

Financial Statements

audited

CEE ACTIVE ASSET MANAGEMENT LTD.

31 December 2020

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Business environment and activity

The appearance of SARS-CoV-2 coronavirus in 2020 shocked the world economy in an exceptional way. As a result of the measures taken to prevent the epidemic, entire economic sectors came to a standstill, and we witnessed the development of a global recession. Trade, tourism have slowed down abruptly. The epidemic simultaneously caused demand and supply shocks in many areas. The crisis did not spare the world economic centers: in the second quarter, which meant a low point, US GDP fell by 31%, China's by 6.8% and the Eurozone's by 11.4%.

In March last year, investors had to book serious losses in most asset classes. Not only stocks but also the price of bonds, real estate and commodity assets began to fall. The world's central banks responded quickly to the panic in the stock markets, made coordinated interest rate cuts, and launched QE programs. Governments have sought to support the economy on the fiscal side, embarking on strong spending and accumulating huge budget deficits. The deficit rate in developed economies also reached 10-20% of GDP.

As a result of the measures, investor confidence returned and a drastic rebalancing in asset prices could be observed. Asian and especially Chinese markets, where the second wave of the epidemic caused less damage, showed greater price increases due to more successful containment measures. In 2020, the Chinese market outperformed the Japanese, US and EU stock exchanges.

The so-called FANG shares performed particularly well, which may have been due to the spread of home-office and e-commerce. With the rise of the Internet-based economy, value stocks have somewhat been pushed into the background. However, health investments have soared, especially in the shares and bonds of vaccine producing companies.

Hungary reported a 5.1% decline in GDP last year. However, fourth-quarter GDP data projected some optimism, with 1.1% growth exceeding analysts' expectations. Government indebtedness remained below the EU average and the deficit was in line with the EU average.

Simultaneously with the recovery of economies, inflation may start to rise in 2021. We do not rule out the possibility that, seeing inflationary pressures, central banks will decide to tighten. In the second half of the year, the bankruptcy rate may jump for companies that are exempt from the moratorium. Emerging inflation and rising risk premiums may induce yield increases in bond markets. Although the relatively low interest rate environment supports stock markets, valuation levels are extremely high and rising bond yields may be an additional barrier to stock market price increases.

Expectations

As in previous business years, CEEAAM Zrt. can report a profit in 2020.

The Company's results for 2020 slightly exceeded the figures forecast in its business plan. Despite the fact that we are still trying to reduce our operating costs (office rent reduction), due to rising labor costs and high operating costs, the Company will not expect outstanding profits in the coming year.

In line with the goals set out in CEEAAM's strategy, it will continue to provide professional service to its existing clientele with personalized products. Investment decisions are made quickly but thoughtfully, keeping in mind the risks taken and the returns available. CEEAAM Zrt. manages the major part of its investments in the asset class of foreign currency denominated bonds.

In addition to the securities of Hungarian and other Central European, Russian and Turkish issuers, CEEAAM also pays close attention to the securities of Western European banks, insurance companies and companies that promise higher-than-average returns.

For the 2021 business year, the Company has identified the following key risk factors for its profitability:

- as the COVID-19 epidemic subsides, the world economy can return to growth
- inflation may rise unexpectedly, to which central banks must respond
- US and Russian geopolitical tensions could lead to high volatility in the CIS bond market

Risk Management

CEEAAAM`s Risk Management Rules, Assessment Rules and Rules of Trading Book set out the principles and methods of the risk management of the company.

With the purpose of transparency and control and to identify and address operational risks, CEEAAAM applies an Internal Auditor, a Risk Officer, Compliance Officer responsible and a Safeguarding Officer. In the organization of the Company, the internal audit and the functions of compliance officer and risk management are separated. The risk officer is responsible for monitoring and analyzing the different kind of risks, but the competent leaders are also involved in the preliminary identification of the risks. In addition to the in-process control, the personal control activities of the executives also represent a substantial part.

The Company measures and addresses operational risks and the changes in the market and the legal environment in accordance with the prevailing laws and regulations and as per its internal rules.

The remuneration package consists solely of the basic salary. To avert risk, no additional benefits are applied on the performance, thus the remuneration of the risk management and other control functions is independent of the performance of the fields controlled by them.

The company assigned the following capital requirements to the identified risks on the sheet date of 31.12.2020 (rounded to thousand HUF):

<u>initial capital requirement:</u>	<u>39,984,000</u>
<u>total capital requirements on risks:</u>	<u>24,411,000</u>
- on counterparty risk:	27,334,000
- on settlement risk:	-
- on credit risk:	-
- on foreign exchange risk:	4,397,000
<u>available solvency capital for risks:</u>	<u>194,647,000</u>
- tier capital:	194,647,000
• share capital:	60,000,000
• retained earnings:	134,672,000
- reductions from tier:	25,000
<u>Solvency surplus:</u>	<u>154,663,000</u>

Human capital

The Board of Directors of the Company consisted of three members: Mr. Zsolt Székelyhidi, Mr. Andor Katzer and Ms. Emilia Garas. The Internal Audit and compliance function is operating as an outsourced activity.

Dividends

The Board of Directors – similarly to 2020 – does not propose to pay any dividends after the results of the fiscal year of 2020. A higher level of retained earnings enables the company to comply easier with the National Bank of Hungary's capital requirements in a difficult business year.

Auditor

CEEAAM is audited by KES Audit Kft for financial year 2020.

Other information required and proposed by the Act on Accounting

CEEAAM had no subsidiary and had not acquired any stake in other companies either, in the course of the last fiscal year.

After the balance sheet date, no significant event occurred in the Company's operation.

Due to its operation field and size, environmental protection does not have a material effect on the financial position of the Company.

The Company is not engaged in any R&D activity.

Budapest, 27 May 2020.

Zsolt Székelyhidi

Andor Katzer

Members of the Board of Directors

The Board of Directors of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Board of Directors were last elected at the General Meeting for undetermined period of time.

Mr Zsolt Székelyhidi (Chairman)

Appointed: 16 December 2009

Mr Székelyhidi graduated from the Budapest Business School and also received a Bachelor of Business Studies degree of the University of Lincolnshire and Humberside. In 2002 he obtained the MSc degree of University of Pécs. Mr Székelyhidi started his career in 1999 at Central European International bank where he worked as an investment advisor responsible for domestic and foreign bond, equity and FX futures transactions of the clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Mr Székelyhidi speaks English and German besides Hungarian. In 2009 he founded CEE Active Asset Management holding presently 50% of the shares of the company and representing it as a managing director.

Mr Andor Katzer

Appointed: 1 April 2010

Mr Katzer studied at the Budapest School of Economics and after successfully graduating he also earned a BA degree in Business Studies at the University of Lincolnshire and Humberside. In 2002 besides obtaining the MSc degree of University of Pécs he successfully finished the course of ELTE Institute of Post-graduate Legal Studies and received a Diploma in Legal Studies. From 1999 until 2009 Mr Katzer was working as an investment advisor at Central European International Bank (CIB) specialised in trading local and foreign assets on behalf clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Two years later Mr Katzer was appointed Head of Treasury Sales at CIB where he managed a team responsible for the bank's clients' fixed income and foreign exchange transactions. Mr Katzer has a good command of English, German, Italian and French languages. In 2010 he became co-owner and managing director of CEEAAM Ltd holding 50% of the company's shares presently.

Ms Emilia Garas

Appointed: 17 May 2017

Mr Garas graduated at the University of Economics in Budapest. Before joining to CEEAAM Ltd. Ms Garas filled different senior back office and settlement department positions at Hanwha Bank and OTP Garancia Insurance Ltd. She speaks English.

Members of the Supervisory Board

The Supervisory Board of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Supervisory Board were last reelected at the General Meeting of 23 May 2016 for 5-year period of time.

Mr Gábor Nagy (Chairman)

Appointed: 01 April 2010

Mr Nagy is an economist who finished his studies at the Budapest University of Economics before graduating from the Budapest University of Technology and Economics (BME). Mr Nagy is co-owner and member of the management of Ramasoft Ltd, a company that is specialised in developing VAR based risk management software used by local banks and financial companies holding financial assets. Mr Nagy was previously member of the Board of Directors of CEEAAM Ltd.

Mr Norbert Narozsny

Appointed: 16 December 2009

After graduating from the Budapest Business School Mr Narozsny filled various management positions in the real estate industry working as an economist. In 2006 Mr Narozsny cofounded Nagro Investment Ltd. an enterprise that offers investment advice to real estate development companies. Mr Narozsny holds the position of CEO at Nagro Investment Ltd.

Dr László Földvári

Appointed: 16 December 2009

Dr Földvári, founder and head of the Földvári Law Firm, graduated "summa cum laude" in the Faculty of State and Legal Sciences of Eötvös Loránd University in 1994. After working as a trainee lawyer, he passed the bar exam, and started his practice as a private attorney-at-law registered at the Budapest Bar Association. In addition to the degree in law, he obtained a degree as an economist at the University Of Economic Sciences Of Budapest. He also graduated as a Specialist of European Law. Földvári Law Firm focuses on real property law, corporate law and the law of contracts. The company has also has extensive experiences in the field of Internet law, labour law and intellectual property law.

BALANCE SHEET (IN THOUSAND HUF)	NOTES	2019	2020
<i>I. Intangible Assets</i>		56	25
3. concessions, licenses and similar rights		56	25
<i>II. Property and equipment</i>		90 656	106 834
1. land and buildings and rights to immovables		0	104 979
3. other equipment, accessories, vehicles		825	1 855
6. advance payments for investments		89 775	0
<i>III. Financial investments</i>		-	-
A. Fixed Assets		90 600	106 859
<i>I. Inventories</i>		-	-
<i>II. Receivables</i>		7 574	2 765
1. trade receivables		426	390
10. other receivables		7 148	2 375
<i>III. Securities</i>		0	0
4. Other Securities		0	0
<i>IV. Cash and Cash equivalents</i>		913 444	1 151 206
2. Bank desposits		913 444	1 151 206
B. Current assets		921 018	1 153 971
C. Accrued and deferred assets		2 217	2 363
TOTAL ASSETS		1 013 891	1 263 193
<i>I. Share capital</i>		60 000	60 000
<i>II. Share capital unpaid</i>		-	-
<i>III. Capital reserve</i>		-	-
<i>IV. Retained earnings</i>		125 886	132 034
<i>V. Tied-up reserve</i>		-	-
<i>VI. Revaluation reserve</i>		-	-
<i>VII. General reserve</i>		-	-
<i>VIII. Profit or loss for the year</i>		6 148	2 638
D. Shareholders' equity		192 034	194 672
E. Provisions		0	0
<i>I. Subordinated liabilities</i>		-	-
<i>II. Long-term liabilities</i>		-	-
<i>III. Current liabilities</i>		819 782	1 065 116
4. Accounts payable		6 039	8 820
5. Liabilities to customers		812 048	1 053 282
12. Other short term liabilities		1 695	3 014
F. Liabilities		819 782	1 065 116
G. Accrued and deferred liabilities		2 075	3 405

TOTAL LIABILITIES		1 013 228	1 263 193
STATEMENT OF OPERATIONS (IN THOUSAND HUF)	NOTES	2019	2020
<i>Commission</i>		99 894	106 991
<i>Gains on securities traded on prop. account</i>		-	-
<i>Corporate finance activities</i>		-	-
<i>Custodianship, safe-keeping and portfolio management activities</i>		0	0
<i>Other income</i>		2 779	2 494
1. Revenue		102 673	109 485
<i>Commission expenses</i>		-6 023	-5 355
<i>Losses on securities traded on prop. account</i>		-	-
<i>Expenses of corporate finance activities</i>		-	-
<i>Expenses of custodianship, safe-keeping and portfolio management activities</i>		-	-
<i>Other expenses</i>		-4 312	-9 411
2. Expenses		-10 335	-14 766
PROFIT AND LOSS ACCOUNT (IN THOUSAND HUF)	NOTES	2019	2020
<i>Income from investment service activity</i>		99 894	106 991
<i>Expenses on investment service activity</i>		-10 335	-14 776
I. Profit or loss of investment service activity		92 338	94 719
II. Other income		15	0
III. Profit or loss of non investment service activity		-	-
IV. Own performance capitalised		-	-
V. Material cost		-61 096	-63 600
VI. Staff costs		-23 230	-24 786
VII. Depreciation		-293	-2 234
VIII. Other operating charges		-2 988	-3 326
IX. Expenses of non investment service activity		-	-
A. Income from operations		4 746	773
X. Non distributing financial activity income		2 425	2 500
XI. Non distributing financial activity expenses		-421	-372
B. Profit or loss from financial transations		2 010	2 126
C. Profit before income tax (A+B)		6 756	2 899
XII. Income tax payable		608	261
D. Profit after taxes (C-XII)		6 148	2 638
XV. Retained earnings and reserves		-	-
G. PROFIT OR LOSS FOR THE YEAR		6 148	2 638

CASH-FLOW STATEMENT (IN THOUSAND HUF)	NOTES	2019	2020
<i>Profit before income tax</i>		6 756	2 899
<i>Corrections in profit before income tax</i>		-1 983	-2 297
Corrected profit before income tax		4 773	602
<i>Amortization</i>		293	2 234
<i>Accounted amortization and write-back</i>		-	-
<i>Difference between provisions made for liabilities and actual use</i>		-	-
<i>Gains and losses on sale of invented assets</i>		-	-
<i>Change in account payable</i>		1 080	2 781
<i>Change in other short term liabilities</i>		-4 635	242 553
<i>Change in passive provisions made</i>		70	1 330
<i>Change in accounts receivable</i>		-51	36
<i>Net change in current assets</i>		898	4 773
<i>Change in active provisions made</i>		-478	-146
<i>Tax paid</i>		-608	-261
<i>Dividends paid</i>		-	-
I. Net Cash flow from operating activities		1 342	253 902
<i>Purchase of financial investments</i>		-25 384	-18 437
<i>Proceeds from sale of financial investments</i>		-	-
<i>Dividends received</i>		-	-
II. Net Cash flow from investment activities		-25 384	-18 437
<i>Proceeds from issuance of stocks</i>		-	-
<i>Proceeds from issuance of financial investments</i>		-	-
<i>Credits and loans received</i>		-	-
<i>Repayment, elimination of long-term loans, bank deposits</i>		-	-
<i>Liquid assets definitely</i>		-	-
<i>Retirement of stocks, withdrawal of capital</i>		-	-
<i>Repayment of bonds and securities representing credit</i>		-	-
<i>Repayment of credits and loans</i>		-	-
<i>Long term loans and bank deposits</i>		-	-
<i>Liquid assets transferred definitely</i>		-	-
<i>Changes in liabilities to founders and long-term liabilities</i>		-	-
III. Net Cash flow from financing activities		0	0
<i>Cash and Cash equivalents as at 1.JAN</i>		935 503	913 444
<i>Cash and Cash equivalents as at 31.DEC</i>		913 444	1 151 206
IV. Net increase/decrease in cash		-22 059	237 762

Notes to the financial reports

Company data

Name fo the company:	CEE Active Asset Management Ltd.
Address:	1/B. Törpe str. Budapest H-1124 Hungary
Registered office:	1/B. Törpe str. Budapest H-1124 Hungary
Date of founding:	16.12.2009 (registered: 30.12.2009)
Court registration number:	01-10-046560
Tax Identification number:	11714910-2-43
HFSA license number:	EN-III/63/2010
Main bank account number:	10702019-65686654-51100005

Ownership structure: Company founders / owners / changes in share capital

Owners:	Shares held:
Andor Katzer	3.000 pcs (50%)
Zsolt Székelyhidi	3.000 pcs (50%)

The annual report was prepared by: Andrea Volár / registered accountant

Registration number: 164497

Accounting policy

The company maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary. The company's functional currency is the Hungarian Forint (HUF).

Form of report:	Annual report
Form of Balance Sheet	„A” type Balance Sheet
Form of Profit or Loss account	„A” type – with expenditure (total cost) method
Date of Balance Sheet	December 31
Date of preparation of Balance Sheet	May 31 (following year)

Significant accounting policies

The company has prepared its accounting policies and accounting system in line with current regulations in order to show real picture on its profitability capabilities, capital, current and future financial status published in the annual report.

The company uses double book keeping system, preparing balance sheet and profit and loss account as well.

Main evaluation principles

- Invested financial assets are registered at historical value in the books
- Liabilities are registered at historical value in the books
- Depreciation is written down on bad debts by the extent of expected loss
- Securities bought for sale are registered at historical value in the books
- Securities bought for sale are valued by FIFO method
- Liabilities are recorded at book value in the balance sheet

Financial condition

Assets of the company

Description	2019		2020	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Fixed assets	90 600	8.93	106 859	8.45
Inventories	56	0.01	25	0.01
Receivables	7 574	0.75	2 765	0.22
Securities	0	-	0	-
Liquid assets	913 444	90.09	1 151 206	91.13
Accrued incomes and deferred charges	2 217	0.22	2 363	0.19
TOTAL ASSETS	1 013 891	100.00	1 263 193	100.00

Liabilities of the company

Description	2019		2020	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Capital and reserves	192 034	18.94	194 672	15.41
Provisions	0	-	0	-
Long term liabilities	0	-	0	-
Short term liabilities	819 782	80.86	1 065 116	84.32
Accrued incomes and prepaid charges	2 075	0.20	3 405	0.27
TOTAL ASSETS	1 013 891	100.00	1 263 193	100.00

The capital increased by 2 638 *tsd* HUF which equals to the retained earnings of the company for 2020.

The main indicators of the business activity in 2020 (in *tsd* HUF):

Equity ratio	$\frac{\text{Owner's equity}}{\text{Total assets}} \times 100$	$\frac{192,034}{1,013,891} = 18.94\%$	$\frac{194,672}{1,263,193} = 15.41\%$
Ratio of equity and share capital	$\frac{\text{Equity}}{\text{Share capital}} \times 100$	$\frac{192,034}{60,000} = 320.06\%$	$\frac{194,672}{60,000} = 324.45\%$
Current ratio I.	$\frac{\text{Current assets}}{\text{Short term liabilities}}$	$\frac{921,018}{819,782} = 1.12$	$\frac{1,153,971}{1,065,116} = 1.08$
Current ratio III.	$\frac{\text{Cash and cash equiv.}}{\text{Short term liabilities}}$	$\frac{913,444}{819,782} = 1.11$	$\frac{1,151,206}{1,065,116} = 1.08$
Return on equity (ROE)	$\frac{\text{Net income}}{\text{Equity}} \times 100$	$\frac{4,746}{192,034} = 2.47\%$	$\frac{773}{194,672} = 0.40\%$
Return on asset (ROA)	$\frac{\text{Net income}}{\text{Total assets}} \times 100$	$\frac{4,745}{90,656} = 5.24\%$	$\frac{773}{106,859} = 0.72\%$

Budapest, 27 May 2020.



Zsolt Székelyhidi / Andor Katzer