cash	0	0	
41	Current account	693 878	194 316	
42	C. ACCRUED INCOME AND PREPAYMENTS	202 797	217 851	
43	Accrued income	181 066	205 036	
44	Prepayments	21 731	12 815	
45	Equity and accrued and deferred assets of deferred expenditures	0	0	
46	TOTAL ASSETS	6 268 243	6 316 847	

Budapest, 18 April, 2017

Richárd Végh
 Chairman-CEO

Ildikó Auguszt
 Financial Director



HUF '000			
a	Denomination b	31.12.2015 c	31.12.2016 d
48	D. Shareholders' equity	5 973 413	6 046 315
49	I. Share capital	541 348	541 348
50	thereof: ownership shares repurchased at face value	0	0
51	II. Unpaid issued capital	0	0
52	III. Capital reserve	2 576 356	2 576 356
53	IV. Retained earnings	2 354 972	2 855 709
54	V. Non-distributable reserves	0	0
55	VI. Revaluation reserve	0	0
56	VII. Net profit for the year	500 737	72 902
57	E. PROVISIONS	39 390	0
58	Provisions for expected liabilities	39 390	0
59	Provisions for costs in the future	0	0
60	Other provisions	0	0
61	F. LIABILITIES	92 866	79 182
62	I. Subordinated liabilities	0	0
63	Subordinated liabilities to affiliated undertaking	0	0
64	Subordinated liabilities to independent undertaking	0	0
65	Subordinated liabilities to other economic entities	0	0
66	II. Long-term liabilities	0	0
67	Long-term loans	0	0
68	Convertible bonds	0	0
69	Debts on the issue of bonds	0	0
70	Investment and development credits	0	0
71	Other long term credits	0	0
72	Long-term liabilities to affiliated undertaking	0	0
73	Long-term liabilities to independent undertaking	0	0
74	Other long-term liabilities	0	0
75	III. Short term liabilities	92 866	79 182
76	Short-term loans	0	0
77	thereof: convertible bonds	0	0
78	Prepayments received from customer	5 945	3 849
79	Trade accounts payables	17 678	10 485
80	Bills payable	0	0
81	Short-term liabilities to affiliated undertaking	0	0
82	Dividends	0	0
83	Other short term liabilities	69 243	64 848
84	G. ACCRUED EXPENSES AND DEFERRED INCOME	162 574	191 350
85	Deferred income	73 200	65 100
86	Accrued expenses	89 374	126 250
87	Deferred revenues	0	0
88	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6 268 243	6 316 847

Budapest, 18 April, 2017

Richárd Végh
 Chairman-CEO

Ildikó Auguszt
 Financial Director



INCOME STATEMENT

			HUF '000	
	Denomination	31.12.2015	31.12.2016	
a	b	c	d	
1	Net domestic sale	1 349 714	1 334 835	
2	Net external sale	789 401	798 892	
I.	Revenues from stock exchange activities	2 139 115	2 133 727	
3	Change in self-manufactured stocks	0	0	
4	Own work capitalized	0	0	
II	Own performance capitalized	0	0	
III.	Other revenues	24 358	64 202	
	thereof: write-back of loss in value	0	7 340	
5	Cost of materials	6 902	5 831	
6	Values of services utilized	419 068	637 699	
7	Other costs	10 339	8 364	
8	Cost of good sold	0	0	
9	Sub-contracted services	59 563	55 821	
IV.	Material-type costs	495 872	707 715	
10	Wages and salaries	466 480	702 901	
11	Other employee benefits	32 760	40 813	
12	Contributions on wages and salaries	146 652	221 327	
V.	Staff costs	645 892	965 041	
VI.	Depreciation	72 063	84 811	
VII.	Other expenses	378 485	362 681	
	thereof: loss in value	18 915	9 246	
A.	OPERATING PROFIT (LOSS)	571 161	77 681	
13	Dividend received	0	0	
	thereof: from affiliated undertakings	0	0	
14	Gains on participations	0	0	
	thereof: from affiliated undertakings	0	0	
15	Gains on long term investments (except participations)	0	0	
	thereof: from affiliated undertakings	0	0	
16	Interests received	8 931	5 699	
	thereof: from affiliated undertakings	0	0	
17	Other incomes from financial transactions	8 395	2 390	
VIII	Income from financial operations	17 326	8 089	
18	Losses on participations	0	0	
	thereof: to affiliated undertakings	0	0	
19	Losses on long term investments (except participations)	0	0	
	thereof: to affiliated undertakings	0	0	
20	Interest payable and and similar changes	0	0	
21	Other expenses on financial transactions	15 145	11 707	
IX	Expenses of financial operations	15 145	11 707	
B.	FINANCIAL RESULT	2 181	-3 618	
C.	PROFIT BEFORE INCOME TAX	573 342	74 063	
X.	Income tax	72 605	1 161	
D.	PROFIT (LOSS) AFTER INCOME TAX	500 737	72 902	

Budapest, 18 April, 2017

Richárd Végh
 Chairman-CEO

Ildikó Auguszt
 Financial Director



NOTES TO THE 2016 ANNUAL REPORT





GENERAL COMPANY INFORMATION

Name of Company:	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság
Address of Company:	H-1054 Budapest, Szabadság tér 7.
Company's Registration No.:	Cg. 01-10-044764
Data of persons authorised to sign the report on behalf of the Company:	Richárd Végh, Chairman-CEO Address: H-2010 Budaörs, Kálvária utca 7. Ildikó Auguszt, Financial Director Address: H-1138 Budapest, Róbert Károly krt. 18/C

The person charged with the management of bookkeeping tasks and the preparation of the annual report: Ildikó Auguszt (address: H-1138 Budapest, Róbert Károly krt. 18/C, registration No. 120433). Statutory audit is obligatory for the Company.

Data of the Auditor

KPMG Hungary, Audit, Tax and Advisory Services Limited Liability Company

HU-1134 Budapest, Váci út 31.

Company registration No: 01-09-063183

Data of the person responsible for the audit:

Gábor Agócs (mother's maiden name: Piroska Kotogán)

H-1091 Budapest, Ifjú munkás utca 10.

Start date of engagement: 25 May, 2016

End date of engagement: 30 May, 2018

Form of operation

Private Company Limited by Shares



Foundation

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

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

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

Scope of activity

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

Legal framework for the management of the Stock Exchange

The conditions for the management of the Stock Exchange are stipulated in Act CXX of 2001 (hereinafter: "the Act"). Accordingly, "the Stock Exchange may not invest its free funds in the products listed and traded on the given stock exchange, excluding government securities and the shares issued by the Stock Exchange, the clearing house and central depository performing stock exchange settlements, and the financial holding company with a shareholding in the clearing house and the central depository. During its operations, the Stock Exchange may only establish such business associations or companies limited by shares and it can only have a holding in such business associations which have the purpose of promoting exchange activities or any supporting complementary activities."

When the accounting procedures of the Stock Exchange are established, the provisions of Act C of 2000 on Accounting and Government Decree No. 459/2015 (XII.29.) must be taken into consideration. According to the rules on double-entry bookkeeping, the Stock Exchange prepares its annual report for the given business year with the last day of the business year (31 December 2016) as the balance sheet date. According to the Act on Accounting, the economic events that became known after the balance sheet date (31 December) but prior to the compilation of the annual report must be accrued. The last day for the receipt of items coming from external sources – i.e. the balance sheet preparation date – is 15 February 2017.



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

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

The 2016 annual balance sheet and income statement of the Budapest Stock Exchange Ltd. will be available on the BSE’s website (www.bet.hu) after the Annual General Meeting.

Rules of the Stock Exchange

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

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

The regulations of the Stock Exchange are available on the BSE’s website (www.bet.hu), under the ‘Products and Services/BSE rules’ menu item.

As of 15 February 2017, the valid regulations of the Stock Exchange were as follows.

1. REGULATIONS

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of	Date	Nr of approval of CBH	Date of entry into force
The General Terms of Service of the Budapest Stock Exchange Ltd.	28/2015 44/2015 60/2016	22.nov.16	H-EN-III-172/2015. and H-EN-III-421/2016.	6 February 2017

Regulations of the Budapest Stock Exchange Ltd.	No. of the approval by the CEO	Date	Date of entry into force
On the Trading and Operation of BETA Market	3/BÉTa/2014	30 July 2014	1 August 2014
On the Technical Connection to the Trading Systems of the BÉTa Market	2/ BÉTa/2014	20 June 2014	23 June 2014

2. ORDERS

Orders of the Budapest Stock Exchange Ltd.	No. of the approval by the Board of	Date	No. of the approval by the CEO	Date	Date of entry into force
Regarding the Professional Representation	4/2016	1 February 2016	-		1 February 2016
Regarding the Schedule of Fees Applied by the Exchange	28/2015	22 June 2015	-		31 January 2017
Regarding the Operational and Organizational Rules	66/2016	22 November 2016	-		22 November 2016



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

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

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

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

ACCOUNTING PRINCIPLES

An **error is significant** if the aggregate amount of the errors and the impact of errors established for the same year (meaning that values have to be added up), increasing or decreasing the equity or the profit/loss (regardless of their sign), reaches 2% of the balance sheet total for the given year or if 2% of the balance sheet total exceeds HUF 500 million, then if their aggregate amount reaches HUF 500 million.

Receivables in foreign funds must be recalculated into HUF at the middle exchange rate published by the account holding bank.

Liabilities in foreign funds must be recalculated into HUF at the middle exchange rate published by the account holding financial institution and valid on the date of settlement.

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



EVALUATION METHOD

BALANCE SHEET

INTANGIBLE ASSETS

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

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

TANGIBLE ASSETS

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

Investments were evaluated at the actual acquisition cost.

INVESTMENTS

BSE has the following investments:

- **KELER LTD.**

Registered office: Bp. VII. ker. Rákóczi út 70-72.

Number of issued shares: 420

Nominal value of shares: 5.000.000 HUF

Ownership share: 46.67%

KELER Ltd's after-tax profit for 2016 will be HUF 1.3 billion.

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

Owners	Subscribed capital	Ownership share
Budapest Stock Exchange Ltd.	2 100 000	46,67%
Hungarian National Bank	2 400 000	53,33%
Total:	4 500 000	100,00%



- **KELER CCP CENTRAL COUNTERPARTY LTD.**

Registered office: Bp. VII. ker. Rákóczi út 70-72.
 Number of issued shares: 182 320
 Nominal value of shares: 10 000 HUF
Ownership share: 0.13%

KELER CCP Ltd's after-tax profit for 2016 will be HUF 133 million.

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

Owners	Nr. of shares	Ownership share	Nominal value HUF 10 000/nr.	Issue value HUF 25 000/nr.
Budapest Stock Exchange Ltd.	238	0.13%	2 380	5 950
Hungarian National Bank	272	0.15%	2 720	6 800
Central Clearing House and Depository Ltd.	181 810	99.72%	1 818 100	4 545 250
Total:	182 320	100.0%	1 823 200	4 558 000

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

Description	KELER		KELER CCP	
	12.31.2015	31.12.2016*	12.31.2015	31.12.2016*
Share capital	4 500 000	4 500 000	1 823 200	1 823 200
Capital reserves	0	0	2 734 800	2 734 800
Retained earnings	19 072 000	20 566 846	839 854	1 121 636
Non distributable reserves	0	0	0	0
Other reserves	2 332 000	2 473 704	0	0
Earnings for the period	1 495 000	1 271 388	281 782	133 322
Total:	27 399 000	28 811 938	5 679 636	5 812 958

* The numbers for the financial year 2016 of the KELER GROUP are preliminary, not yet audited.

CALCULATION OF DEPRECIATION

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

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

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

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



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

6. Depreciation norms applied for assets capitalised after 1 January 1992

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

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

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

Changes to the gross value of intangible and tangible assets					
Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	1 165 933	61 763	56 414	0	1 171 282
I/1. Concessions and similar rights and assets	5 949	534	101	0	6 382
I/2. Intellectual products	1 159 984	61 229	56 313	0	1 164 900
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	366 284	123 439	11 584	0	478 139
II/1. Real estates	27 874	14 574	0	0	42 448
II/1.1. Buildings	0	0	0	0	0
II/1.2. Buildings and related concessions and similar rights	0	0	0	0	0
II/1.3. CWIP on rented properties	27 874	14 574	0	0	42 448
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	5 104	354	167	0	5 291
II/4. IT equipments	242 889	45 958	632	0	288 215
II/5. Telecommunication equipments	7 536	2 295	71	0	9 760
II/6 Other equipments and fittings	0	0	0	0	0
II/7. Securities	583	0	0	0	583
II/8. Vehicles	7 008	38 153	7 009	0	38 152
II/9. Capital Work in Progress (CWIP)	0	6 461	0	0	6 461
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	1 532 217	185 202	67 998	0	1 649 421

Changes to the depreciation of intangible and tangible assets

Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	1 078 846	36 914	56 414	0	1 059 346
I/1. Concessions and similar rights and assets	4 803	343	101	0	5 045
I/2. Intellectual products	1 074 043	36 571	56 313	0	1 054 301
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	293 112	47 897	6 553	0	334 456
II/1. Real estates	5 448	8 034	0	0	13 482
II/1.1. Buildings	0	0	0	0	0
II/1.2. Buildings and related concessions and similar rights	0	0	0	0	0
II/1.3. CWIP on rented properties	5 448	8 034	0	0	13 482
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	3 729	576	167	0	4 138
II/4. IT equipments	219 181	18 736	632	0	237 285
II/5. Telecommunication equipments	7 384	1 651	71	0	8 964
II/6 Other equipments and fittings	0	0	0	0	0
II/7. Securities	0	0	0	0	0
II/8. Vehicles	2 751	3 529	2 754	0	3 526
II/9. Capital Work in Progress (CWIP)	0	0	0	0	0
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	1 371 958	84 811	62 967	0	1 393 802

Changes to the net value of intangible and tangible assets					
Denomination	Opening amount	Interim growth	Interim decrease	Reclass.	Closing amount
I. Intangible assets	87 087	24 849	0	0	111 936
I/1. Concessions and similar rights and assets	1 146	191	0	0	1 337
I/2. Intellectual products	85 941	24 658	0	0	110 599
I/2.1. WIP on intangible assets	0	0	0	0	0
II. Tangible assets	73 172	75 764	5 253	0	143 683
II/1. Real estates	22 426	6 540	0	0	28 966
II/1.1. Buildings	0	0	0	0	0
II/1.2. Buildings and related concessions and similar rights	0	0	0	0	0
II/1.3. CWIP on rented properties	22 426	6 540	0	0	28 966
II/2. Cables	0	0	0	0	0
II/3. Technical equipments, machinery	1 375	0	222	0	1 153
II/4. IT equipments	23 708	27 222	0	0	50 930
II/5. Telecommunication equipments	152	644	0	0	796
II/6 Other equipments and fittings	0	0	0	0	0
II/7. Securities	583	0	0	0	583
II/8. Vehicles	4 257	34 624	4 255	0	34 626
II/9. Capital Work in Progress (CWIP)	0	6 461	0	0	6 461
II/10. Advance payments on CWIP	0	0	0	0	0
I-II. Total	160 259	100 613	5 253	0	255 619

PURCHASED INVENTORIES

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

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

8. Inventories (HUF '000)

Description	12.31.2015	12.31.2016
PR material	1 801	2 631
Forms, other materials	1 180	1 157
Library books	1 039	1 059
Intermediated services	2 180	0
Total inventories	6 200	4 847



ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Trade debtors must be recognised in the balance sheet at the known and accepted amount or at the book value decreased by the accounted impairment and increased by the reversed impairment.

Receivables from **employees** and **tax authorities** were evaluated based on an item-by-item reconciliation with the sub-ledgers.

9. Receivables (HUF '000)

Description	12.31.2015	12.31.2016
Receivables from goods, delivery and services	85 049	97 841
Corporate tax	1 606	60 419
VAT	0	2 503
Local tax	845	923
Innovation contribution	772	0
Other receivables	1 461	1 034
Prepayments to suppliers	354	17 770
Total receivables	90 087	180 491

10. Impairment accounted for receivables (HUF '000)

Description	Year of the accounting of impairment	31 December 2016 Amount of impairment
	2012	2 368
	2013	7 897
	2014	6 302
	2015	13 314
	2016	9 246
Total impairment on receivables		39 127

SECURITIES

On 31.12.2016 BSE owned one T-bill.

11. Securities (HUF '000)

Description	31.12.2015	31.12.2016
D170316	0	348 701
Total Securities	0	348 701



CASH

Cash was recognised at the values of the last bank account statements of 2016 and the stocktaking of the cash desk.

12. Cash (HUF '000)

Description	12.31.2015	12.31.2016
Petty cash	0	0
HUF accounts	167 244	39 409
Fixed HUF deposits	350 023	0
EUR accounts	176 611	154 907
Fixed EUR deposits	0	0
Total cash	693 878	194 316

PREPAID EXPENSES AND ACCRUED INCOME

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

13. Prepayments and accrued income (HUF '000)

Description	12.31.2015	12.31.2016
Interest on tied-up deposits and bank accounts due for the reporting period but not yet realised	1 899	1 674
Transaction fees for December, 2015/2016	56 911	71 638
Annual maintenance fees for the 4th quarter, 2015/2016	79 126	80 168
Vendor fees for 2015/2016	37 764	50 641
Other income	5 366	915
Total accrued income	181 066	205 036
Insurance	1 220	1 419
Newspaper subscriptions	375	415
International organizations membership fees	872	870
IBM IFX maintenance fee	3 722	0
Other software, maintenance fee	7 976	5 654
Other	7 566	4 457
Total prepayments	21 731	12 815
Total prepayments and accrued income	202 797	217 851



EQUITY

Equity is recognised at book value.

14. Changes to equity (HUF '000)

Denomination	12.31.2015	Additions	Disposals	12.31.2016
Share capital	541 348	0	0	541 348
Capital reserve	2 576 356	0	0	2 576 356
Retained earnings	2 354 972	500 737	0	2 855 709
Net profit for the year 2015	500 737	0	500 737	0
Net profit for the year 2016	0	72 902	0	72 902
Total shareholder's equity	5 973 413	573 639	500 737	6 046 315

The subscribed capital of the Company upon the foundation totalled HUF 550 million which consisted of registered ordinary shares issued in a dematerialised form, with a par value of HUF 100 each, all conferring equal and identical membership rights. With its resolution No. 7/2003 dated 28 April 2003, the General Meeting decreased the share capital of the Budapest Stock Exchange Private Company Limited by Shares by withdrawing the shares of Garmond Capital Hungarian-American Service Providing Company Limited by Shares (i.e. by HUF 8,651,900 that is 86,519 shares with a par value of HUF 100 each). Thus the Company's subscribed capital fell to HUF 541,348,100.



LIABILITIES

Out of current liabilities:

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

15. Current liabilities (HUF '000)

Description	12.31.2015	12.31.2016
Liabilities on delivery of goods and services	17 678	10 485
Taxes and contributions payable:		0
Corporate tax	0	0
Personal income tax	10 941	16 058
Rehabilitation contribution	542	663
Vocational contribution	912	1 487
Car tax	78	172
Contributions to Health and Pension fund	10 910	16 889
Social security contribution	16 301	26 675
Healthcare contribution	9 446	2 688
Pension funds	252	0
Health funds	76	0
Dividends paid from the 2015/2016 profit	0	0
Other	25 730	4 065
Total liabilities	92 866	79 182



ACCRUED EXPENSES AND DEFERRED INCOME

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

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

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

16. Accrued expenses and deferred income (HUF '000)

Description	12.31.2015	12.31.2016
2015/2016 minimum section fees invoiced in 2016/2017	73 200	65 100
Total deferred income	73 200	65 100
Audit	4 114	3 429
MMTS licence fee	9 035	7 844
ADH technical fee	33 744	33 536
Legal specialists' fee	3 863	4 072
Website development	0	13 499
Bonus for 2015/2016 year (with SSC)	27 942	35 198
Others	10 676	28 672
Total accrued expenses	89 374	126 250
Total accrued expenses and deferred income	162 574	191 350



INCOME STATEMENT

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

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

17. Revenues (HUF '000)

Description	31.12.2015	31.12.2016
Revenues from listing fees	387 273	389 117
Revenues from trading fees	928 241	951 287
Revenues from information services	764 038	737 502
Sub-contracted services	59 563	55 821
Total revenues from stock exchange activities	2 139 115	2 133 727

Description	31.12.2015	31.12.2016
Domestic revenue from exchange activities	1 349 714	1 334 835
Export	0	0
USA	244 964	283 452
Switzerland	10 743	15 391
Japan	1 279	1 265
Hong Kong	959	949
Israel	1 279	1 265
Norway	7 675	8 909
Turkey	480	474
Bosnia and Herzegovina	0	0
European Union	522 022	487 187
Export revenues from exchange activities	789 401	798 892
Total net sales from exchange activities	2 139 115	2 133 727

Description	31.12.2015	31.12.2016
Revenue from the sales of tangible assets	9 163	4 082
Income from training	399	722
Income from the sponsorship of certain events	4 000	1 200
Other income	9 801	18 048
Release of provision	0	39 390
Default interest	995	760
Total other income	24 358	64 202



Description	31.12.2015	31.12.2016
Interest on fixed deposits	8 540	3 476
Interest on T-bills	0	1 674
Other interest	391	459
Exchange gains	8 395	2 480
Income from financial transactions	17 326	8 089
Exchange loss	15 145	11 707
Expenses of financial transactions	15 145	11 707
Profit/loss from financial activities	2 181	-3 618

MATERIAL-TYPE EXPENSES

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

18. Material-type expenses (HUF '000)

Description	31.12.2015	31.12.2016
Sub-contracted services	59 563	55 821
Material costs	6 902	5 831
Travelling costs	6 228	15 028
Maintenance costs	19 464	18 874
Telecommunication costs	7 048	7 648
Other rental fees	23 122	26 749
K2 licence fee	4 062	4 006
Trading system licence fee	96 905	96 735
Outsource and consultancy fees	101 872	200 377
Training costs	5 781	6 123
PR expenses	30 616	88 397
International organizations membership fees	1 430	6 052
International conferences	0	39 063
Other services	20 573	12 453
Internet access	3 303	2 880
Deutsche Börse technical connection fees	11 154	11 223
Costs related to the rented property:		
Rental	63 518	72 125
Operating expenses	23 993	29 966
Bank charges, insurance fees, royalties	10 338	8 364
Total material-type expenses	495 872	707 715



19. Fees paid to KPMG for the audit and other services (HUF '000)

Description	31.12.2015	31.12.2016
Audit of the HAR annual report	3 625	3 500
Audit of the IFRS financial statements	918	1 000
Audit of consolidated reports according to IFRS	856	0
Other consultancy	0	9 996
Total fees paid to KPMG	5 399	14 496

PERSONNEL COSTS

In 2015, the average number of staff at the Budapest Stock Exchange was 45 and in 2016, 54. The average statistical staff number and wage costs did not include those on maternity leave or on unpaid leave.

20. Personnel-type expenses (HUF '000)

Description	31.12.2015	31.12.2016
Wage costs for full-time employees	437 294	646 657
Honoraria for Board members	19 753	32 475
Honoraria for Supervisory Board members	4 193	18 648
Wage costs for off-payroll staff	5 240	5 121
Wages and salaries	466 480	702 901
Fringe benefits	16 773	26 972
Wages for sick leave, other well-being costs	5 399	4 243
Representation costs	10 588	9 598
Other employee benefits	32 760	40 813
Vocational contribution	6 510	10 481
Rehabilitation contribution	2 170	2 604
Personal income tax paid by employer	5 952	7 910
Health contribution	15 560	14 064
Social security contribution	116 460	186 268
Contributions on wages and salaries	146 652	221 327
Total personnel costs	645 892	965 041



HONORARIA TO THE OFFICERS OF THE BUDAPEST STOCK EXCHANGE LTD

21. Honoraria of elected officers

As of the Extraordinary General Meeting held on 16 December, 2015 with the resolution No. 20/2015 the honoraria were as follows:

Board of Directors

Chairman: seven times of the minimum wage/month

Members: five times of the minimum wage/month

Supervisory Board

Chairman: five times of the minimum wage/month

Members: three times of the minimum wage/month

22. Other expenses (HUF '000)

Description	31.12.2015	31.12.2016
Derecognition due to scrapping/ impairment/ lending losses	18 915	10 022
Book value of the sold tangible assets	5 627	4 255
Provisions	39 390	0
Other	9 611	3 676
Tax obligation regarding the previous years	5 973	0
Late payment and self-revision penalty, tax penalty	5 088	198
Subsidies given	0	4 746
Innovation contribution	6 163	6 152
Bank tax	179 263	179 263
Local taxes and local business tax	41 089	41 010
Supervisory Authority fee	1 450	1 463
Non-deductible VAT on fixed assets	9 057	20 558
Non-deductible VAT on costs	56 859	91 338
Total other expenses	378 485	362 681

In the financial year 2016, Budapest Stock Exchange had no special occurrence or extraordinarily significant income or expenses.



Transactions with related parties

RELATED PARTIES

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

Name: KELER CCP Ltd.
Registered office: 1074 Budapest, Rákóczi út 70-72.
Tax number: 23183034-2-44
Company registration No: 01-10-046985
Ownership share: 0.13%

23. Transactions with related parties

Description	Net amount HUF
Revenues from KELER Ltd.	123 540
Registration fee for capital market sport tournament	123 540
Revenues from Hungarian National Bank	2 432 437
Rented lines and access	2 432 437
Expenses related to services of KELER Ltd.	1 178 283
Maintenance fee of the register of shareholders	240 000
Security account maintenance fee	438 283
Shareholder registration on GM	500 000
Payment of dividend	0

On 31.12.2016 the Company had no receivables or payables related to KELER Ltd. or KELER CCP. On 31.12.2016 BSE had 145 thousand HUF receivables from the Hungarian National Bank, and payables of 313 thousand HUF.



Corporate tax

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

24. Calculation of corporate tax (HUF '000)

Description	31.12.2016
Items increasing pre-tax profits:	
Amount accounted for as depreciation in the tax year in accordance with the Act on Accounting	84 811
Impairment loss recognized for receivables in the tax year	10 022
Not recognized costs/Annex 3 (entertainment, business gifts, assets transferred free of charge)	0
Provision allocation for expected liabilities	0
Amounts accounted for as expenses and assessed as a result of the self-revision, tax audit	0
Total items increasing the tax base	94 833
Items decreasing pre-tax profits:	
Depreciation in accordance with tax law	98 830
Release of provision	39 390
Impairment reversal for receivables in the tax year	7 340
50% of revenues accounted among pre-tax results in the tax year based on the royalty received	10 778
Amounts accounted for as income and assessed as a result of the self-revision, tax audit	0
Long-term donation provided to a public-benefit organization, 20% of the support	949
Total items decreasing the tax base	157 287
Corporate tax	
Profit/loss before taxation	74 063
Total items decreasing pre-tax profits	157 287
Total items increasing pre-tax profits	94 833
Tax base	11 609
Corporate tax	0
below HUF 500 million (10%)	1 161
above HUF 500 million (19%)	0
Calculated corporate tax	1 161
Tax benefit for the subsidy of certain team sports/performing arts organizations	0
Total corporate tax	1 161



Exchange membership

The number of exchange members at the Budapest Stock Exchange Ltd. totalled 29 as of 31 December 2016. At the end of 2016, 19 members in the Equities Section, 22 members in the Debt Securities section, and 13 members in the Derivatives Section (futures market - 13 members, options market - 10 members) and 2 members in the Commodities Section had trading rights.

At the end of the year there were 11 members in the BÉTa Market.

Granting exchange membership in 2016

- Deutsche Bank Ag London Branch – trading licence in the Debt Securities section (6 June 2016)

Termination of exchange membership in 2016

- CODEX Ltd. – Equities Section, BÉTa Market (15 April 2016)
- DB Securities Spółka Akcyjna – Equities Section (1 June 2016)
- Agrokont Ltd. – Commodities Section (24 June 2016)
- REÁLSZISZTÉMA Ltd. – Equities Section, Derivatives Section, BÉTa Market (30 June 2016)
- Solar Capital Markets Ltd. – Equities Section, Derivatives Section, BÉTa Market (31 December 2016)

25. List of section members

#	Section member	Equities section	Debt Securities Section	Derivatives section		Commodity section	BÉT market
				Futures	Options		
1	BNP Paribas S.A.	-	X	-	-	-	-
2	Citibank Europe plc Magyarországi Fióktelepe	-	F	-	-	-	-
3	CIB Bank Zrt.	X	X	X	F	-	X
4	CONCORDE Értékpapír ZRt.	X	X	X	X	-	-
5	Deutsche Bank AG London Branch	-	X	-	-	-	-
6	Deutsche Bank AG Magyarországi Fióktelep	-	F	-	-	-	-
7	EQUILOR Befektetési Zártkörűen Működő Részvénytársaság	X	X	X	X	X	X
8	ERSTE Befektetési Zrt.	X	X	X	X	-	X
9	FHB Kereskedelmi Bank Zártkörűen Működő Részvénytársaság	X	X	-	-	-	-
10	Goldman Sachs International	-	F	-	-	-	-
11	IKR-Bróker Tőzsdeügynöki Kft.	-	-	-	-	X	-
12	ING Bank N.V. Magyarországi Fióktelepe	X	X	X	-	-	-
13	IPOPEMA Securities Spółka Akcyjna	X	-	-	-	-	-
14	J.P. Morgan Securities plc	-	F	-	-	-	-
15	KBC Securities Magyarországi Fióktelepe	X	X	X	-	-	X
16	Kereskedelmi és Hitelbank Zrt.	-	F	-	-	-	-
17	Magyar Takarékszövetkezeti Bank Zrt.	X	X	X	X	-	-
18	Merill Lynch International	-	X	-	-	-	-
19	MKB Bank Zrt.	X	X	X	F	-	X
20	NHB Növekedési Hitelbank Zrt.	X	-	-	-	-	X
21	Nomura International Plc	-	F	-	-	-	-
22	OTP Bank Nyrt.	X	X	X	X	-	X
23	Raiffeisen Centrobank AG	X	-	X	X	-	X
24	Random Capital Broker Zártkörűen Működő Részvénytársaság	X	-	X	-	-	X
25	RAIFFEISEN BANK Zrt.	X	X	X	X	-	X
26	Société Générale SA	X	X	-	-	-	-
27	SPB Befektetési zRt.	X	-	-	-	-	X
28	UniCredit Bank Hungary Zártkörűen Működő Részvénytársaság	X	X	X	X	-	-
29	WOOD & Company Financial Services a.s.	X	-	-	-	-	-

F: Suspended the right to trade

X: It has the right to trade

-:It has not the right to trade

©: It is a section member without the right to trade



26. Shareholders exceeding 5 % stake

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

The headquarters of the Hungarian National Bank are at 1054 Budapest, Szabadság tér 9. The participation rate of MNB was 75,75% on 31.12.2015, therefore it has increased by 5,6% until 31.12.2016.

27. Equity and profit per share (HUF '000)

Description	31.12.2015	31.12.2016
Shareholders' equity	5 973 413	6 046 315
Share capital	541 348	541 348
Capital reserve	2 576 356	2 576 356
Retained earnings	2 354 972	2 855 709
Earnings for the year	500 737	72 902
Number of issued shares	5 413 481	5 413 481
Nominal value of share (HUF/share)	100	100
Price per share at issue (HUF/share)	854	854
Capital resources per share (HUF/share)	1 103	1 117
Dividend (HUF/share)	0	0
EPS (net profit / number of shares) HUF	92,50	13,47
ROE (profit after tax / (average of opening and closing value of the shareholders' equity)	8,75%	1,21%



28. The financial, assets and income position

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

Indices	12.31.2015		12.31.2016		Index
	HUF'000		HUF'000		
Income to equity					
<i>(Earnings for the year / Equity)</i>	500 737	= 8,38%	72 902	= 1,21%	-85,62%
	5 973 413		6 046 315		
Income to sales					
<i>(Earnings for the year / Revenues from exchange activities)</i>	500 737	= 23,41%	72 902	= 3,42%	-85,40%
	2 139 114		2 133 727		
Liquidity ratio					
<i>(Current assets – Inventories/ Liabilities)</i>	783 965	= 844,19%	723 508	= 913,73%	8,24%
	92 866		79 182		
Capital adequacy					
<i>(Equity / Balance Sheet Total)</i>	5 973 413	= 95,30%	6 046 315	= 95,72%	0,44%
	6 268 243		6 316 847		
Assets to income					
<i>(Earnings for the year / Balance Sheet Total)</i>	500 737	= 7,99%	72 902	= 1,15%	-85,55%
	6 268 243		6 316 847		
Ratio of tangible assets					
<i>(Tangible assets / Balance Sheet Total)</i>	73 172	= 1,17%	143 683	= 2,27%	94,85%
	6 268 243		6 316 847		
Ratio of current assets					
<i>(Current assets / Balance Sheet Total)</i>	790 165	= 12,61%	728 355	= 11,53%	-8,53%
	6 268 243		6 316 847		
Ratio of equity and liabilities					
<i>(Liabilities / Equity)</i>	92 866	= 1,55%	79 182	= 1,31%	-15,76%
	5 973 413		6 046 315		



29. EBITDA statement (HUF '000)

Description	31.12.2015	31.12.2016
Operating revenues + transferred services	2 139 115	2 133 727
Other income	24 358	64 202
Total revenue	2 163 473	2 197 929
Operating costs and expenses without depreciation	1 299 897	1 815 164
EBITDA	863 576	382 765
Depreciation and amortisation	72 063	84 811
Subsidies of certain team sports/performing arts organizations	0	0
Income from financial activities	2 181	-3 618
Bank tax	179 263	179 263
Corporate tax	72 605	1 161
Local community business tax	41 089	41 010

30. Development expenses (HUF '000)

No.	Description	31.12.2015	31.12.2016
1.	Trading system	0	29 568
2.	Basic investments of the security system	893	21 550
3.	Data sales	0	39 159
4.	BSE internal developments	32 179	22 908
5.	Non-IT investments	25 908	72 017
	TOTAL	58 980	185 202

Development expenses do not include VAT.



31. Cash Flow (HUF '000)

No.	Description	31.12.2015	31.12.2016
I.	Cash flows from ordinary activities (<i>Operating cash flow, rows 1-15</i>)	158 880	-319 218
1	Profit/loss before taxation	573 341	74 063
2	Annual amortisation of assets	72 063	84 811
3	Impairment and reversal for the year	17 769	1 907
4	Difference between the allocation and use of provisions	39 390	-39 390
5	Profit (loss) from the sales of fixed assets	3 536	173
6	Changes to trade payables	-33 303	-7 193
7	Changes to other current liabilities	-530 728	-6 491
8	Changes to accrued expenses and deferred income	-1 105	28 776
9	Changes to trade debtors	61 902	-14 699
10	Changes to current assets (excluding trade debtors, cash and securities)	7 466	-76 259
11	Overdue, written-off receivables		
12	Purchases of securities		
13	Changes to prepaid expenses and accrued income	21 154	-15 054
14	Taxes paid and payable	-72 605	-1 161
15	Dividends approved	0	0
II.	Cash flows from investment activities (<i>rows 16-17</i>)	-49 817	-180 344
16	Acquisition of fixed assets	-58 980	-185 202
17	Sales of fixed assets	9 163	4 858
III.	Cash flows from financial activities (<i>rows 18-23</i>)	0	0
18	Loans drawn		
19	Cash received definitively		
20	Bond repayment		
21	Loan repayment		
22	Cash transferred definitively		
23	Housing loan repayment		
IV.	Changes to cash flows (rows +I.+II.+III.)	109 063	-499 562
	Opening cash balance	584 815	693 878
	Closing cash balance	693 878	194 316
	Securities at the end of the year (in HUF)	0	348 701 162
	Cash at the end of the year (in HUF)	693 877 699	194 316 241
		693 877 699	543 017 403

Budapest, 18 April, 2017

Richárd Végh
Chairman-CEO

Ildikó Auguszt
Financial Director



BUSINESS REPORT FOR THE YEAR 2016





THE BUDAPEST STOCK EXCHANGE

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

As the successor to the first Hungarian stock exchange, founded more than 150 years ago in 1864, the Budapest Stock Exchange plays a pivotal role both in Hungary's and the Central Eastern European region's capital markets. As a result of the dynamic growth it achieved after its re-establishment in 1990, BSE now provides the highest level of service in compliance with the standards of developed markets, to security issuers, traders and investors from around the world.

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

Today, BSE offers investors the broadest range of products in the region. Alongside equities and debt securities, which are the traditionally the most popular, the range also includes investment funds and structured products, as well as international equities. Its derivatives market encompasses not only futures and options trading, but also a foreign currency market with the highest trading volume in Europe and a commodities market which is unique in the region.

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

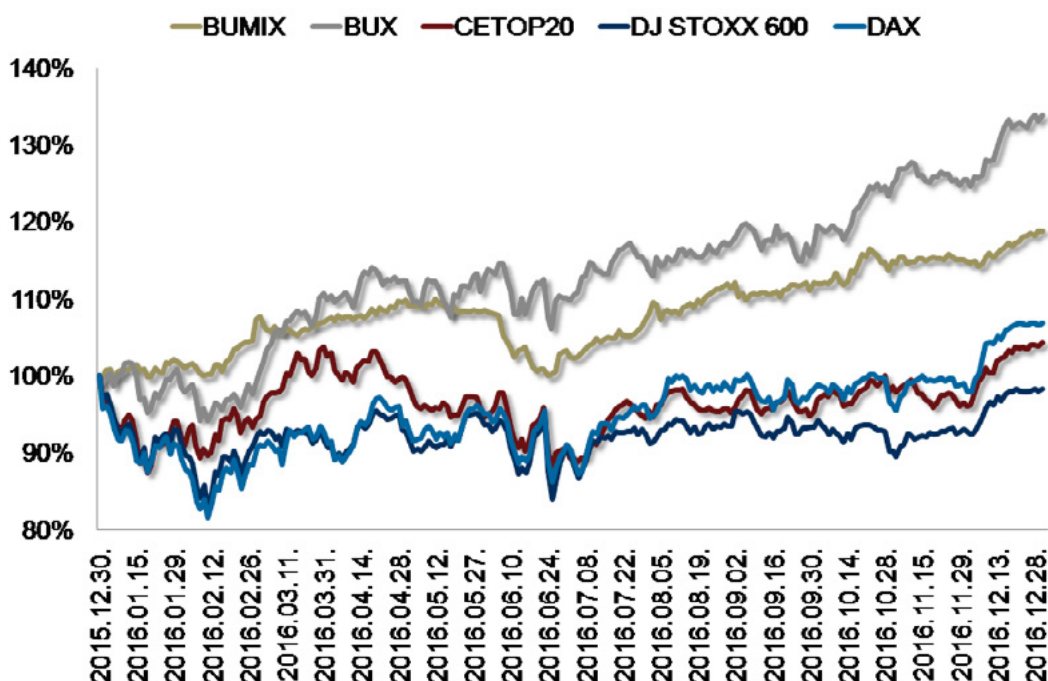
The Budapest Stock Exchange aims to become the most important funding platform for competitive and successful enterprises in Hungary. Indeed, a well-functioning stock exchange facilitates funding for companies through equities and bonds, although being present on the stock exchange requires companies to operate transparently, which significantly contributes to "cleaning up" the economy. BSE believes that having a highly developed capital market and stock exchange is a precondition for any competitive, innovative economy.

Market trends and major events in 2016

Budapest Stock Exchange's (BSE) leading equity index, BUX, had an outstanding performance in regional comparison and on a global scale as well. BUX ended up in second place in Europe, with its performance of 33.79%, finishing behind Russia's RTS Index. The performance of most European exchanges was positive in 2016, the Polish (WIG), Norwegian (All-Shares) and British (FTSE 100) managed to grow over 10 percent in the period, the German (DAX) and French (CAC) indices also managed to show growth, although a bit smaller. PX, the Czech leading index decreased by a small amount, while Danish (OMX Copenhagen) and Italian (FTSE MIB) indices took a major hit during this time period (Figure 1).

Indices overseas made a good performance as well, both NASDAQ and S&P reached their respective historical peaks last year, however their performance was not as stellar as BUX's in the last year. It's worth to note that the rally after the financial crisis started a couple of years earlier in the US, than in Hungary.

Figure 1: Relative performance of European indices in 2016



Source: BSE, Bloomberg

There were major events in 2016 with significant impact on financial markets all across the globe. The fear of China's economic slowdown kicked the year off, then the Brexit lead to turbulent markets in the summer. In the fall, all eyes were on the US presidential election and finally FED's long awaited interest rate increase closed out the year. The Hungarian stock market was left relatively untouched by these events, and managed to grow independently, mainly caused by the strong positive market view on the Hungarian economy and Hungarian listed companies.

Hungary's credit rating was upgraded from non-investment grade to investment grade by all three major rating agencies in 2016 (Fitch in May 2016, S&P in September 2016, Moody's in November 2016), further strengthening investors' confidence towards Hungarian shares.

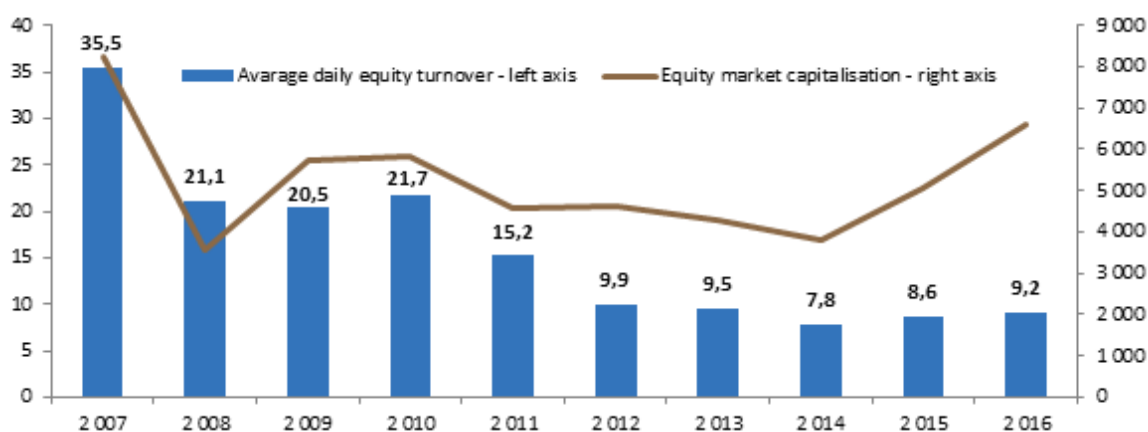
Cash market

Average daily equity turnover of BSE on full year basis, was up by 7 percent in 2016 (HUF 9.2bn) compared to 2015, and total yearly equity turnover managed to surpass 2015's HUF 2,138bn by 7,5 percent (+HUF 160.3bn) (Figure 2)

Average daily turnover reached its 2016 peak in March, when the HUF 15.1bn average daily turnover broke a 2-year-old record. The high volume was caused by the rebalancing of Wiener Börse's regional CECE index - the proportion of Hungarian equities increased from 7.19 percent to 16.35 percent -, which initiated a large amount of capital inflow towards Hungarian stocks from investors benchmarking CECE.

Market capitalisation rose by 30.6 percent compared to the end of 2015, settling at HUF 6,616bn by the end of the year (Figure 2).

Figure 2: Average daily equity turnover and equity market capitalisation 2007 – 2016 (HUFbn)



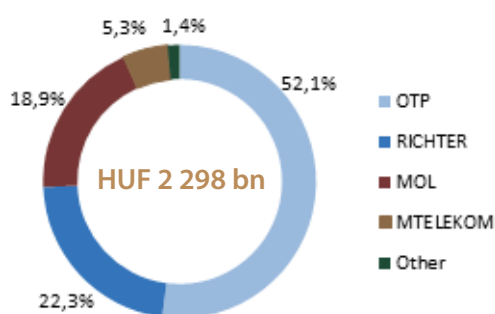
Source: BSE

The main driving force behind the growth was the good performance of Hungarian blue-chips: MOL managed to increase its value by 44.8 percent, OTP's rose by 40.0 percent, while Magyar Telekom's price was up by 22.7 percent by the end of the year, and Richter closed 2016 with a 13.0 percent increase compared to the last trading day of 2015.

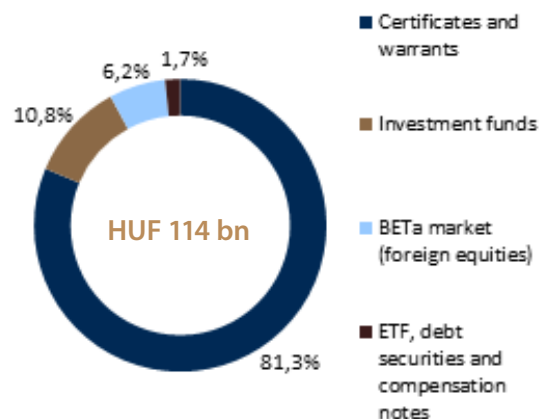
Just like in previous years, cash market turnover was dominated by the aforementioned four blue-chips. Their combined turnover amounting to 98.6 percent of the total turnover, OTP alone represented 52.1 percent. (Figure 3)

Besides Hungarian stocks, the turnover of other products amounted to HUF 114bn, with certificates and warrants maintaining their position as the leading product type behind equities. (Figure 4)

**Figure 3:
Turnover of Hungarian equities
(2016)**



**Figure 4:
Turnover of other cash market products
(2016)**

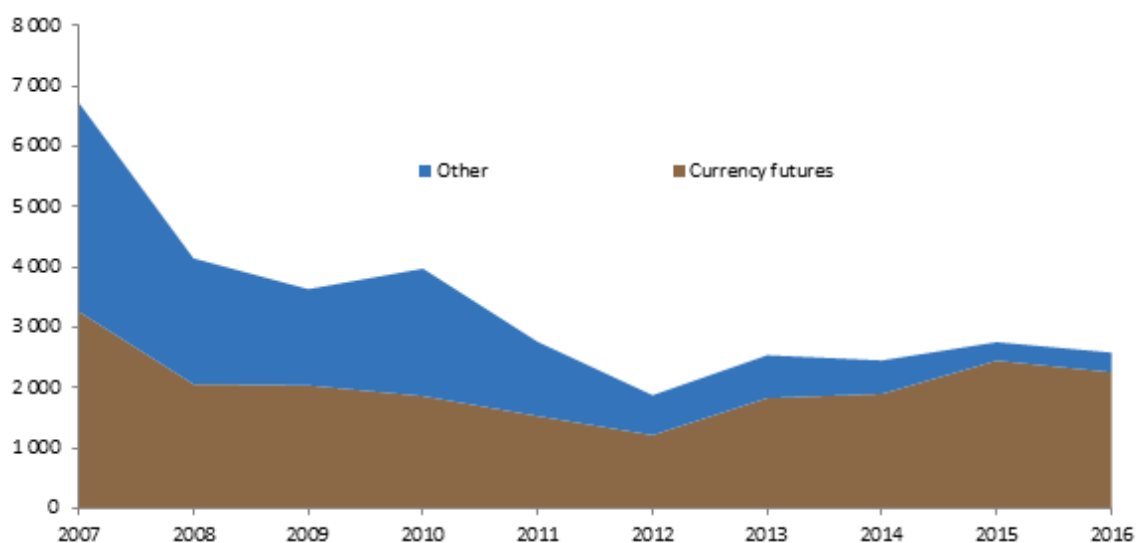


Source: BSE

FUTURES MARKET

The turnover of the futures market has been stagnating since 2013 and didn't follow the uptrend of cash market's turnover. The volume was dominated by currency futures contracts in 2016 with a 87 percent market share, while in 2007 they were responsible for around half of the futures market turnover only (Figure 5). Besides currencies, BUX stock index futures, single-stock futures and commodity futures had mentionable turnover in 2016.

Figure 5: Monthly change of futures turnover 2007 – 2016 (HUFbn)



Source: BSE



New listings and products on the BSE's markets

In the Equities Section, three domestic companies issued new shares and/or entered the market. The public offerings of the ordinary shares of ALTEO Plc. and DUNA HOUSE HOLDING Plc. took place in the fourth quarter of 2016 and amounted to HUF 1.4 and 2.6 billion. In the same period, in addition to DUNA HOUSE listing, UBM Holding Plc. also introduced its securities, however, trading in these shares did not begin to take place until the first quarter of 2017. Unfortunately, new listings and offerings were accompanied by four delistings this year. In the case of SYNERGON Plc., the general meeting decision on winding-up has led to delisting. The shares of NORBI UPDATE LOWCARB Plc. and LIBRI-SHOPLINE Plc. left the parquet as a result of delisting decision made by the general meetings. VISONKA Plc. was removed from the product list due to liquidation proceedings. These shares were delisted from the Equities Standard Market and from the Equities T Market.

On the investment notes market, the number of new listings remained high; during the year, the investment notes of 30 closed-end investment funds were listed. Due to the three to five years maturity that characterizes closed-end investment funds and the transformation of some funds, 28 funds expired or transformed and were delisted in 2016. The average volume of open-end funds listed increased by 12.88% to HUF 503 billion and exceeded the HUF 369 billion average volume of closed-end funds, which also grew by 3.22% in 2016.

On the debt securities market, as regards government debt securities, the number of listings remained at last year's level with 156 new issuances and tap issues. The size of the securities series listed decreased by nearly 10%, however, by the end of the year it exceeded HUF 16,159 billion. In the case of mortgage bonds, the new listings on the one hand and repurchases on the other hand largely offset each other; but due to maturity of some larger security series the average total volume listed decreased by 17.5% to HUF 525 billion. In 2016, ERSTE Mortgage Bank Ltd. as a new mortgage bond issuer entered the market. Regarding the corporate bonds market, the number of new security series listings dropped from 34 to 20 but that was offset by a higher volume of listings and tap issues; therefore, the average total volume listed remained unchanged and amounted to HUF 523 billion. The bond issuances and listings of Eximbank Hungary Plc., Tündérszikla Asset Management Plc. and WINGHOLDING Ltd., which appeared as new issuers in 2016, contributed to these figures.

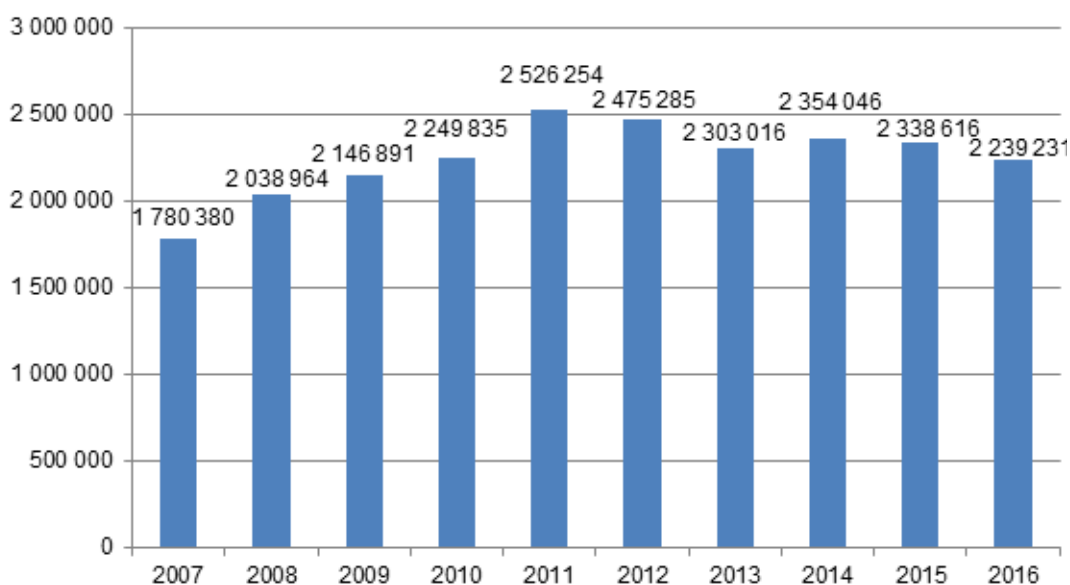
In 2016, the range of underlying products of structured products issued by Erste Group Bank AG widened, furthermore, the number of listings has increased significantly by 54%: after 114 listings in 2015, 176 new structured products were introduced into trading in 2016. However, year-end data do not reflect the entire amount of products listed because of the irregular frequency of turbo certificate and warrant listings and delistings.

In 2016, one foreign share was delisted from the BETA market. Thus at the end of the year, the shares of 21 European large companies can be traded on this MTF platform operated by the Budapest Stock Exchange Ltd.

Information services

In 2016 the Market Data revenue of Budapest SE reached 2 239 thousand EUR excluded revenue from audit and other revenue from historical Market Data sales, which means a 4% decline compared to 2015. Compared to our forecasted revenue for 2016, it means a 5 % decrease. The number of contractual distributor partners increased by 8 to a total of 94 partners. During 2016 one Vendor agreement and seven Agreement on New Original Works was concluded additionally. Our revenue from Yearly Licence Fee is 834 thousand EUR, which is an absolute record. Following our successful campaigns in 2016 two of our Distributors will upgrade from Best 10 levels package to Best 20 levels package which means additional yearly and monthly fee income for the year of 2017.

**Figure 6: Annual revenue 2007-2016 in EUR
(excluding audit and other historical revenues)**



The number of non-professional users decreased by 3.8 % and the number of professionals lessened by 7.7 % in the year of 2016, compared to 2015 which has an adverse overall effect on our market data revenues.

In December 2016 the total number of private investors was 8376 while 5257 professional end users have been reported.



Organization

At the Budapest Stock Exchange on December 31, 2016 the number of staff was 61 increasing from 46 in 2015. The number of active staff was 59, of which 57 persons are in full time and 2 persons work 6 hours a day. The number of full-time equivalents were 58,5. The number of employees leaving the company was 23 and the number of joining was 39.

Financial investments

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

The Financials of BSE

The revenues of the BSE amounted to HUF 2.2 billion, 1,59% higher than revenues of the previous year. Due to the increase of personnel costs and service costs BSE realized an EBITDA of HUF 0,383 billion, 55,68% less than in 2015. The net profit was HUF 73 million.

Table 1: Revenue and earnings of BSE, 2005-2016

('000 HUF)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total revenue	2 838 943	3 570 384	3 947 479	3 292 348	3 201 130	3 410 413	3 084 558	2 425 367	2 351 955	2 108 912	2 163 473	2 197 929
EBITDA	1 264 284	1 742 106	2 056 146	1 467 980	1 612 002	1 814 942	1 516 438	915 910	877 990	841 922	863 575	382 765
Net profit	2 364 113	2 400 491	2 586 054	2 276 106	1 390 772	1 320 630	1 124 747	576 438	565 003	520 077	500 737	72 902

Figure 7: Main financial data of BSE

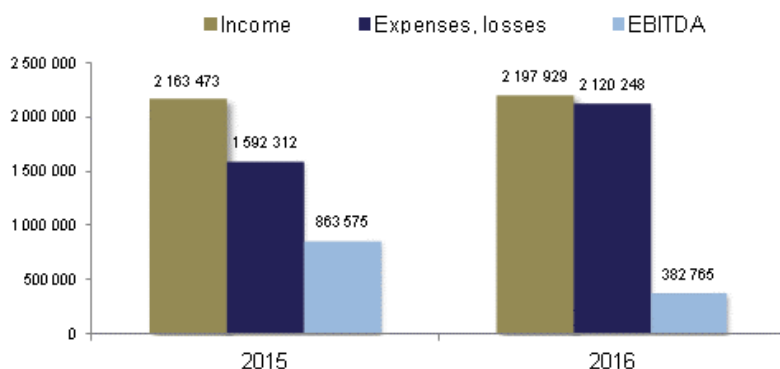


Figure 8:
Distribution of income – 2016

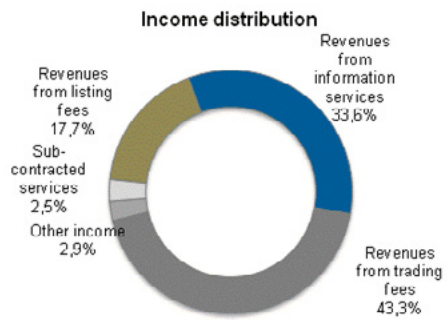
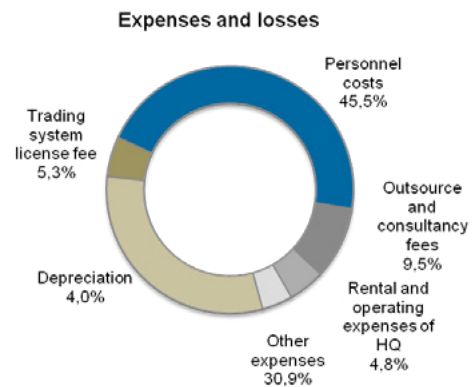


Figure 9:
Distribution of expenses - 2016



Budapest, 18 April, 2017

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Ildikó Auguszt
Financial Director