



CENTRAL EUROPEAN BLUE CHIP INDICES (CETOP INDICES) MANUAL OF THE BUDAPEST STOCK EXCHANGE PLC.

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1 General principles

1.1 Creation of CETOP indices

- 1.1.1 The Council of the Budapest Stock Exchange passed resolution No 127/2001 to approve of the calculation and publication of CETOP20 starting January 1, 2002. As of September 1, 2016 the official short name of the index: CETOP. CETOP index was created by changing the name of CETOP20 index.
- 1.1.2 The Board of the Budapest Stock Exchange passed resolution No 134/2023 to approve of the calculation and publication of CETOP NTR index starting February 19, 2024.
- 1.1.3 The Budapest Stock Exchange has established the Index Committee consisting of external experts for the development and maintenance of the indices of the Budapest Stock Exchange in stock exchange council resolution no. 41/1991. The members of the Index Committee are appointed by the Board of Directors by ensuring that both the traders and the issuers and also the investors are represented therein.

1.2 Expectations CETOP indices are to fulfill

- 1.2.1 CETOP NTR and CETOP (hereinafter: CETOP Indices) reflect the performance of the equities introduced to the regulated markets of Central-Europe region, thus reflects the performance of the entire Central-European equity market. The main function is to serve as benchmark for investors and, on the other hand, to provide basis for structured and derivative products. The CETOP Indices represent the price movement of the shares with the biggest capitalization and turnover (blue chip) of the region.
- 1.2.2 CETOP index is a free float weighted share price index calculated once a day. Dividend payment is not taken into account, therefore, the index does not reflect the actual yield as compared to base date.
- 1.2.3 CETOP NTR index is a net total return index weighted by free float capitalization. Net dividend payment is taken into account in the indices on the assumption that the net dividends paid by the companies will be reinvested in full into the given equity series of the same company, therefore, the CETOP NTR index also reflect the actual net yield as compared to base date.

1.3 Provision, administration and review of the methodology of CETOP Indices, back-testing

- 1.3.1 CETOP Indices are a regulated-data benchmarks regarding the provisions of the regulation (EU) 2016/1011 of the European Parliament and of the Council. The methodology of the calculation of the CETOP Indices is defined in this Manual.
- 1.3.2 The indices of BSE – and so the CETOP Indices – are provided and maintained according to a multilevel control system. The main documents are the manuals, and each participant's activity is

governed by separate procedural or operational rules. The structure of the regulation ensures the built-in management of conflict of interest.

- 1.3.3 Any change in the Manual is considered to be a material change.
- 1.3.4 The Index Committee shall, at any time but at least on the dates set out in Section 3.1, examine the need to amend the Manual and, if appropriate, make a proposal to the CEO. Any change to the Manual may be initiated at any time by the CEO, to which the CEO shall always seek the Index Committee's opinion. Except for Section 4.2.3.12.1 the amendment to the Manual is approved by the Board of Directors of BSE on the basis of the proposal of the CEO. Changes to the Manual are published by the BSE on its website at least 10 calendar days before its entry into force.
- 1.3.5 BSE performs a back-testing after each review of the methodology and assesses the back-testing results including processes to ensure that systemic anomalies highlighted by back-testing are identified and properly addressed.
- 1.3.6 All decisions concerning the provision of the CETOP Indices that do not affect the Manual may be made by the CEO, by taking into account the preliminary opinion of the Index Committee.
- 1.3.7 The oversight function over all elements of the provision of the CETOP Indices (oversight function) is performed by the internal auditor of the BSE according to the relevant legislation.

2 Description of CETOP Indices

2.1 Calculation time of CETOP Indices

2.1.1 CETOP Indices are calculated on each trading day of BSE

- a) in the case of CETOP index once a day at 17:20,
- b) in the case of CETOP NTR from 9:00 to 17:20 continuously.

2.1.2 If CETOP NTR index cannot be calculated in real time for technical reasons, the CEO of BSE (CEO) may decide on the suspension of the real-time calculation for the given trading day and publish a CEO resolution on the BSE website as soon as possible.

2.1.3 The calculation of the given index may be suspended by the CEO, subject to the opinion of the Index Committee, by the publication of the resolution concerned as soon as possible, provided that there is no transaction concluded for the equity series embody at least 75% of the index basket weight within 10 trading days on the trading venues of the CETOP countries listed in Section 2.6.

2.2 Publication of the index values

The values of CETOP Indices are published on the website of BSE according to the provisions of the Book 6 of the General Terms of Service of BSE (Regulations on Official Publications).

2.3 Sources of input data

2.3.1. Price data

The values of CETOP Indices are determined on the basis of the transaction data of the equity series traded on the regulated markets of the CETOP countries listed in Section 2.6, which are originated in the trading system of the regulated markets and where the transactions concerned concluded according to the rules of the trading venue. The quality, surveillance and traceability of the input data is ensured by the regulated market trading and the regulatory system.

2.3.2. Currency conversion

In the case of index member equity series traded in other foreign currency than euro, for conversion to EUR Refinitiv foreign currency/EUR mid quotes (bid-ask average) are used. For CETOP NTR during the index calculation period, the price of the given equity series in foreign currency is converted in every two minutes (fx update frequency). The closing index baskets for CETOP and CETOP NTR are determined using the foreign currency/EUR exchange rate(s) at 17:06 (CET). (If no exchange rate update is received from Refinitiv, the conversion is done with the last exchange rate available.)

2.4 Names of CETOP Indices

Official short name	Official Hungarian name	Official English name
CETOP	Közép-európai Blue Chip Árindex	Central European Blue Chip Price Index
CETOP NTR	Közép-európai Blue Chip Nettó Hozam Index	Central European Blue Chip Net Total Return Index

2.5 Base parameters of CETOP Indices

CETOP index	Base Value	Base Capitalization
CETOP	1,000 points on January 1, 2001	EUR 32,353,535,826.01 on January 1, 2001
CETOP NTR	1,000 points on January 4, 2021	EUR 60,512,822,113.64 on January 4, 2021

2.6 CETOP countries

Equity series listed on at least one of the following countries' exchange can be members of the CETOP index: Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Romania.

2.7 Formula of CETOP Indices

$$\text{CETOP (NTR)}_t = \text{Base Value} * \left[\frac{\sum_{i=1}^N (P_{i,t} * Q_i * FF_i * WF_{i,t})}{\text{Base Capitalization}} \right] * AF_t$$

2.7.1 Variables of CETOP Indices

CETOP (NTR)_t the value of the index – for CETOP calculated once a day, for CETOP NTR calculated real time – at time “t”, rounded to 2 decimals

i equity series included in the index

N the number of equity series included in the index

t time of index calculation

P_{i,t} last trade price of a certain equity series at time “t”, expressed in euro

Q_i number of equities included in the index basket from a particular equity series

FF_i free float factor of the particular equity series, rounded to 4 decimals

WF_{i,t} weighting factor ensuring that the weight of the particular equity series is calculated based on the amount of shares to be included in the index basket (Section 3.6), rounded to 6 decimals

AF_t adjustment factor to ensure the continuity of the index, rounded to 10 decimals

The above parameters may be amended due to certain corporate events as described in Section [4.2](#).

2.8 The compositions of CETOP Indices' baskets

2.8.1 The share series included in the CETOP index are always the same as the ones included in CETOP NTR index.

2.8.2 At the time of defining the new composition of the index, the index basket contains not more than 25 equity series. The CEO has the power to decide on the inclusion in or the removal from the basket of a particular series, by taking into account the proposal of the Index Committee.

2.8.3 The baskets of the CETOP Indices may only include ordinary equity series of joint stock companies listed on a stock exchange that meet the following requirements:

- The equity series is listed on at least one of the CETOP member countries' stock exchange (Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Romania).
- The instrument is available for foreign investors and there are no restrictions related to the settlement and custody services for the instrument.

- c) Neither preference equity series nor equity series grant other extra right may be included in the basket.
- 2.8.4 Different equity series or equity series granting dividends for a fraction of a year of a joint stock company may be admitted to the index as separate equity series.
- 2.8.5 At least 15 trading days from the first trading day on the particular trading venue shall be elapsed before the admission of the newly listed equity series to the basket.
- 2.8.6 The CEO may decide on the removal of an equity series from the index, if that cannot be traded without interruption for 10 trading days (due to trading suspension or halt), in accordance with Section 4.2.3.4 and by taking into account the proposal of the Index Committee.
- 2.8.7 One equity series can get into the index only from one CETOP country.

3 Basket review

The process of the reviews of CETOP and CETOP NTR, as a result of that the equity series included in the index baskets and their parameters in the indices are the same (Sections 3.1-3.7).

AF parameters that ensures the continuity of the indices (section 3.8) are different for CETOP and NTR.

3.1 Basket review procedure and dates

The index is reviewed at predetermined dates twice a year. The steps associated with the review are taken at the following dates:

- a) Equity series to be included in the evaluation are specified and conformity with the indicators is checked twice a year, on March 1 and September 1. The examination of the eligibility of a equity series will always cover the preceding six months, i.e. the period from March 1 to August 31 or September 1 to February 28 (29), as applicable. The list of equity series to be included in the indices, as well as the number of listed equities (Q_i), free float (FF_i) and weighting factor (WF_i) values pertaining to these equity series, are also determined in this beforementioned period..
- b) The new AF factor is determined after trading closes on the last trading day before the basket with the new composition takes effect.
- c) The effective date of the index basket with the new composition, i.e. the day when the index is first calculated with values corresponding to the new index basket composition, is the first trading day after the third Friday of March and September, respectively.

3.2 Specifying the equity series to be included in the evaluation

Equity series of new countries from Central Europe may only be included in the index basket only after the amendment of the Index Manual and by the resolution of the CEO, at basket revision dates.

3.2.1 The evaluation shall be performed for all equity series listed on the exchanges; however, no evaluation is carried out with respect to:

- a) series of non-ordinary shares;
- b) equity series that are not available for foreign investors or there are any restrictions related to their settlement and custody services;
- c) non-index member series, the shares of which (due to trading halt or suspension) were not tradable at the time of the review and in any of the 10 trading days prior thereto
- d) equity series that became listed on the exchanges within a period of 3 weeks prior to the review (the period shall be calculated from the first trading day);
- e) equity series of a joint stock company whose bankruptcy or liquidation procedures have been disclosed to the public;
- f) equity series that are not members of any CETOP country's main index.

3.2.2 When determining the basket composition, the number of equity series to be included in the basket from a single country shall be no more than 7.

3.2.3 If an equity series is member of the main index of more than one CETOP country, then it can be included into the evaluation (Point 3.3) and global ranking (Point 3.4) from all such countries.

3.3 Determining the indicators for equity series to be included in the evaluation

- 3.3.1 When introducing a new equity series in or removing one from the index basket, for each share selected in accordance with Section [3.2.1](#), the ratio the equity series represents within total market turnover in the past six months (turnover ratio) as well as the percentage ratio of each equity series to full market capitalization must be calculated, where the total market is to be understood as the common (total) market for selected equity series. (In the case of equity series listed in more than one CETOP country and member of their main index, the turnover should be taken into account separately by markets.)
- 3.3.2 Equity series ranked into descending order on the basis of the weighted average of the two percentage ratios, where the weight of the ratio to total turnover is 60%, while that of the ratio to capitalization is 40% will be the basis of the global ranking.

$$W_i = 0.6 * wforg_i + 0.4 * wkap_i, \text{ where}$$

$wforg_i$ – the ratio of turnover in the particular equity series to total market turnover in the past six months

$wkap_i$ – the market capitalization of the equity series in proportion to total market capitalization

W_i – the basis of ranking the whole CETOP market (hereinafter: global ranking)

3.4 Global ranking and stabilization procedure

The global ranking set in line with Section [3.3](#) and the stabilization procedure detailed in Sections [3.4.2](#) and [3.4.3](#) forms the basis to the further steps of selecting 25 equity series. If the number of equity series in a particular country reaches the country limit set out in Section 3.2.2 or the given equity series has been already selected from another country, then the additional equity series of that country and the already selected ones should not to be taken into account in the global ranking (adjusted global rankings).

- 3.4.1 The first 20 equity series may be selected by progressing the global ranking set by the W_i in descending (adjusted) order.
- 3.4.2 The relative order of the 10 equity series following the last (20th) equity series selected in accordance with the above procedure forms the stabilization zone. In the stabilization zone the ranking of the equity series are the following:
- Equity series included in the current basket are moved to the top of the ranking.
 - If several equity series are included in the current index basket, their order will be determined by their original position in the (adjusted) global ranking.
 - The order of equity series that are not included in the current index basket will also be determined by their original position in the (adjusted) global ranking.
- 3.4.3 The first 5 equity series of the stabilization zone will then also be selected among the 25 equity series.
- 3.4.4 For the selection of the 25 equity series regarding the equity series concerned with the country limit set in Section [3.2.2](#), equity series placed 8-10. in the country's original (unadjusted) global ranking may be also taken into account and where justified, swaps (between equity series within a given country) may be effected, by taking into account the index stability factors.
- 3.4.5 Further steps set out in Sections [3.5](#), [3.6](#) and [3.7](#) shall be carried out in respect of the selected 25 equity series.

3.5 The method of determining the free float used in the index (FF_i)

Free float figure for a particular equity series shows the proportion of the equity series that are readily available

for trading on the relevant CETOP country's exchange.

Determining the free float for a particular equity series listed on BSE shall be based on the latest information available to BSE, that means the latest shareholder verification before the particular review day (September 1 and March 1), and any interim announcement of changes in ownership structure. In case of the other equity series (not listed on BSE), the free float may be determined based on the information published on the website of the issuer and the stock exchange concerned, furthermore on the data available from Bloomberg and Reuters data providers.

- 3.5.1 When determining the free float for a particular equity series (FFi), all the equities making up the company stock shall qualify as being publicly held except for the following:
- a) any shareholder holding more than 5% of all the equities;
 - b) the portion of equities held by custodians for which the certificate issued asserts that a particular natural or legal person or a business without corporate entity holds more than 5% of all the equities listed on the relevant CETOP country's exchange.
- 3.5.2 In respect of the above, shareholders treated as forming a single group of owners by Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises shall be considered as a single shareholder.
- 3.5.3 Portions of equities held by fund managers and equities subject to restriction on transfer – if there is sufficient information available for the Exchange – shall be taken into account by each fund separately.
- 3.5.4 Free float shall be calculated to 4 decimal points. (Rounding shall be carried out after totaling the non free float items.)

3.6 Determining the weighting factors (WFi)

The basis for determining the WFi of each equity series shall be the capitalization of the particular shares calculated for the days set out in Section 3.1 during the review process (listed quantity of the equity series on the review day (Qi) * last transaction price on that day in euro (Pi), hereinafter Capi) and the free float (FFi) set out in Section 3.5. Based on this and by applying degression (Section 3.6.3) as well as the 40% country limit rule (Section 3.6.4) the weighting factors (WFi) of each equity series shall be determined.

3.6.1 Using the capitalization figures of all the equity series included in the index basket (Capi) and their free float rates (FFi), the free float adjusted capitalization (CapiFF) shall be determined for each equity series.

3.6.1.1 $CapiFF = Capi * FFi$

3.6.2 Using the free float adjusted capitalisation figures of each equity series included in the index basket, the ratio of each equity series (riFF) shall be calculated:

$$r_{iFF} = \frac{Cap_{iFF}}{\sum Cap_{iFF}}$$

3.6.3 Using this calculated ratio, the following method shall be used to calculate adjusted capitalisation (DegrKapi) for each equity series included in the index basket as follows:

- a) If $r_{iFF} < 5\%$, then $DegrCap_i = Cap_{iFF}$
- b) If $5\% \leq r_{iFF} \leq 10\%$, then $DegrCap_i = Cap_{iFF} * (5\% + (r_{iFF} - 5\%) * 50\%) / r_{iFF}$
- c) If $10\% < r_{iFF}$, then $DegrCap_i = Cap_{iFF} * (7,5\% + (r_{iFF} - 10\%) * 10\%) / r_{iFF}$

3.6.4 If the total weight of the equity series of a CETOP country compared to the total basket capitalization exceeds 40% after the degression, then all DegrKapi values of the equity series of the given country are decreased (proportionally) until the total weight of the equity series of the given country reaches 40%. If this action entails that the total weight of the equity series of another CETOP countries exceeds 40%, then the weight limitation shall be carried out also for this country simultaneously with the weight limitation of the previous country. This process shall be continued until the total weight of the equity series of each affected CETOP country reaches 40%.

$$\text{DegrCap}_i \rightarrow \text{LimitCap}_i, \text{ where } \sum_{\text{country}}(\text{LimitCap}_i) \leq 0,4 * \sum(\text{LimitCap}_i)$$

3.6.5 The number of equities series included in the basket per equity series (qi) calculated as follows:

$$q_i = \frac{\text{LimitCap}_i}{\text{close price}}, \text{ rounded to 0 decimals.}$$

3.6.6 The weighting factor for each equity series (WFi) is determined as follows:

$$\text{WFi} = \frac{q_i}{\text{FF}_i * Q_i}$$

3.7 Equity series with low weight

Equity series with less than 0.5% weight ((LimitCap_i / Sum(LimitCap_i)) after the calculation set out in Section 3.6 will not be included in the CETOP index. (In this case the number of the equity series in the index basket falls below 25, and the weights of the equity series included in the CETOP index will increase slightly.)

3.8 Determining the adjustment factors of the new CETOP Indices (AF_{new})

The new index baskets are introduced on the first trading day after the third Friday of March and September, as applicable. After determining the adjustment factor of the new index basket (AF_{new}), the appropriate modifications to the composition of the index basket shall be made on the exchange day before the new index basket becomes effective.

3.8.1 The method of calculating AF_{new}

$$\text{AF}_{\text{new}} = \frac{\sum_{i=1}^N (\text{P}_{i,t} * \text{Q}_{i,t} * \text{FF}_{i,t} * \text{WF}_{i,t})_{\text{old}}}{\sum_{i=1}^N (\text{P}_{i,t} * \text{Q}_{i,t} * \text{FF}_{i,t} * \text{WF}_{i,t})_{\text{new}}} * \text{AF}_{\text{old}}, \text{ where}$$

$$\sum_{i=1}^N (\text{P}_{i,t} * \text{Q}_i * \text{FF}_i * \text{WF}_{i,t})_{\text{new}}$$

the numerator of the index calculated with the new index basket composition developed during the review

$$\sum_{i=1}^N (\text{P}_{i,t} * \text{Q}_i * \text{FF}_i * \text{WF}_{i,t})_{\text{old}}$$

the numerator of the index calculated with the index basket composition valid on the day the AF factor is calculated, after closing

AF_{new}

AF factor of the new index basket after the index basket change

AF_{old}

AF factor of the old index basket prior to the index basket change

3.9 Application of discretion in the review

- 3.9.1 In course of the index basket review, the Index Committee may exercise discretion upon submitting a proposal to the CEO and the CEO may exercise discretion upon making his decisions as follows:
- a) inclusion of equity series referred in Section 3.2.1 b) in the index evaluation
 - b) Section 3.3.1 – On an exceptional and duly justified basis, turnover criteria of an equity series may be also taken into account in a time proportioned manner (extrapolated on the basis of the half-year period)
 - c) Section 3.4.4 – determining the equity series for each country in the global ranking
- 3.9.2 When applying discretion quality parameters, current and historical individual characteristics of the share in question are taken into account. For example, in the case of applying discretion in the global ranking as described in Section 3.4.4, if a particular, actually index member share series occupies the 8th place in the global ranking and the W_i value in the global ranking detailed in Section 3.3 of the share series potentially replace (change) is close to it, the two share series in question will not be exchanged if this setup for the two share series was not regular based on previous reviews.

4 Changing the index basket

4.1 Changing the index basket as a result of an ordinary index review

4.1.1 Steps to be taken prior to changing the index basket

- 4.1.1.1 The Index Committee may discuss the options for changing the baskets of the indices (equity series to be admitted into the indices) by taking into account the results of calculations set forth in Sections 3.3 - 3.7, make a proposal to CEO thereof, as well as indicate, if there is more recent information available compared to those set out in the proposal of the Stock Exchange by the time of the definition of free float figures (FF_i).
- 4.1.1.2 Taking into account the proposal of the Index Committee, the CEO decides on the modification of the index basket at least a week prior to the day of the index basket change. In the event of exercising discretion on the basis of the authorisation set in Section 3.9 a justification must be included in the CEO decision. On the day of the decision, the CEO also informs on changes to the index basket in a release, listing the group of equity series to be included in and removed from the index basket. The release also contains the free float figures (FF_i), the amounts of shares listed on the relevant exchange (Q_i) and the weighting factors (WF_i) of the equity series included in the new index basket.
- 4.1.1.3 The new AF factors may be determined as set forth in Section 3.8 at the time specified in the decision of the CEO, which the Stock Exchange may publish on the same day.

4.2 Amending the index basket due to corporate actions

- 4.2.1. Changes in the composition of the index basket
- a) Unpredictable corporate events:

- i. bankruptcy or liquidation procedures
 - ii. trading halt, suspension
- b) Previously announced corporate events:
 - i. capital reduction
 - ii. de-merger
 - iii. takeover
 - iv. merger
 - v. reverse split of different equity series of a joint stock company
 - vi. continuous conversion of various equity series of a joint stock company
 - vii. split of identical equity series of a joint stock company
 - viii. delisting of a joint stock company's equity series from the CETOP member country's stock exchange, translisting
 - ix. squeeze-out procedure

4.2.2. Events leaving the index basket unchanged but modifying certain variables only

Corporate actions:

- i. in certain cases, the corporate actions listed under Section 4.2.1 b), except for mergers
- ii. in certain cases, capital increase
- iii. dividend payment in cash or in shares
- iv. share splits (altering denominations)
- v. changes in free float

4.2.3. Corporate actions

4.2.3.1. Capital increase

Subscription to new shares, transformation of net assets other than nominal capital into equity or the conversion of convertible bonds into shares to increase the equity capital of a company and the court registration thereof.

4.2.3.1.1. If capital increase is effected by subscription to new shares of index basket companies, the equities related to the capital increase, once listed on the Exchange, may be included in the index basket at the next basket review or simultaneously with the decision of the CEO.

(Modifications in the latter case: Q_i , AF, in certain cases WF_i , where WF_i is determined by using data of the latest review.)

4.2.3.1.2. If capital increase is effected by converting assets over and above nominal capital into equity by issuing bonus shares, then the shares issued through the capital increase by CETOP basket companies will be included into the index on the first exchange day when the shares already traded on the exchange are first traded without entitlement.

(Modifications: Q_i)

4.2.3.1.3. If capital increase is affected by converting convertible bonds into shares, or in case shareholders have the right of first refusal in respect of the new shares issued through the capital increase, then the CEO decides on modifying the basket and shall make its resolution public within at least two weeks.

4.2.3.2. Capital reduction

A reduction of equity capital by withdrawing own shares held by a joint stock company, by swapping or stamping shares or by otherwise decreasing the number thereof through a similar procedure

(share consolidation) or by withdrawing shares and refunding to shareholders payments made against shares and the court registration thereof.

4.2.3.2.1. If the capital of a company having its equity series in the index basket is reduced by withdrawing own shares held by this company or by swapping shares, then the reduction of nominal capital (i. e. the decrease in the number of shares) affecting CETOP basket companies will be reflected in the index basket after court registration (or possibly after the event is published) at the next review date or simultaneously with the decision of the CEO.

(Modifications in the latter case: Q_i , AF, in certain cases WF_i , where WF_i is determined by using data of the latest review.)

4.2.3.2.2. If capital is reduced by share consolidation, the reduction of nominal capital (decrease in the number of shares) affecting CETOP basket companies will be reflected in the index basket immediately after court registration.

(Modifications: Q_i)

4.2.3.2.3. If capital is reduced by stamping own shares held by a joint stock company, the operation requires no adjustment of the index basket.

4.2.3.3. Bankruptcy or liquidation procedures

Equity series of joint stock companies under bankruptcy or liquidation shall be removed from the index. The date of removal from the basket shall be the date at which the executive of the debtor company discloses under the extraordinary reporting requirement that an application requesting that bankruptcy procedures be launched has been submitted to the court, or the date at which the Company Gazette publishes the court order to liquidate the debtor company, as applicable.

If that occurs, the share series shall be removed from the index basket with immediate effect with the due adjustment of AF.

In this case the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of parameters of other equity series.

(Modifications: AF, N and i and, depending on the decision of the CEO, Q_i , FF_i , WF_i parameters of other share series might change also.)

4.2.3.4. Delisting from the exchange of the CETOP country, translisting

When delisting or translisting a company, the equity series of the company are removed from the index basket by applying the rules specified for bankruptcy or liquidation proceedings, unless the CEO decides otherwise, on the day of the delisting or translisting.

In this case the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of parameters of other share series.

(Modifications: AF, N and i and, depending on the decision of the CEO, Q_i , FF_i , WF_i parameters of other share series might change also.)

4.2.3.5. Squeeze-out procedure

Unless the CEO decides otherwise, the particular equity series shall be removed from the index basket on the last day of the squeeze-out procedure, after closing, at the bid price of the squeeze-out and with the due adjustment of the AF factor.

In this case the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of parameters of other equity series.

(Modifications: AF, N and i and, depending on the decision of the CEO, Q_i , FF_i , WF_i parameters of other share series might change also.)

- 4.2.3.6. Equity series split
Splitting an equity series of a joint stock company into two or more different equity series without changing the size of nominal capital and the court registration thereof.
- 4.2.3.6.1. If one of the equity series created by the split grants the same rights as the original equity series, the operation in respect of that series shall be treated subject to the rules of a reduction of nominal capital by share withdrawal (Section 1).
- 4.2.3.6.2. If the split creates new equity series granting different rights than the original series, the original equity series shall be removed from the index basket by applying the rules specified for bankruptcies (Section 4.2.3.3)
- 4.2.3.7. De-merger
Court registration and listing on the exchange of two or more companies incorporated upon winding up and delisting a de-merged company.
- 4.2.3.7.1. If the de-merging company is wound up without legal succession, the rules specified for bankruptcies (Section 4.2.3.3) shall be applied, with the due removal of the company from the basket, effective on the day the company is delisted.
- 4.2.3.7.2. If one of the new companies incorporated upon de-merger is the legal successor of the original company, the CEO will decide on whether or not the legal successor may remain in the index, and shall publish its decision within at least two weeks.
- 4.2.3.8. Takeover
Raising the equity of the company taking over, the court registration thereof and stock exchange listing of the shares arising from the equity increase upon winding up and delisting the target company.
The company taken over is removed from the index basket on the day of delisting by applying the rules specified for bankruptcies (Section 4.2.3.3), while the other company shall be subject to the rules applied in case of capital increase by subscription to new shares (Section 4.2.3.1.1).
- 4.2.3.9. Merger
Merger of two or more companies after winding-up (delisting), court registration and stock exchange listing of the new company.
The equity series of the companies are removed from the index basket by applying the rules specified for bankruptcies (Section 4.2.3.3) on the day they are delisted.
- 4.2.3.10. Reverse split of different share series of a joint stock company
Combining different share series (bearer and registered, granting dividends for a full year or a fraction thereof) of a joint stock company included in the index basket by increasing the number of shares within an equity series with those in the other equity series at a given time and thereby creating shares of identical type.
- 4.2.3.10.1. The Q_i value of the equity series that will incorporate reverse split equity series will be increased with the number of shares in the latter on the merger date by applying the rules specified for capital increase (Section 4.2.3.1.1). The equity series subject to the reverse split will be removed from the basket at the same time by applying Section 4.2.3.3.

4.2.3.10.2. If a new equity series is created when reverse split is performed on the original equity series, such original equity series shall be removed from the index by applying the rules specified for bankruptcies as set forth in Section 4.2.3.3.

4.2.3.11. Continuous conversion of various share series of a joint stock company
 Continuous conversion of one share series of a joint stock company included in the index basket into another (bearer into registered or vice versa) series before a specified date to create shares of identical type. As this is a case grouped under Section 4.2.3.10, the rules set forth there shall apply.

4.2.3.12. Dividend payment in cash – for CETOP NTR
 The payment of dividend on an equity series does not lead to a change in basket composition, only the weighting factor (WF_i) of the given equity series will be increased on the day when the equity series is first traded without a dividend coupon on the stock exchange (EX day) as follows:

$$WF_{new} = \frac{P_{EX-1} * WF_{EX-1}}{P_{EX-1} - DIV}, \text{ where}$$

- WF_{new} new weighting factor of the given equity series on the day when the equity series is first traded without a dividend coupon
- WF_{EX-1} weighting factor of the given equity series on the last day when the equity series is available for trading with a dividend coupon
- P_{EX-1} last trading price of the given equity series on the last day when the equity series is available for trading with a dividend coupon
- DIV the amount of the dividend per share for the given equity series.

In the case of index dividends (DIV) determined in other currency than trading currency (P_{EX-1}), for conversion – as per Point 2.3.2 – the last Refinitiv foreign currency/EUR mid quote (bid-ask average) is used on the day when the equity series is last available for trading with a dividend coupon.

4.2.3.12.1. Tax rates used to determine net dividends – for CETOP NTR

Country	Tax rate used
Austria	27,5%
Czech Rep.	35%
Croatia	10%
Poland	19%
Hungary	15%
Romania	8%
Slovakia	35%
Slovenia	25%

In order to determine the net dividend, the tax rate of the country where the given series of shares is domiciled is used by default. In justified cases, the CEO determines the tax rate for a given series of shares, which in this case is published in the form of a release on the last exchange day that includes the dividend coupon (cum-date). The tax rates (and the range of affected countries) are reviewed by BSE once a year, during the March basket review. As a result of the review, the CEO

is entitled to introduce the relevant changes to the Manual.

4.2.3.13. Dividend payment in treasury (own) shares

A transfer of own shares in the identical equity series of the company to shareholders instead of cash payment of dividends to be distributed proportionately on shares from corporate earnings under a resolution by the general meeting.

As the number of shares remains unchanged and only ownership is restructured, thus the weighting factor (WF_i) will be modified immediately as set forth in Section [4.2.3.12](#).

4.2.3.14. Share split and share reverse split

In the case of share split an increase in the number and a reduction of the face value, while in the case of share reverse split a decrease in the number and an increase of the face value of shares by exchanging or stamping shares without a corresponding change in equity, and the court registration thereof.

Q_i shall be amended on the first day of the share split or reverse split.

(Modifications: Q_i)

4.2.3.15. Granting subscription rights to shareholders

In the event the right to subscribe to issues is granted to shareholders, the issuing joint stock company confers the right upon its shareholders to subscribe to a specific number of equities, typically at a price below the current market rate.

4.2.3.15.1. In the event the right to subscribe is granted to all existing shareholders and such shareholders may subscribe to a v_i number of shares at a price of ii for each q_i quantity held, and if the last transaction price on the date when the equities are last traded with the subscription entitlement is p_i , then the rules set forth for capital increase via the issue of bonus shares (Section [4.2.3.1.2](#)) shall be used in respect of the quantity of equities of $(1-ii/p_i) * v_i$ (rounded to the nearest full number), whilst the quantity of equities of $(ii/p_i) * v_i$ (rounded to the nearest full number) shall be subject to the rules of capital increase via subscribing to a new issue at market price (Section [4.2.3.1.1](#)).

4.2.3.15.2. If the right to subscribe is not granted to all shareholders, or if $p_i < ii$, the event will not induce an adjustment in the index.

4.2.3.16. Changes in the free float

If a significant change in an index member joint stock company's free float occurs, the CEO may modify the index basket(s). In this case the FF is amended and in certain cases WF parameter too. However, the CEO may also decide to repeat the basket weighting procedure, which will, in turn, entail the modification of parameters of other equity series.

(Modifications: FF_i , AF , in certain cases WF_i , where WF_i is determined by using data of the latest review and, depending on the decision of the CEO, Q_i , FF_i , WF_i parameters of other share series might change also.)

4.2.3.17. Trading halt, suspension

If the shares of an issuer are suspended for a longer period (at least 10 days), the CEO is obliged to investigate the case and, based on the investigation, may decide to exclude the given series of shares from the index. In each case, a decision on the outcome of the investigation shall be published no later than the 8th day following the suspension/trading halt. If the share series remains in the index basket after the 10th day, the public must be informed about the expected time of the next communication and the date(s) of the decision(s) on the further fate of the share series in the index

will always be indicated in the next resolution(s) if no event has occurred or news has come to light that requires intervention.

In each case, taking into account their individual characteristics and the opinion of the Index Committee, the CEO also decides on the details of the possible exclusion of the given series of shares from the index basket, such as the date or share price of the removal or the need to re-weight the index basket.

(Modifications: N, I, AF and depending on the decision of the CEO, Q_i , FF_i , WF_i parameters of other share series might change also.)

4.2.3.18. In other cases not regulated above, the CEO may decide individually on the modification of the index basket taking into account the opinion of the Index Committee.

4.2.4. Application of discretion in the handling of corporate actions

4.2.4.1. In course of handling of corporate actions, the Index Committee upon submitting a proposal to the CEO and the CEO upon making his decisions, may exercise discretion regarding determination of variables and of the admission of equity series to the indices as follows:

- a) Section 4.2.3.1.1 – Capital increase effected by subscription to new shares
- b) Section 4.2.3.1.3 – Capital increase effected by converting convertible bonds into shares
- c) Section 1 – Capital reduction by withdrawing own shares or by swapping shares
- d) Section 4.2.3.3 – Bankruptcy or liquidation procedure
- e) Section 4.2.3.4 – Delisting from BSE and translisting
- f) Section 4.2.3.5 – Squeeze-out procedure
- g) Section 4.2.3.6 – Equity series split
- h) Section 4.2.3.7 – De-merger
- i) Section 4.2.3.8 – Takeover
- j) Section 4.2.3.9 – Merger
- k) Section 4.2.3.10 – Reverse split of different equity series of a joint stock company
- l) Section 4.2.3.11 – Continuous conversion of various equity series of a joint stock company
- m) Section 4.2.3.12.1 – Tax rates used to determine net dividends – for CETOP NTR
- n) Section 4.2.3.155 – Granting subscription rights to shareholders
- o) Section 4.2.3.166 – Changes in free float
- p) Section 4.2.3.17 – Trading halt, suspension

4.2.4.2. The main aspect when applying discretion in individual consideration is the extent to which the particular corporate event has an impact on the index basket. If, for example, a share series with significant weight is delisted or translisted (Section 4.2.3.4), it will be necessary to re-weight the entire index basket. However, if the index weight of the share series to be delisted or translisted is not significant, re-weighting is not justified.

5 Legal issues

5.1 Protection of CETOP Indices

The CETOP Indices Manual is to be protected by copyright. CETOP is protected by a unique trademark.

5.2 Publication

Information related to CETOP Indices (index values, calculation parameters, decisions, releases, etc.) are published via the website of the Exchange (www.bse.hu).

5.3 Utilization of CETOP

- 5.3.1 Utilization of CETOP – in accordance with the relevant legislation – is primarily subject to the laws on copyright and trademark protection.
- 5.3.2 Use of the index by financial services providers within the framework of financial products is subject to the conclusion of a license agreement.

6 Oversight function regarding the provision of CETOP Indices

6.1 The person responsible for the oversight function

- 6.1.1 The internal auditor of BSE shall be responsible for the oversight function regarding every aspect of the provision of CETOP Indices, including the compliance with the operational rules of the Index Committee, the procedures regarding the provision of the indices and with the conditions set out in this Manual and in the Benchmark Regulation and in its related documents.
- 6.1.2 In the exercise of the oversight function, the internal auditor has the right to access all documents related to CETOP Indices.
- 6.1.3 BSE shall provide all the conditions necessary for the oversight function.
- 6.1.4 Where the internal auditor of the BSE is prevented from exercising his functions, the oversight function and all tasks specified in this Manual for the internal auditor shall be performed by the person designated by the CEO of the BSE.

6.2 The oversight function

- 6.2.1 The internal auditor as the oversight function:
- a) shall subsequently review the decisions of the CEO and shall propose amendments, if these decisions are non-compliant with the regulations of this Manual or of the Benchmark Regulation and its related documents. The CEO shall examine the proposal and decide on the basis of the outcome of the examination;
 - b) shall record in the minutes, if the CEO differs from the above proposal;
 - c) may propose the development of the oversight function to the Board of Directors;
 - d) may initiate an inspection at any time regarding the provision of indices whereby any participant in the provision of indices shall cooperate with the oversight function;
 - e) shall prepare a report on the above-mentioned inspection, and in case of any infringement is found, the oversight function shall promptly notice the Board of Directors and Supervisory Board of BSE about this;
 - f) shall prepare a report for the Supervisory Authority of the infringement, if the above bodies fail to take measures promptly in order to cease the infringement.

7 Complaints-handling

7.1 Definition of complaint

7.1.1 A complaint is a specific request filed by the complainant regarding the decisions of provision of CETOP Indices, in particular whether a specific index determination is representative of market value, a proposed change to the index determination process, an application of the methodology in relation to a specific index determination, and other decisions in relation to the index determination process, in which the complainant complains about the procedure, conduct, activity or omission of BSE and requests clear and specific measure to be taken by BSE.

7.1.2 The following requests are not complaints:

- a) an individual complaint which does not explicitly require BSE to take any measures;
- b) error reports, if the complainant requests solely the correction of the errors;
- c) any application, which requests general information, opinion or resolution.

7.2 Definition of complainant

7.2.1 Complainant may be any natural or legal person.

7.3 Handling the complaints

7.3.1 BSE may only receive complaints in writing (filed by email, facsimile or letter). If a complainant wishes to file a complaint in oral form (personally at the official seat of BSE or on telephone), the competent employee of BSE shall draw the complainant's attention to file the complaint in writing and inform the complainant that BSE will substantially examine solely those complaints, which were filed in writing.

BSE receives complaints by the following addresses:

email: info@bse.hu

postal address: 8 P.O. box, Budapest 1525, Hungary

7.3.2 The Compliance Officer of BSE shall be responsible for evaluating the complaints.

7.3.3 After receiving a complaint, the Compliance Officer shall examine the request whether it qualifies as a complaint. If the request is not considered as a complaint, the provisions of this Chapter are not applicable. If the request qualified as a complaint, the Compliance Officer shall promptly submit it to the CEO's Secretariat and requests a case number.

7.3.4 The Compliance Officer shall collect all information necessary to investigate the complaint from his or her office and from any other affected departments.

7.3.5 The Compliance Officer shall prepare a draft of the response to the complaint within 15 days of the receipt of the complaint and promptly submit it to the internal auditor of BSE. The response of BSE

regarding the complaint may only be sent to the complainant following the approval of the internal auditor of BSE.

7.3.6 The written and reasoned response for the complaint shall be sent to the complainant within 30 days of the receipt of the complaint, for which the Compliance Officer shall be responsible, unless such communication would be contrary to objectives of public policy or to Regulation (EU) No 596/2014.

7.3.7 During the complaints-handling, BSE may specifically request the complainant to provide the following information:

- a) name;
- b) address, address of official seat, postal address;
- c) phone number;
- d) method of the notifications;
- e) description of and reason for the complaint;
- f) the complainant's claim;
- g) copy of any document in the possession of the complainant which justify the complaint;
- h) in case of an agent acting on behalf of the compliant, appropriate authorization;
- i) any other information required for the investigation the complaint.

The personal data of the complainant shall be controlled according to the provisions of Act CXII of 2011 on Informational Self-determination and Freedom of Information.

The above data may be requested by the Compliance Officer of the BSE.

7.3.8 BSE may not charge any additional fees regarding the investigation of a complaint.

7.4 Ex-post tasks regarding complaint-handling

7.4.1 BSE keeps records of the received complaints with at least the following content:

- a) case number;
- b) name of the complainant;
- c) description of the complaint and the indication of the fact or event which is the subject matter of the complaint;
- d) the date of the filing of the complaint, description of the measures taken for resolving the complaint or in case of refusal, its reasons;
- e) the deadline for the implementation of the measures and the name of the person responsible for implementation,
- f) the date of the response for the complaint;
- g) the description of the comments of the complainant regarding the response of BSE and the measures taken regarding these comments.

The written complaint and its annexes, attachments, amendments, modifications received by BSE shall be enclosed to the above records.

7.4.2 The Compliance Officer shall send the data required for the records to the CEO's Secretariat.

7.4.3 The records shall be kept in electronically by the CEO's Secretariat in the "Record of Complaints" folder.

- 7.4.4 The CEO's Secretariat shall provide the case numbers regarding the complaints.
- 7.4.5 BSE keeps the above records regarding complaints for 5 (five) years from the date of closing the complaint-handling process.
- 7.4.6 In order to resolve any found deficiency or infringement, the Compliance Officer and the internal auditor of BSE shall propose measures to be taken to the CEO.