Diákhitel Központ Zártkörűen Működő Részvénytársaság

[Student Loan Centre Private Limited Company by Shares]

Financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the EU

31 December 2015

Building a better working world

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This is a translation of the Hungarian Report

Independent auditors' report

To the shareholder of
Diákhitel Központ Zrt.

We have audited the accompanying financial statements of Diákhitel Központ Zrt. which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Diákhitel Központ Zrt. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

Diákhitel Központ Zrt. has prepared financial statements as at 31 December 2015 in accordance with the Hungarian Accounting Law, we have issued a separated auditors' report on those financial statements to the shareholder of the Company on 31 March 2016.

(The original Hungarian language version has been signed.)

Ernst & Young Kft.
Budapest, 14 June 2016

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Financial Statements prepared in accordance with the International Financial Reporting Standards

Independent auditor's report

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I. Statement of Comprehensive Income

data in M HUF

	Note	2015.12.31	2014.12.31 restated
Interest income	7	13 867	15 828
Interest expense	7	-8 723	-10 425
Net interest income		**5 144**	**5 403**
Insurance premium earned	8	1 047	807
Claims paid	9	-130	-133
Net trading profit	10	-119	-73
Other operating income	11	89	125
Movements in insurance technical reserves	24	-255	2 188
Net operating profit before impairment loss on loans		**5 776**	**8 317**
Impairment loss on loans	4.1.2	-3 180	-5 393
Credit loss expense		-13	-315
Operating profit (loss), net		**2 583**	**2 609**
Other operating expenses	11	-2 355	-2 587
Pre-tax profit (loss)		**228**	**22**
Taxes paid/received	12	-27	-2
Profit (loss) for the year		**201**	**20**
Profit (loss) for the year (attributable to the shareholders)		**201**	**20**
Profit (loss) for the year		**201**	**20**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Measurement difference due to fair valuation of available for sale financial assets		-12	47
Taxes received/paid from other comprehensive income items		1	-5
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Other comprehensive income for the period including deferred tax		**190**	**62**
Comprehensive profit (loss) for the year		**190**	**62**
Comprehensive profit (loss) for the year (attributable to the shareholders)		**190**	**62**

Budapest, 14th June 2016

Bugár Csaba
CEO

II. Statement of Financial Position

Data in M HUF

	Notes	2015.12.31	2014.12.31 restated	2014.01.01
Assets				
Cash and cash equivalents	14	559	19 814	13 094
Student loans	15	244 121	245 991	246 434
Insurance premium receivable	15	2 355	2 530	2 544
Current income tax assets		0	3	10
Other receivables	16	195	198	127
Other assets	17	59	3	1
Properties, plant and equipment	18	196	233	212
Intangible assets	19	257	269	303
Total assets:		**247 742**	**269 041**	**262 725**
Liabilities				
Amounts payable to banks	21	158 464	153 710	153 832
Other liabilities	22	549	622	578
Bonds issued	23	74 417	100 865	96 941
Insurance technical reserves	24	2 669	2 414	4 602
Deferred tax liability	20	938	915	450
Total liabilities:		**237 037**	**258 526**	**256 403**
Equity				
Issued capital and capital reserve	25	2 500	2 500	2 500
Retained earnings	25	-5 958	-6 159	-6 179
Other reserves	25	14 163	14 174	10 001
Total equity:		**10 705**	**10 515**	**6 322**
Equity attributable to the shareholders		10 705	10 515	6 322
Total equity and liabilities:		**247 742**	**269 041**	**262 725**

Budapest, 14th June 2016

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III. Statement of Changes in Equity

Data in M HUF

Item	Notes	Issued Capital	Capital reserve	Retained losses	Other reserves		Total
					Other capital contribution	Valuation reserve	
Opening at 01 Jan 2014 restated		**300**	**2 200**	**-6 179**	**10 033**	**-32**	**6 322**
Other capital contribution	21	0	0	0	4 590	0	4 590
Deferred tax for other capital contribution	20	0	0	0	-459	0	-459
Fair value recognised in equity	14 ; 20	0	0	0	0	42	42
Loss for the year		0	0	20	0	0	20
Closing at 31 Dec 2014 restated		**300**	**2 200**	**-6 159**	**14 164**	**10**	**10 515**
Other capital contribution	21	0	0	0	0	0	0
Deferred tax for other capital contribution	20	0	0	0	0	0	0
Fair value recognised in equity	14 ; 20	0	0	0	0	-11	-11
Loss for the year		0	0	201	0	0	201
Closing at 31 Dec 2015		**300**	**2 200**	**-5 958**	**14 164**	**-1**	**10 705**

Budapest, 14th June 2016

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IV. Cash flow statement

Cash flow statement

Data in M HUF

Operating cash flows	Notes	2015.12.31	2014.12.31 restated
Pre-tax profit (loss)		**228**	**22**
Adjustments			
Amortisation of intangible assets/depreciation of tangible assets	11	179	156
Gains/losses on the disposal of tangible/intangible assets	11	0	29
Impairment loss on financial assets	4.1.2	3 180	5 393
Damages paid	9,11	143	448
Interest income, net	7	-5 144	-5 403
Movements in insurance technical reserves	24	255	-2 188
Corporate tax received	12	-27	-2
Student loans disbursed		-16 534	-16 778
Student loans repaid		20 007	17 898
Interest received		8 980	9 362
Interest paid		-10 708	-11 370
Net trading result		119	73
Movements in insurance premium receivable		142	-38
Movements in other assets		2	-65
Movements in other liabilities		-50	508
Operating cash flows, net		**544**	**-1 977**
Investing cash-flows			
Tangible assets acquisitions		-98	-99
Tangible assets disposals		2	0
Intangible asset acquisitions		-90	-74
Investing cash flows, net		**-186**	**-173**
Financing cash flows			
Proceeds of bonds issued		21 230	26 764
Repayment of bonds issued		-44 841	-21 528
Amounts borrowed from banks		14 535	58 050
Repayment of amounts borrowed from banks		-10 754	-58 611
Shareholders contribution		0	4 590
Financing cash flows, net		**-19 830**	**9 265**
Net changes in cash and cash equivalents		**-19 244**	**7 137**
Cash and cash equivalents as of 1 January	14	19 814	13 094
Change in fair value of cash equivalents		-11	42
Deferred tax on equity contribution		0	-459
Cash and cash equivalents at 31 December	14	**559**	**19 814**

Budapest, 14th June 2016

Bugár Csaba
CEO

V. Notes to the financial statements

1. Brief introduction of the company

Diákhitel Központ Zrt. (hereafter: "Company" or "Student Loan Centre") is a company limited by shares and registered in Hungary at 1027 Budapest, Kacsa utca 15-23.

The shares of Diákhitel Központ Zrt. are held by the Hungarian government.

The shareholder rights over the Company -are exercised by the Hungarian Development Bank (MFB) from 17 June 2010 based on Act LII of 2010 on the amendment of acts required for the responsible management of state-owned assets and on the stipulation of certain legal provisions.

On 20 October 2014 MFB in its capacity as Owner of the company founded the Board of Directors by approving the modified Deed of Foundation. The Board of Directors is the governing body of the entity, the business activities and the operative execution of the organisation is conducted by the Chief Executive Officer. The operation of Diákhitel Központ Zrt is overseen by the Supervisory Board which also carries out the tasks of the Audit Committee.

Diákhitel Központ Zrt. operates the student loan system as well as disbursing and recording student loans. The funds required for the loan disbursements are provided with the help of the Government Debt Management Agency (ÁKK) in accordance with Government Decree 1/2012 (I. 20.) on the student loan system (hereinafter referred to as: "Government Decree"). The Student Loan Centre entered into a contract with ÁKK Zrt. for the latter to transact on the money and capital market and participate in securing the funds guaranteed by the government.

According to section 53 of act C of 2014 on the Budget of the Republic of Hungary for 2015, "The State of Hungary shall undertake a guarantee in respect of payment obligations of Diákhitel Központ Zrt., which have been incurred on account of loans drawn and bonds issued in and outside Hungary in order to finance the student loan scheme."

The unconditional government guarantee for the funds raised by the Company is secured for 2014 based on section 53 of act C of 2014 on the budget of Hungary for 2015.

The Company has no interests in subsidiaries, associates or jointly-managed companies.

The Company has prepared separate financial statements on 31 March 2016 for the balance sheet date 31 December 2015, in accordance with the Hungarian Accounting Law, which has been disclosed according to the C. Law on Accounting 2000.

2. Basis of preparation

2.1. Statement of compliance with standards

The Company prepared the attached financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. The new IFRS standards and interpretations –which were not yet used during the preparation of the financial statements of 2015- are shown in note 3.20.

The publication of these financial statements was approved by the Board of Directors on 14 June 2016.

2.2. Basis of measurement

Measurements in the financial statements are based on amortised cost, apart from available-for-sale financial assets, which were measured at fair value in accordance with IAS 39.

2.3. Functional and presentation currency

The functional currency of Diákhitel Központ Zrt. is the Hungarian forint (HUF). The Company is not required by legislation to prepare financial statements in accordance with IFRS. In the previous periods, the financial statements were prepared for the international financial markets and therefore the Company chose the euro (EUR) as its presentation currency. In 2015, the Company changed its accounting policies so that the Company returned to the HUF as its presentation currency. The figures in the financial statements are presented in HUF millions. The Company decided to changes its presentation currency as, according to the amendment of the Hungarian accounting law (act C of 2000) in 2015, it will be mandatory for the Company to prepare IFRS financial statements for reporting periods starting in 2017 instead of Hungarian statutory financial statements.

2.4. Use of estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make professional judgements, estimates and assumptions that affect the accounting policies applied as well as the reported amounts of assets and liabilities and revenues and expenses in the financial statements. These estimates and related assumptions are based on past experience and on various other factors which are believed to be reasonable under the circumstances, and the results of which form the basis for estimating the fair values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a regular basis. Amendments to accounting estimates are recognised in the period the estimate was amended if the amendment only affects the given year, or in the period of the amendment and in subsequent periods if the amendment affects both the current and subsequent years.

The Company used estimates with respect to the following:

- ***Going concern***

  Management assessed the Company's ability to continue operating as a going concern and concluded that the Company has the necessary resources to continue its operations in the foreseeable future. Management is not aware of any material uncertainty that would cast significant doubt on the validity of the going concern basis. For the purposes of its going concern assessment the Company took into consideration the unconditional government guarantee for the funds raised.

- ***Fair valuation of financial assets and liabilities***

If the fair value of financial assets and liabilities is identified on a basis other than an active arm's length price (market price?), a measurement model needs to be applied. The fair value measurement of financial instruments is set out in note 6 to the financial statements in detail.

- ***Impairment loss of assets***

The impairment of assets is presented in note 3.13 in detail.

- ***Technical reserves***

The estimates applied by the Company with regard to the actuarial model are detailed in note 4.1.3 to the financial statements.

- ***Deferred tax assets***

The Company presents deferred tax assets to the extent to which it is probable that enough taxable income will be available in the future to offset the deferred tax assets. Deferred tax assets are revised by the Company at the end of each reporting period and are reduced according to the probability realising related tax benefits. The accounting treatment of deferred tax is presented in note 3.8 in detail.

2.5. Reclassifications and errors

The Company publishes a set of modified financial statements for the year 2014.

The reason for the modification was the change in Diákhitel Központ Zrt's presentation currency. For the sake of comparability, the figures for 2014are disclosed in HUF millions and the figures for 01 January 2014 are presented in HUF millions as well. The effect of the change of the presentation currency on the Equity is disclosed in note 25.

3. Summary of key accounting policies

Below is a summary of the main accounting policies employed during the preparation of the financial statements. The accounting policies were applied consistently for the periods in these financial statements.

3.1. Recognition of student loan products

The student loan agreements provided by the Company comprise a loan component and an insurance component. The purpose of the insurance component is that the entire debt is forgiven in accordance with subsection 19 (1) of Government Decree 1/2012 (I. 20.) on the Student Loan Scheme if the borrower retires, becomes irreversibly disabled or passes away. The forgiving of a loan debt upon retirement or death is equivalent to a financial benefit upon retirement or death, and therefore disbursed student loans partially qualify as insurance contracts that fall under the scope of IFRS 4.

The Company accounts and presents the loan component and the insurance component of student loans separately in the statement of comprehensive income, the statement of financial position and in the cash-flow statement.

The interest income on student loan agreements consists ofthree parts: basic interest, operating premium and risk premium. The basic interest covers the interest of the original funds, the operating premium covers the operating costs, and the risk interest premium covers the non-payment risk of student loans. The risk interest premium and the operating interest premium can be broken down further into elements relating to financial risk (loan component) and insurance risk (insurance component). The risk interest premium and the operating interest premium are broken down into the elements associated with the individual components using actuarial models applied by the Company.

The amounts disbursed on the basis of student loan agreements and the interest elements assigned to the loan component are recognised in the statement of financial position as student loans (see note 3.9.3.a) and in the statement of comprehensive income as interest income (see note 3.3). The interest elements assigned to the insurance component are recognised in the statement of financial position as insurance premium receivables (see note 3.9.3.b) and in the statement of comprehensive income as insurance premium income (see note 3.4).

Details on how the actuarial model works are contained in notes 4.1.2 and 4.1.3 to the financial statements.

3.2. Net interest income

Under interest income the Company uses the effective interest method to recognise the part of the interest income for student loan contracts that relates to the loan component, as well as the interest income on available-for-sale securities.

In accordance with the Company's general rules of business, a penalty interest is charged, as set out in the Civil Code, in case of default or non-performance by a debtor. Penalty interest is presented among interest income and is charged as follows:

a) for student loan contracts signed before 1 May 2004, the initial interest rate plus 4%,

b) for student loan contracts signed after 30 April 2004 the interest rate is based on section 6:48 of the Civil Code.

Interest income also includes targeted interest subsidiesrelated to any-purpose loans (Type 1). The beneficiaries of these interest subsidies are the borrowing students. Further to section 18 of government decree 1/2012. (I. 20.), students can enjoy subsidised interest during their entitlement to infant care benefit, child care benefit and child care support services (collectively: maternity benefits).

Interest income also includes, based on section 29 of government decree 1/2012. (I.20) the standard interest subsidy to which a student debtor who has taken a limited purpose student loan (Diakhitel 2) is entitled during the term of the underlying loan contract. The standard interest subsidy is the amount over the interest payable by the debtor based on the interest rate as defined in subsection 6(7) of the government decree – currently 2%.

The effective interest rate is the interest rate used to discount estimated future payments or revenues over the expected useful life of a financial instrument (or a shorter period where applicable) to the net carrying value of the financial asset or financial liability. The effective interest rate is determined upon the initial recognition of the financial asset and liability, and is not subsequently modified. When calculating the effective interest rate the Company estimates the cash flows based on all of the contractual conditions of the financial instrument, but does not take future credit losses into account.

Under interest expense the Company recognises the amounts of interest payable on issued bonds and on loans and advances from banks using the effective interest method.

3.3. Insurance premium earned, claims paid

Under insurance premium earned the Company recognises the interest income on student loans that pertain to the insurance component. The Company recognises the insurance premium income for the period during which the risk is covered by the premium (i.e. the period for which the premium was charged).

Under claims paid the Company recognises the expense derived from loan write-offs caused by insurance events such as retirement, permanent disability or death of the debtor.

3.4. Net profit or loss from trading

Net profit or loss from trading includes gains and losses on the sale of available-for-sale financial assets, including gains or losses from subsequent measurement previously recognised in equity, and the impairment loss on financial assets other than student loans.

In the case of financial assets and financial liabilities measured at amortised cost, the profit or loss arising upon the derecognition of the given instrument or upon subsequent measurement owing to foreign exchange gains and losses is recognised in the profit or loss for the period as part of the net trading result.

3.5. Movements in insurance technical reserves

The Company allocates insurance technical reserves for the risk that, at present value, the insurance premiums received from the student loan contracts will not cover the amounts forgiven if insurance events occur.

Following the initial recognition of a technical reserve, the Company re-measures it in accordance with the current risk parameters of the portfolio. The Company recognises any gains or losses from the subsequent measurement – which contain the effect of the discount breakdown, the impacts of portfolio changes and the actuarial gains or losses incurred owing to changes in actuarial assumptions, and differences between actuarial assumptions and events in the reporting period – through profit or loss in the changes to insurance technical reserves row. The Company

allocates insurance technical reserves (initial recognition and subsequent measurement) based on its actuarial model. Details on how the actuarial model works are contained in note 4.1.3 to the financial statements.

The Company integrates an appropriate risk margin into the measurement of insurance technical reserves. When determining an appropriate level of risk margin the Company always takes into account what realistic chances it has for re-pricing the risk premium (and as part of this the insurance premium as well) in the future. Establishing an appropriate level of risk margin is based on the Company's actuarial model.

As the reserve is re-measured on each reporting date, the Company complies with the minimum conditions for the liability adequacy test under IFRS 4.

3.6. Credit loss expense

The company discloses bad student loans and student loans written off but not rated bad as credit loss.

3.7. Other operating income and expense

Under other operating income the Company recognises, among others, profit and loss from derecognising and selling intangible assets and property, plant and equipment and any subsequently collected lapsed or forgiven student loans.

Other operating expenses contain the costs which arise during the Company's operations, typically the costs of services used. Additionally, on this row the Company recognises the depreciation and amortisation of property, plant and equipment and intangible assets, impairment loss, provisions related to litigation and other provisions, as well as costs associated with employee benefits.

In the course of its normal operations, Diákhitel Központ Zrt. makes regular contributions to voluntary pension funds. These are expensed under "Other operating expenses".

Apart from this, the Company provides no other post-retirement benefits for its employees.

3.8. Tax expense, tax income

Tax expense and tax income contain current and deferred taxes. Tax expense and tax income are recognised in the statement of comprehensive income, unless related to items shown directly in equity or in other comprehensive income, when the tax impact is also recognised there.

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

Deferred tax is determined using the balance sheet method, which takes into account the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at tax rates expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The Company recognises deferred tax assets up to the level of the likely taxable income in the future in respect of which the asset can be used. The Company reviews its deferred tax assets at the end of each reporting period and reduces them to the level where the realisation of the related tax benefit is still probable.

Deferred tax assets and deferred tax liabilities can be offset against each other if there is a legal right to do so in relation to income taxes levied by the same taxation authority and the Company intends to settle them on a net basis.

The deferred tax related to the subsequent measurement at fair value of investments classed as available-for-sale and directly charged or credited to equity is also charged or credited to equity, and later recognised in the statement of comprehensive income, if the profit or loss from the fair value measurement is recognised in the statement of comprehensive income.

3.9. Financial assets and liabilities

For recognising financial assets and liabilities the Company opted to use settlement dates. The settlement date is the date upon which the Company receives or transfers the asset. Accounting on this basis means recognising the asset on the day the Company receives it and recognising any profit or loss from the derecognition or disposal of the asset on the day it is delivered by the Company.

All financial instruments are measured initially at their fair value including transaction costs.

Financial assets are derecognised when the contractual rights to collecting cash flows are no longer valid, or when the financial instrument is transferred along with all the significant risks and benefits.

Financial liabilities are derecognised when the obligations specified in the contract are no longer valid, cancelled or expire.

Financial assets and liabilities can be presented on a net basis in the statement of financial position if the Company is entitled to net accounting and the Company either intends to settle the net amount or intends to collect the receivables and settle the liabilities at the same time.

Financial assets and financial liabilities are currently classified in one of the following categories: "available-for-sale financial assets", "loans and receivables", "other financial liabilities".

3.9.1. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available-for-sale and which were not classed in any other category.

Following initial recognition, available-for-sale financial assets are measured at fair value and any change in the fair value, except impairment loss, is recognised in equity as part of other comprehensive income under other reserves. When an available-for-sale financial asset is derecognised, any profits or losses previously recognised in other comprehensive income are transferred to statement of comprehensive income.

The Company measures discounted T-bills issued by the Hungarian government and maturing in less than three months as available-for-sale financial assets at fair value. For the purposes of inclusion in the statement of financial position these securities are considered cash equivalents, and are recognised in the cash and cash equivalents row.

3.9.2. Cash and cash equivalents

Under cash and cash equivalents in the statement of financial position and in the cash flow the Company recognises its cash, disposable balances on its bank accounts held with the Hungarian State Treasury, along with investments in all debt instruments that expire within no more than three months from their purchase. Based on its investment practices the Company invests its

disposable liquid assets into typically T-bills with residual maturities of less than 3 months. Fair values are determined based on the daily rates published by the Hungarian Treasury.

Cash and cash equivalents – with the exception of T-bills – are recognised in the statement of financial position at the end of the period at amortised cost.

3.9.3. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Initially, such assets are recognised at fair value including direct transaction costs. After initial measurement, financial assets classed in the loans and receivables category are carried at amortised cost using the effective interest method less any allowance for impairment loss.

Loans and receivables comprise the following: student loans, insurance premium receivables, and other financial assets from other receivables.

a) Student loans

Amounts disbursed under the student loan contracts and the interest assigned to the related loan components (see note 3.2) are recognised in the statement of financial position as student loans, net of repayments and allowances for impairment loss. Loans are recognised when such are actually disbursed to the borrowers (date of performance). They are derecognised when the borrowers repay their debts, or if they are written off based on one of the events set forth in the Government Decree, and essentially all of the risks and benefits of ownership are transferred. Student loans are initially recognised at fair value together with directly attributable transaction costs; subsequently they are recognised at amortised cost using the effective interest method and net of allowances for impairment loss. Detailed information on the impairment of student loans is found in note 3.13.1. Impairment loss of financial assets.

b) Insurance premium receivables

The interest assigned to the insurance component (see note 3.2) based on the student loan contracts is recognised in the statement of financial position under insurance premium receivables, net of repayments and allowances for impairment loss. Insurance premium receivables are initially recognised at fair value together with directly attributable transaction costs; subsequently they are recognised at amortised cost using the effective interest method and net of allowances for impairment loss. Detailed information on the impairment of insurance premium receivables is found in note 3.13.1. Impairment loss of financial assets.

c) Other receivables

Under other receivables the Company mainly recognised trade receivables, advance payments to employees and other receivables.

Other receivables are initially recognised at fair value before being carried in the statement of financial position at amortised cost.

3.9.4. Other financial liabilities

This category comprises financial liabilities that are not measured at fair value through profit or loss. Under other financial liabilities the Company includes loans and advances from banks, issued bonds, and financial liabilities from other liabilities.

The initial recognition of other financial liabilities is at fair value. After initial recognition the Company measures these liabilities at amortised cost using the effective interest method.

Based on this method the discounts and premiums (including premiums, transaction costs and other premiums or discounts) are recognised over the remaining term of the related instrument using the effective interest method valid upon the initial recognition of the instrument.

a) Amounts payable to banks

The Company considers all drawdowns to be separate loan debts. The effective interest rate is determined separately for all drawdowns; subsequently, however, it is not recalculated, not even if the expectations regarding future cash flows change. If the initial fair value of the drawn loan differs from the amount actually disbursed, thought must be given to recognising the difference. In the case of the loan drawn by the Company from the Hungarian Development Bank (MFB, which exercises the shareholder rights over the Company) the initial fair value is lower than the amount of the loan actually disbursed. The Company recognised the difference under "Other reserves" as a capital grant from the owner. Details on the MFB loan can be found in note 21.

b) Issued bonds

The Company issues also bonds to fund the student loans. Each bond issue is considered to be a separate bond debt. The Company establishes the effective interest rate for each bond issue and additional issue at the time of the issue and additional issue. When determining the initial fair value of the bonds the Company also takes the issue discount or premium into consideration as well as any related transaction costs.

c) Other financial liabilities

Under other liabilities the Company primarily recognises amounts owed to suppliers and third parties, apart from taxes payable.

3.10. Other assets

Under other assets the Company mainly recognises purchased packaging, promotional gifts and vouchers purchased for employees, and payments (expert fees) incurred in connection with the replacement of Dikákhitel Központ Zrt. accounting keeping system which will be capitalised when the new system is commissioned.

3.11. Property, plant and equipment

Property, plant and equipment, including investments on third-party property, are measured at cost net of depreciation and allowances for impairment loss. The cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure related to property, plant and equipment is capitalised only if this results in future economic benefits for the Company. All other subsequent costs are accounted as expense in the period when incurred.

Depreciation is charged following the capitalisation of the asset based on its useful life. The useful lives of the assets in the individual categories of property, plant and equipment were the following in the period covered by the financial statements:

Land and buildings	
Land	indefinite, not depreciated
Investments on third-party property	~17 years

Machinery, equipment, fittings, vehicles

Technical equipment	~7 years
Office equipment	~7 years
IT equipment	~3 years
Vehicles	5 years

Other equipment

Office furniture and equipment	~7 years

The depreciation of property, plant and equipment is presented in the "Other operating expenses" row of the statement of comprehensive income.

The Company's property, plant and equipment are subject of impairment testing after any event or change in circumstances which indicate that the carrying value may not be recovered. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset is higher than the estimated recoverable amount. Details on the recording of impairment are presented in note 3.13.2 to the financial statements.

At the end of each reporting period the residual values and useful lives of assets are revised and modified, if necessary.

Net profits or losses from the disposal or retirement of items of property, plant and equipment are recognised accordingly by the Company under "Other operating income" or "Other operating expenses" in the year of the disposal or retirement, depending on the nature of the net balance.

3.12. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance that are designed to facilitate the provision of services or fulfil administrative purposes.

Intangible assets are initially measured at cost, and thereafter net of amortisation and allowances for impairment loss. Intangible assets are written off over their useful lives from the date of first use and using straight-line rates.

The useful lives of intangible assets were as follows during the reporting periods:

Rights and concessions	5 years
Software	5 years

The amortisation of intangible assets is presented in the "Other operating expenses" row of the statement of comprehensive income.

Intangible assets are subject to impairment testing after any event or change in circumstances that indicate their carrying value may not be recovered. The carrying amount of an intangible asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount. Details of the recognition of impairment loss are presented in note 3.13.2 to the financial statements.

At the end of each reporting period the residual values and useful lives of intangible assets are revised and modified, if necessary.

Net profits or losses from the disposal or retirement of intangible assets are recognised accordingly by the Company under "Other operating income" or "Other operating expenses" in the year of the disposal or retirement, depending on the nature of the net balance.

3.13. Impairment loss

3.13.1. Impairment loss of financial assets

The Company measures financial assets as of each reporting date to determine if there are any signs of impairment. Financial assets are considered impaired if there is objective evidence to suggest that one or more events after the initial recognition of the financial asset have negatively influenced the estimated future cash flows of the asset. When there is objective evidence of impairment, the Company recognises an impairment loss on each significant asset and on an individual or portfolio basis for the rest of the assets.

The Company determines the impairment loss of student loans and other financial assets as follows:

a) Impairment loss of student loans and insurance premium receivables

For student loans and insurance premium receivables, the Company did not identify any individually significant item, hence student loans were impaired on a portfolio basis. The Company defined the following portfolios:

Effective student loan contacts

- ***Portfolio of not past due student loans*** include amounts receivable from the following:
    1. Loans under disbursement and awaiting repayment
    2. Loans being repaid and are not overdue
- ***Portfolio of overdue student loans***: The portfolio of overdue loan contracts includes:
    1. Loans being repaid overdue 1-30 days
    2. Loans being repaid overdue 31-60 days
    3. Loans being repaid overdue 61-180 days
    4. Loans being repaid overdue 181-360 days (since 2015)

Terminated student loans

- ***Portfolio of terminated student loans:*** *includes the student loans, which were terminated either by the customers or the Company as follows:*
    1. *Portfolio of borrowers paying in instalments:* student loans where the Company has agreed to instalments with the borrower as detailed in section 4.1.2.
    2. *Portfolio of loans assigned to the tax authority for collection:* student loans that have been transferred to the National Tax and Customs Authority (NAV) for collection.
    3. *Other terminated student loans:* Those student loans which are not repaid, request for instalment payment shall not arrived yet and were not transferred to the tax authority.

The individual portfolios are treated separately from one another and the level of impairment loss is also calculated separately. Any impairment loss on the individual portfolios is determined using the actuarial model.

Portfolio-based impairment

Items for which no impairment loss requirement is identified based on individual impairment test are tested for impairment and impaired based on portfolio basis in view of the associated

portfolio risk. Portfolio-based impairment loss is recognised at the end of the reporting period for contingent losses the Company may suffer later as a result of yet unknown damage events. For the purposes of portfolio-based impairment, the Company considers historic loss information on portfolios with a similar risk profile.
Portfolio-based impairment loss is calculated based on an impairment approach which considers the standard sub-portfolios, historic loss information and losses anticipated per contract status. Portfolio-based impairment loss is determined in view of contract status and on future related expected cash flows projected based on various aspects of credit risk.

The impairment rates are updated by the Company using the actuarial model (section 4.1.2) at the end of each quarter, as necessary.

b) Impairment loss of available-for-sale securities and other financial assets

These assets are tested individually for impairment. The Company defined the following objective evidences to identify any impairment loss:

- debtor is in default,
- debtor is bankrupt,
- debtor is being wound up.

Any impairment loss on available-for-sale securities classified under cash equivalents is recognised by posting the accumulated loss presented other comprehensive income to other reserves in the profit and loss account. This posted loss is the difference between the cost less amortisation and repayments and the current fair value, net of any previous impairment loss recognised through profit or loss. If, in the future, the fair value of a previously impaired available-for-sale debt instrument should increase, and such increase is attributable to an event that occurred after the impairment loss was recognised through profit or loss, then such recognised impairment loss must be reversed through profit or loss.

The impairment loss of financial assets carried at amortised cost is calculated from the difference between the carrying amount and the present value of future estimated cash flows. Impairment losses are recognised through profit or loss.

3.13.2. Impairment loss of non-financial assets

Where internal or external circumstances suggest that an asset may be impaired, the Company examines the need to record an impairment loss on the given asset. Depreciated or amortised assets are tested for impairment by the Company if there are any signs that the carrying amount of the given asset may not be recovered.

An impairment loss is recognised if the carrying amount of the asset exceeds the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. When determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market's time value of money and the estimates of asset-specific risks that were not taken into account in the cash flow estimates.

Each year, the Company examines if the conditions that led to the impairment of an asset still prevail. If such conditions no longer prevail or are mitigated, the Company makes an estimate regarding the recoverable amount of the asset. Previously recorded impairment loss can be reversed if changes have occurred in the estimates used to determine the recoverable amount of the asset since asset was last impaired. Impairment loss may only be reversed to the extent that

the carrying amount of the asset does not exceed the recoverable amount nor the figure that would have applied if the asset had been depreciated and not impaired. The recognition and reversal of impairment loss are recognised in "Other operating expenses" and "Other operating income" in the statement of comprehensive income.

3.14. Provisions

Provisions must be created if the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If cash flows expected to be used to settle the present obligation are employed to measure the provisions, the carrying amount of the provisions is the present value of these cash-flows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the Company will receive the reimbursement and the amount of the receivable can be reliably measured.

Present obligations derived from onerous contracts are recognised as provisions. The Company considers a contract to be onerous if the costs essential to discharging the contractual obligations are higher than the economic benefits expected based on the contract.

Provisions recorded for expected future liabilities are presented under "Other operating expenses".

3.15. Share capital and other reserves

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the consideration received, net of direct issue costs. Capital increases are recognised in equity from the date the value of the shares can be demanded from shareholders.

3.15.1. Capital reserve

The capital reserve comprises contributions made by shareholders that form part of equity but do not qualify as share capital or a premium which is presented among other reserves.

3.15.2. Retained earnings

This reserve comprises the profits and losses of the reporting year and previous periods.

3.15.3. Other reserves

Other reserves comprise the differences derived from the changes in the fair value of T-bills measured in accordance with the available-for-sale category but recognised as cash equivalents (valuation reserve), and the difference between the initial fair value and the actual amount disbursed of the low-interest loan drawn from the MFB, as the related party exercising shareholder rights, which is considered a capital grant by the shareholder.

3.16. Government grants

The rules of accounting for and disclosure of government grants and the disclosure for other government assistances are applied by the Company in accordance with the regulations of IAS 20 Standard - Accounting for Government Grants and Disclosure of Government Assistance

When the government grant relates to an incurred expense item or compensating incurred losses, or the Company can withdraw it as immediate financial grant without future related expense, it is recognised as income in that period when the grant becomes to be withdrawn.

In line with the Company's decision when the government grant relates to an asset, it is presented based on gross method, so recognised as deferred income which is amortized over the expected useful life of the related asset.

3.17. Segment information

IFRS 8 "Operating Segments" stipulates how entities should present information in financial statements on their operating segments, the products and services they produce and their geographical breakdown. Since 2012, when limited purpose loans were introduced, Diákhitel Központ Zrt. has been selling two types of student loans: Diákhitel 1 (Type 1) and Diákhitel 2 (Type 2). The proportion of the new product was below 10% in 2014 or in 2015 either in terms of revenues or on the asset side of the balance sheet and its geographical breakdown does not give the Company's management information that can be used for decision-making purposes.

All of the Company's revenues, profits, asset and liabilities fall under the same identified operating segment, and so the Company is released from its obligation to publish segment information.

3.18. New IFRS standards applicablefrom 1 January 2015

The amendments are to be applied from the Company's financial year starting on 1 January 2015. The amendments have no impact on the company's financial statements.

- **Amendments of IAS 19 – Defined Benefit Plans: Employee Contributions** requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

  This amendment is effective for annual periods beginning on or after 1 July 2014.

  It is not expected that this amendment will be relevant to the company, since it has no defined benefit plans.

- **Annual improvements 2010-2012 Cycle** - These improvements are effective from 1 July 2014 and are not expected to have a material impact on the company. They include:

  IFRS 2 Share-based Payment

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition

- A performance target must be met while the counterparty is rendering service

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group

- A performance condition may be a market or non-market condition

- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- **Annual improvements 2011-2013 Cycle** - These improvements are effective from 1 July 2014 and are not expected to have a material impact on the company. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

3.19. Early application of new standards

The Company did not opt for early application of the new standards in the annual financial statements for 2015.

The Company plans to adopt these standards as and when they become effective.

3.20. New IFRS standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these financial statements.

Standards not yet applied by the Company:

- **IFRS 9 – Financial instruments** was issued as part of the wider project to replace IAS 39. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 retains and yet simplifies the mixed measurement model, creating two primary measurement categories for financial assets: measurement at amortised cost or at fair value. The basis of the classification depends on the business model of the entity and the contractual cash flow characteristics of the financial asset.

  The IFRS standard will be effective from 1 January, 2018.

  The company is currently assessing the impact of IFRS 9 however the new standard is not expected to have a material impact on the financial statements.

- **IFRS 14 – Regulatory deferral accounts** is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  IFRS 14 will be effective for annual periods beginning on or after 1 January 2016. Since the company is an existing IFRS preparer, this standard would not apply.

- **IFRS 16 Leases** was issued in January 2016 and requires lessees to recognise assets and liabilities for most leases. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

- **IFRS 15 – Revenue from contracts with customers** was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

  Application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

  The company is currently assessing the impact of IFRS 15 however the new standard is not expected to have a material impact on the financial statements.

- **Amendments of IFRS 11 – Joint arrangements: Accounting of Interests** require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

  These amendments will not have any impact on the company's financial statements.

- **Amendments of IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation** clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

  The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

  These amendments are not expected to have any impact to the company given that the company has not used a revenue-based method to depreciate its non-current assets.

- **Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants** change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply.

  The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

  These amendments will not have any impact on the company's financial statements.

- **Amendments to IAS 27: Equity Method in Separate Financial Statements** will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

  The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

  These amendments will not have any impact on the company's financial statements.

- **Further amendments of IFRS 10 and IAS 28** issued in September 2014 aim to remove inconsistencies in requirements of the two standards, clarifying definitions in relation to sale or contribution of assets between an investor and its associate or joint venture.

  The amendments are effective for annual periods beginning on or after 1 January 2016

  These amendments will not have any impact on the company's financial statements.

- **Annual improvements 2012-2014 Cycle -** These improvements issued in September 2014 are effective from 1 January 2016 and are not expected to have a material impact on the company. They include:

  IFRS 5 Non-current assets held for sale and discontinued operations

  The amendment adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

  IFRS 7 Financial Instruments: Disclosures

  The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Moreover it clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

  IFRS 19 Employee Benefits

  The amendment clarifies that high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

  IAS 34 Interim Financial Reporting

  Clarifies the meaning of 'elsewhere in the interim report'.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation Exception

The amendments address the following issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements and clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

The amendments also clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

4. Financial and insurance risk management

4.1. General introduction of financial and insurance risks

In respect of its financial assets and liabilities along with the insurance component of its student loan contracts the Company is exposed to the following risks:

- credit risk
- insurance risk
- liquidity risk
- market risk
- early repayment risk

The information presented below in relation to the risks outlined above details the Company's risk management strategy and processes along with its capital adequacy policy.

4.1.1. Risk management framework

The Company's activities imply a certain degree of risk-taking; assessing, evaluating, limiting, accepting and managing these risks form an integral part of the Company's daily operational activities.

The Company's risk management activities and processes were designed to facilitate the constant tracking of changes in the risk environment.

Organisational framework for risk management related to financing

The financing activity of the Student Loan Centre is facilitated by the Government Debt Management Agency (hereafter: "GDMA"). Together with the GDMA the Company prepares a 3-year Financing Strategy, which is reviewed each year. This strategy defines the framework for risk management. The basic funding principles set forth in the strategy are used to prepare an annual Financing Plan in text format, and monthly plans in figures, equally with the help of the GDMA; besides the Shareholder of the Company this is also approved by the Minister for National Economy in accordance with the prevailing Budget Act. The Company's Financing Committee generally convenes once a month, and based on data regarding current activities and market conditions it makes decisions on all financing transactions within the bounds of the annual framework approved by the Shareholder and the Minister at the same time as the Financing Plan.

Internal control mechanisms

The Company designs its internal controls in view of relevant legislation and in view the recommendations of the National Bank of Hungary on the design and operation of internal defence measures.

Part of the Company's internal control function involves a certain degree of risk management aimed at ensuring that the Company can identify, measure and manage its risks appropriately so that the risks which occur do not jeopardise ongoing operations. The Company employs an independent, external actuary for the purposes of modelling credit risk. If the level of risk

undertaken by the Company does not conform to the guidelines in the strategy, the CEO takes action to lower the risks.

4.1.2. Credit risk

Credit risk signifies the risk that the borrower does not meet its payment obligations, or not on time, or the value of the receivables falls due to a deterioration of the borrower's credit rating. Credit risk for the Company is derived mainly from student loans, receivable insurance premium and available-for-sale securities.

Management of credit risk

To forecast credit risks, the Company employs a credit risk and actuarial model designed by independent, external actuaries. Based on historic information of the student loan system, other demographics and higher education figures as well as future expectations and forecasts, the model determines the risk premium to be charged in the interest on student loans so that this can cover any loss that may be generated as a result of credit risks in the long term and the loan system can function in a sustainable manner.

Credit risks are partly managed by the Company's collections department, where soft methods are used to reach defaulting borrowers. Subject to meeting relevant legal criteria, the Company is entitled to cancel the contracts with the clients concerned and transfer their debts to the tax authority, when the debts become collectible like taxes. The amounts collected by the Tax Authority are then forwarded to the Student Loan Centre.

The percentage of Type 1 student loan agreements terminated because of non-performance during the calendar year compared to the total number of agreements being repaid was 1.24% in 2015 and 2.87% in 2014. The reason for the decrease is due to changes in related regulations at the end of 2014, as a result of which the non-performing period before a loan agreement can be terminated increased from 6 months to 12 months. As a result, the Company did not initiate the termination of any agreements for six months. With respect to Type 2 loans, the percentage of agreements terminated during the calendar year on the grounds of non-performance, compared to the number of loans being repaid at the beginning of the year, was 6.7% in 2015 and 11.22% in 2014. The reason for the decrease is a steady increase in the number of Type 2 loan agreements that reached the mandatory repayment period.

The following table shows the Company's exposure to credit risk at the end of the reporting periods:

Credit risk	31 Dec 2015	31 Dec 2014
Cash and cash equivalents	559	19 814
Student loans	276 953	275 677
Insurance premium receivables	2 653	2 794
Other financial assets	167	169
Maximum value of assets exposed to credit risk on 31 December	**280 332**	**298 454**

The following tables show the split of the company's assets exposed to credit risk at the end of the reporting periods. Impairment was determined on a portfolio basis.

31 December 2015

Credit risk	Neither past due nor impaired	Not overdue, impaired	Overdue and impaired	Total
Cash and cash equivalents	559	0	0	**559**
Student loans	0	200 237	76 716	**276 953**
Insurance premium receivables	0	1 887	766	**2 653**
Other financial assets	167	0	0	**167**
Maximum value of assets exposed to credit risk on 31 December	**726**	**202 124**	**77 482**	**280 332**

31 December 2014

Credit risk	Neither past due nor impaired	Not overdue, impaired	Overdue and impaired	Total
Cash and cash equivalents	19 814	0	0	**19 814**
Student loans	0	198 755	76 922	**275 677**
Insurance premium receivables	0	1 993	801	**2 794**
Other financial assets	169	0	0	**169**
Maximum value of assets exposed to credit risk on 31 December	**19 983**	**200 748**	**77 723**	**298 454**

Impaired loans

The Company records impairment loss on student loans on a portfolio basis.

- *Impairment loss on effective contracts:*
  a) Contracts that are allocated to categories as follows, at the time of the impairment testing:
     - Loans under disbursement and awaiting repayment
     - Loans being repaid and are not overdue
     - Loans being repaid overdue up to two months

The amount of impairment loss equals the amount of the mathematical reserve less the insurance technical reserve. Statutory actuarial reserve calculation method: the difference between present values of expected losses and expected cash flows calculated with effective interest rates.

b) Contracts that are overdue for at least three months at the time of the impairment testing are considered impaired as there is objective evidence for impairment.

The amount of impairment loss is the difference between the outstanding repayable loan and the present value of the expected cash flows calculated with the effective interest rate. The effective interest rate is the loan's interest rate less any risk premium for any insurance risk.

- *Impairment loss on terminated loans include*: borrowers paying in instalments (payment relief), loans transferred to the tax authority, other terminated student loans. The impairment loss on terminated contracts reflects the uncollected recoverable amounts on already ended contracts. The amount of any such impairment loss is based on the

expected cash flows, in view of the time elapsed since the contract was terminated, as discounted with the effective interest rate and on calculating the difference between the thus resulting present value and the outstanding debt.

Impairment loss on terminated loans

2015		2014	
Diákhitel 1	Diákhitel 2	Diákhitel 1	Diákhitel 2
70,4%	44,0%	74,8%	46,1%

Renegotiated loans – borrowers paying in instalments

As a form of payment relief, the Company may permit clients to pay in instalments. Payment relief is only available to clients whose entire debt is due in one sum. The length of any payment relief is a maximum of 10 years. Over the period of the payment relief, the client is obliged to repay the debt together with interest in monthly instalments. The monthly instalment is calculated on an annuity basis in view of a minimum monthly instalment and the longest permitted loan term. Any impairment loss on these contracts is recognised based on the actuarial model relevant for terminated contracts.

The following table shows the impairment recorded by the Company at the end of the reporting periods:

31 December 2015

Student loans	Diákhitel 1			Diákhitel 2			Total		
	Cost	Impairment loss	Net	Cost	Impairment loss	Net	Cost	Impairment loss	Net
Effective student loan contracts	**239 460**	**16 153**	**223 307**	**14 179**	**264**	**13 915**	**253 639**	**16 417**	**237 222**
Loans under disbursement and awaiting repayment	52 670	2 080	50 590	12 499	164	12 335	65 169	2 244	62 925
Loans being repaid and are not overdue	133 933	3 082	130 851	1 135	13	1 122	135 068	3 095	131 973
Loans being repaid overdue over 1-30 days	19 560	935	18 625	162	5	157	19 722	940	18 782
Loans being repaid overdue over 31-60 days	6 589	552	6 037	151	12	139	6 740	564	6 176
Loans being repaid overdue over 61-180 days	14 998	2 382	12 616	137	26	111	15 135	2 408	12 727
Loans being repaid overdue over 181-360 days	11 710	7 122	4 588	95	44	51	11 805	7 166	4 639
Terminated contracts	**23 289**	**16 404**	**6 885**	**25**	**11**	**14**	**23 314**	**16 415**	**6 899**
Renegotiated loans	*6 910*	*4 961*	*1 949*	*25*	*11*	*14*	6 935	4 972	1 963
Loans assigned to the tax authority for collection	*13 153*	*9 397*	*3 756*	*0*	*0*	*0*	13 153	9 397	3 756
Other terminated student loans	*3 226*	*2 046*	*1 180*	*0*	*0*	*0*	3 226	2 046	1 180
Balance at 31 December	**262 749**	**32 557**	**230 192**	**14 204**	**275**	**13 929**	**276 953**	**32 832**	**244 121**

Insurance premium receivable	Diákhitel 1			Diákhitel 2			Total		
	Cost	Impairment loss	Net	Cost	Impairment loss	Net	Cost	Impairment loss	Net
Effective student loan contracts	**2 407**	**148**	**2 259**	**12**	**0**	**12**	**2 419**	**148**	**2 271**
Loans under disbursement and awaiting repayment	529	19	510	11	0	11	540	19	521
Loans being repaid and are not overdue	1 346	28	1 318	1	0	1	1 347	28	1 319
Loans being repaid overdue over 1-30 days	197	9	188	0	0	0	197	9	188
Loans being repaid overdue over 31-60 days	66	5	61	0	0	0	66	5	61
Loans being repaid overdue over 61-180 days	151	22	129	0	0	0	151	22	129
Loans being repaid overdue over 181-360 days	118	65	53	0	0	0	118	65	53
Terminated contracts	**234**	**150**	**84**	**0**	**0**	**0**	**234**	**150**	**84**
Renegotiated loans	69	45	24	0	0	0	69	45	24
Loans assigned to the tax authority for collection	132	86	46	0	0	0	132	86	46
Other terminated student loans	33	19	14	0	0	0	33	19	14
Balance at 31 December	**2 641**	**298**	**2 343**	**12**	**0**	**12**	**2 653**	**298**	**2 355**

Total student loan receivables at 31 December	**265 390**	**32 855**	**232 535**	**14 216**	**275**	**13 941**	**279 606**	**33 130**	**246 476**

31 December 2014

Student loans	Diákhitel 1			Diákhitel 2			Total		
	Cost	Impairment loss	Net	Cost	Impairment loss	Net	Cost	Impairment loss	Net
Effective student loan contracts	**244 362**	**13 030**	**231 332**	**8 604**	**255**	**8 349**	**252 966**	**13 285**	**239 681**
Loans under disbursement and awaiting repayment	60 946	3 017	57 929	8 144	232	7 912	69 090	3 249	65 841
Loans being repaid and are not overdue	129 375	2 789	126 586	290	4	286	129 665	2 793	126 872
Loans being repaid overdue over 1-30 days	23 719	1 213	22 506	46	1	45	23 765	1 214	22 551
Loans being repaid overdue over 31-60 days	6 995	713	6 282	47	4	43	7 042	717	6 325
Loans being repaid overdue over 61-180 days	23 327	5 298	18 029	77	14	63	23 404	5 312	18 092
Terminated contracts	**22 705**	**16 398**	**6 307**	**6**	**3**	**3**	**22 711**	**16 401**	**6 310**
Renegotiated loans	*6 424*	*4 569*	*1 855*	*0*	*0*	*0*	6 424	4 569	1 855
Loans assigned to the tax authority for collection	*14 059*	*10 245*	*3 814*	*5*	*3*	*2*	14 064	10 248	3 816
Other terminated student loans	*2 222*	*1 584*	*638*	*1*	*0*	*1*	2 223	1 584	639
Balance at 31 December	**267 067**	**29 428**	**237 639**	**8 610**	**258**	**8 352**	**275 677**	**29 686**	**245 991**

Insurance premium receivable	Diákhitel 1			Diákhitel 2			Total		
	Cost	Impairment loss	Net	Cost	Impairment loss	Net	Cost	Impairment loss	Net
Effective student loan contracts	**2 554**	**117**	**2 437**	**4**	**0**	**4**	**2 558**	**117**	**2 441**
Loans under disbursement and awaiting repayment	637	27	610	4	0	4	641	27	614
Loans being repaid and are not overdue	1 352	25	1 327	0	0	0	1 352	25	1 327
Loans being repaid overdue over 1-30 days	248	11	237	0	0	0	248	11	237
Loans being repaid overdue over 31-60 days	73	6	67	0	0	0	73	6	67
Loans being repaid overdue over 61-180 days	244	48	196	0	0	0	244	48	196
Terminated contracts	**236**	**147**	**89**	**0**	**0**	**0**	**236**	**147**	**89**
Renegotiated loans	*67*	*41*	*26*	*0*	*0*	*0*	67	41	26
Loans assigned to the tax authority for collection	*147*	*92*	*55*	*0*	*0*	*0*	147	92	55
Other terminated student loans	*22*	*14*	*8*	*0*	*0*	*0*	22	14	8
Balance at 31 December	**2 790**	**264**	**2 526**	**4**	**0**	**4**	**2 794**	**264**	**2 530**

Total student loan receivables at 31 December	**269 857**	**29 692**	**240 165**	**8 614**	**258**	**8 356**	**278 471**	**29 950**	**248 521**

In the table above, the impairment loss on valid contracts row contains information on problem free student loans and student loans in default.

Other terminated contracts are likely to be included among borrowers paying in instalments or among receivables transferred to the Tax Authority.

The following table illustrates changes to recognised impairment loss:

Changes in impairment	Diákhitel 1	Diákhitel 2	Total
As of 1 January 2014	24 410	147	24 557
Reporting year impairment	5 282	111	5 393
Reporting year reversal	0	0	0
Impairment as of 31 December 2014	**29 692**	**258**	**29 950**
Reporting year impairment	3 163	17	3 180
Reporting year reversal	0	0	0
Impairment as of 31 December 2015	**32 855**	**275**	**33 130**

4.1.3. Insurance risk

Management of insurance risk

The risk premium charged in the interest on student loans covers the implicit insurance risks in the student loans. Such insurance elements include writing off the loan if the client passes away, or forgiving the loan upon retirement. The actuarial model designed to estimate the risk premium was developed and is operated by an independent, external actuary, where the insurance risks are considered separately from the credit risks. To calculate the risks, mortality and disability data along with retirement data were monitored and analysed in the model. The model calculates the value of the technical reserve for the insurance element.

Calculation of insurance technical reserves

The loss incurred upon an insurance risk event is considered to be an insurance loss. The reserve is calculated for all of the effective contracts. When calculating the reserve, the portion of the student loan costs that pertains to insurance risk must be taken into account under expenses too. The portion of the risk premium that pertains to these risks is the net insurance premium. The gross premium is the net premium including the cost margin. The cost margin is the prorated allocation between insurance and non-insurance risks of the cost margin portion of the interest premium, assuming that the costs and the cost margins are identical. The technical reserve equals the difference between the present value of the expenses calculated based on the funding interest and the present value of the premiums based on the funding interest. The calculation of the insurance reserve is based on numerous assumptions.

Diákhitel 1.

Risk distribution	2015. II. half-year	2015. I.half-year	2014. II. half-year	2014. I. half-year
Mortality	8,93%	8,05%	8,05%	5,59%
Disability	13,11%	9,61%	9,61%	5,89%
Pension	2,58%	1,58%	1,58%	0,22%
Insurance Risk Total	24,62%	19,24%	19,24%	11,70%
Non-payment	75,38%	80,76%	80,76%	88,30%
Credit Risk Total	75,38%	80,76%	80,76%	88,30%
Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**

Diákhitel 2.

Risk distribution	2015. II. half-year	2015. I.half-year	2014. II. half-year	2014. I. half-year
Mortality	6,17%	5,07%	5,07%	4,07%
Disability	3,22%	1,54%	1,54%	0,67%
Pension	1,76%	0,15%	0,15%	0,21%
Insurance Risk Total	11,15%	6,76%	6,76%	4,95%
Non-payment	88,85%	93,24%	93,24%	95,05%
Credit Risk Total	88,85%	93,24%	93,24%	95,05%
Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**

In addition to the above risks, insurance risks do not include any additional maturity risk. Insurance risks do not have any known concentration.

The following tables show the assumptions used for the calculation of financing interest, operating premium and payroll cost inflation for the ends of 2015 and 2014, respectively:

Diákhitel 1.

31 December 2015	2016	2017	2018	2019	2020	2021	2022	2023+
Financing interest	2,08%	2,29%	2,71%	3,01%	3,22%	3,34%	3,42%	3,49%
Operating premium	0,70%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%
Payroll cost inflation	3,38%	3,80%	3,54%	3,54%	3,54%	3,54%	3,54%	3,54%

Diákhitel 2.

31 December 2015	2016	2017	2018	2019	2020	2021	2022	2023+
Financing interest	2,08%	2,29%	2,71%	3,01%	3,22%	3,34%	3,42%	3,49%
Operating premium	1,89%	1,43%	0,95%	0,95%	0,95%	0,95%	0,95%	0,95%
Payroll cost inflation	3,38%	3,80%	3,54%	3,54%	3,54%	3,54%	3,54%	3,54%

Diákhitel 1.

31 December 2014	2015	2016	2017	2018	2019	2020	2021	2022+
Financing interest	3,14%	3,02%	3,35%	3,66%	3,79%	3,79%	3,78%	3,79%
Operating premium	0,94%	0,85%	0,85%	0,85%	0,85%	0,85%	0,85%	0,85%
Payroll cost inflation	2,34%	3,80%	3,30%	3,30%	3,30%	3,30%	3,30%	3,30%

Diákhitel 2.

31 December 2014	2015	2016	2017	2018	2019	2020	2021	2022+
Financing interest	3,14%	3,02%	3,35%	3,66%	3,79%	3,79%	3,78%	3,79%
Operating premium	2,33%	2,25%	2,25%	0,85%	0,85%	0,85%	0,85%	0,85%
Payroll cost inflation	2,34%	3,80%	3,30%	3,30%	3,30%	3,30%	3,30%	3,30%

Assumptions used to calculate the technical reserves and actuarial reserves for effective student loans Type 1 and Type 2:

- In 2015, the **minimum wage** was considered at HUF 105,000, being the statutory minimum wage prescribed for full-time employees by government decree 347/2014. (XII.29.). The model calculated with the minimum wage effective as of 31 October of the year preceding the first day of the cash flow projection in accordance with government decree 483/2013. (XII.17.), i.e. at HUF 101,500. The minimum wage assumption used increased by 3.4% as compared to the assumptions used for making reserves at the end of 2014.

- The **collection rates** are determined based on collection experience related to cancelled Diákhitel 1 contracts. Cancelled contracts are classified based on the amount of principal owed (low, medium, high). Collection success depends on the date of cancellation and the time elapsed since. At the end of 2015, the collection rates for contracts terminated during the year per debt category were: 56%/49%/34%. The collection rates for cancelled contracts at the end of 2014 were: 56%/54%/31%. The same rates apply also to Diákhitel 2 contracts.

- **Mortality** was estimated based on the national portability statistics for 2013 and on an analysis of differences between expected and actual mortality for Type 1 student loans. Based on the results, the mortality rate was adjusted by 90% for reserve calculation purposes.

- National **disability** figures were adjusted by 70% based on analyses.

- **Probability of bullet payments**: Assumptions as to the probability of bullet payments, and the reclassification of pass debtors to overdue or terminated status reflect relevant experience so far with Type 1 student loans.

  The application of modifying factors were based on the student loan portfolio's empirical data.

  The probabilities calculated based on historic experience which reflects the assumptions used for pricing loans are shown in the table below:

  The probability of early repayment before disbursement and repayment period is 0.

Probability of bullet payment

Diákhitel 1. - Diákhitel 2.

Loan granted (HUF)	Under repayment	Overdue	Under repayment	Overdue
	31 December 2015		31 December 2014	
0 - 500 000	26,15%	16,99%	25,79%	15,12%
500 001 - 1 000 000	4,67%	2,08%	4,87%	4,63%
1 000 000 - 1 500 000	2,48%	1,21%	2,39%	2,34%
1 500 001 - 2 000 000	1,40%	0,61%	1,40%	1,38%
2 000 000 - .	0,85%	0,32%	0,89%	0,89%

The assumption used in 2015 changed compared to that used for provisions and reserves in 2014 as the probability of bullet payments increased in the lower debtor categories but dropped or stagnated in the higher debtor categories. In view of the overall impact of the changes in bullet payments, early repayments and lump-sum loan disbursements, IFRS reserves and impairment loss increased as a result of the new assumption.

- **Probability and expected volume of early repayment**: The expected volume of early repayment is estimated as the percentage of amounts repaid in periodic instalments and assumed that early repayment will take place once a year. The method used for Type 2 student loans was adopted for Type 1 student loans in 2015.

  Any early repaid amount and the probability of early repayment depend on the amount of the required annual instalment. Based on the information available, the model used the following assumptions for our estimates:

Probability of early repayment

Diákhitel 1.

31 December 2015				31 December 2014			
Amount of monthly instalment (HUF)		Probability of early repayment	Percentage of annual repayment	Amount of monthly instalment (HUF)		Probability of early repayment	Percentage of annual repayment
Low	0 - 100 000	49,69%	35,86%	The assumptions used for calculation 2014 did not depend on the amount of the installment.		35,35%	0,00%
Medium	100 001 - 200 000	50,39%	22,81%			35,37%	3,00%
High	200 001 -	51,52%	14,44%			14,42%	22,00%
						14,86%	190,00%

Diákhitel 2.

31 December 2015				31 December 2014			
Amount of monthly instalment (HUF)		Probability of early repayment	Percentage of annual repayment	Amount of monthly instalment (HUF)		Probability of early repayment	Percentage of annual repayment
Low	0 - 100 000	49,69%	35,86%	Low	0 - 90 000	50,26%	36,46%
Medium	100 001 - 200 000	50,39%	22,81%	Medium	90 001 - 200 000	52,89%	24,47%
High	200 001-	51,52%	14,44%	High	200 001-	50,51%	13,49%

- **Initial earnings** were estimated based on the tax authority's official income figures database for Type 1 student loans. Figures from the NYIKA (Pension and Old Age People [OAP] Roundtable) project show that the percentage of partly or fully inactive population is significantly higher among under-30 age group than in the older age groups. As a result, as most of the student loan debtors are under 30, the income figures in the student loan database are underestimated. Consequently, the lowest income category used in the calculation model was estimated based on statistical information prepared by the Central Statistics Office for 2010 relevant to people with finished grammar school education or higher in the 15-60 age group who represent 4.3% of the economically inactive population. Accordingly, the model assumes that 4,3% of the contracted debtors do not have relevant earnings. In case no initial wage data was available the minimum wage was assumed.

- **Age dependent increase in earnings**: The increase in earnings (wages and salaries) varies by age and by gender in the calculation model. The related estimates were taken from a pension scheme modelling project co-conducted with the Pension and OAP Roundtable.

Sensitivity analysis of reserve calculations:

The analysis of the effects of the changes in the key assumptions that have the highest impact on reserves is presented in the table below.

Sensitivity analysis of reserve calculations

Diákhitel 1.	31 December 2015 Original assumption	Amended assumption	Reserve	Change	31 December 2014 Original assumption	Amended assumption	Reserve	Change
Under basic assumptions			**2 622**				**2 367**	
Mortality (relative to mortality of population)	90%	80%	2 395	-8,66%	90%	80%	2 117	-10,56%
		100%	2 848	8,62%		100%	2 615	10,48%
Disability (relative to national data)	70%	60%	2 107	-19,64%	70%	60%	1 908	-19,39%
		80%	3 134	19,53%		80%	2 824	19,31%
Real wage growth		-1%	3 829	46,03%		-1%	3 279	38,53%
		+1%	1 823	-30,47%		+1%	1 770	-25,22%
Collection rate on cancelled contracts	56%,49%,34%	55%,48%33%	2 622	0,00%	56%,54%,31%	55%,53%30%	2 367	0,00%
	56%,49%,34%	57%,50%35%	2 622	0,00%	56%,54%,31%	57%,55%32%	2 367	0,00%
Risk premium	1,10%	-0,10%	2 846	8,54%	1,42%	-0,10%	2 508	5,96%
		0,10%	2 403	-8,35%		0,10%	2 231	-5,75%
Cost of capital		-1,00%	1 768	-32,57%		-1,00%	1 742	-26,40%
		1,00%	3 953	50,76%		1,00%	3 337	40,98%
Pricing			3 373	28,64%			3 099	30,93%

Diákhitel 2	31 December 2015 Original assumption	Amended assumption	Reserve	Change	31 December 2014 Original assumption	Amended assumption	Reserve	Change
Under basic assumptions			**47**				**47**	
Mortality (relative to mortality of population)	90%	80%	30	-36,17%	90%	80,00%	36	-23,40%
		100%	64	36,17%		100,00%	57	21,28%
Disability (relative to national data)	70%	60%	32	-31,91%	70%	60,00%	40	-14,89%
		80%	62	31,91%		80,00%	53	12,77%
Real wage growth		-1%	73	55,32%		-1,00%	54	14,89%
		+1%	25	-46,81%		1,00%	40	-14,89%
Collection rate on cancelled contracts	56%,49%,34%	55%,48%33%	47	0,00%	56%,54%,31%	55%,53%30%	47	0,00%
	56%,49%,34%	57%,50%35%	47	0,00%	56%,54%,31%	57%,55%32%	47	0,00%
Risk premium	1,16%	-0,10%	72	53,19%	1,28%	-0,10%	56	19,15%
		0,10%	22	-53,19%		0,10%	38	-19,15%
Cost of capital		-1,00%	116	146,81%		-1,00%	75	59,57%
		1,00%	-1	-102,13%		1,00%	27	-42,55%
Pricing			30	-36,17%			32	-31,91%

Technical reserves are sensitive to changes in the assumptions regarding increase in real earnings (wages and salaries), mortality and disability, while the assumptions regarding collection rates has less impact on reserve levels. Changes in the risk premium also have a material impact on technical reserves.

The pricing sensitivity analysis was prepared based on the pricing conditions prevailing in 2015. Most of the differences from the assumptions used for calculating reserves as at 31 December 2015 arose in the economic assumptions (inflation, wages and salaries, funding costs, late payment interest).

The level of the risk premium influences the size of the technical reserve; changes to the risk premium are illustrated in the following table:

Interest period	risk premium	
	Diákhitel 1.	Diákhitel 2.
2014.01.01-2014.06.30	1,67%	1,24%
2014.07.01-2014.12.31	1,42%	1,28%
2015.01.01-2015.06.30	1,42%	1,28%
2015.07.01-2015.12.31	1,10%	1,16%

4.1.4. Liquidity risk

Liquidity risk is the risk that the Company cannot meet its payment obligations on time.

In relation to the financing of the student loan system and during the portfolio management of the debt there is also the "renewal risk", which is derived from the availability of funds required to repay maturing loans and bonds. Renewal risk that is not managed appropriately can easily result in liquidity problems, but it also implies an interest risk in cases where the financing becomes exposed to an asset or financial partner.

Management of liquidity risk

For liquidity equalisation purposes the Company has employed stand-by credit line agreements for many years, whereby the amounts are determined to ensure sufficient security for likely situations. Aside from the purposes mentioned, the stand-by credit also enhances the security of financing, since if planned funds are not raised because of some market event, a flexible and suitable size of stand-by credit can offer a temporary solution and lower the liquidity risk.

Liquidity risk is an important consideration when selecting the terms of funding raised; this is why the Company strives to match the terms of its funds to the assets, i.e. to the long expected average term of the student loans, as well as to lower the renewal risk and be the maturity curve of the Student Loan Centre's funds as even as possible.

The following table breaks down the expected cash flows of financial assets and liabilities by maturity:

Liquidity risk	Book value	Expected cash-flows	within 1 month	1-3 months	3 months - 1 year	1-5 years	more than 5 years
31 December 2015							
Cash and cash equivalents	559	300	300	0	0	0	0
Student loans	244 121	365 632	1 601	3 556	15 646	100 475	244 354
Insurance premium receivables	2 355	3 420	16	36	157	969	2 242
Other financial assets	167	167	101	1	6	56	3
Non-derivative financial liabilities							
Loans and advances from banks	-158 464	-183 648	0	-2 907	-8 101	-119 326	-53 314
Other financial liabilities	-149	-149	-116	-33	0	0	0
Issued bonds	-74 417	-78 237	0	0	-42 747	-35 490	0
	14 172	**107 485**	**1 902**	**653**	**-35 039**	**-53 316**	**193 285**

Liquidity risk	Book value	Expected cash-flows	within 1 month	1-3 months	3 months - 1 year	1-5 years	more than 5 years
31 December 2014							
Cash and cash equivalents	19 814	19 546	19 546	0	0	0	0
Student loans	245 991	373 586	2 076	4 497	19 328	119 436	228 249
Insurance premium receivables	2 530	3 754	22	48	204	1 228	2 252
Other financial assets	169	169	104	1	5	55	4
Non-derivative financial liabilities							
Loans and advances from banks	-153 710	-183 088	-421	-2 465	-7 169	-119 246	-53 787
Other financial liabilities	-142	-142	-115	-27	0	0	0
Issued bonds	-100 865	-107 185	0	-20 786	-30 499	-55 900	0
	13 787	**106 640**	**21 212**	**-18 732**	**-18 131**	**-54 427**	**176 718**

The expected cash flows defined above were determined by the Company taking into account future capital assets and liabilities from the individual financial instrument contracts as valid for the remaining terms, and the cash flows caused by interest and other fees.

The table shows the expected cash flows of the Student Loan Centre as derived from the Company's current contracts. As the Company can generally use shorter-term funds to finance the student loans extended for an average of 15-20 years that are repaid in proportion to incomes and which make up the majority of the asset side of its balance sheet, the net cash flow calculated from the above turns negative in the short term. However, the Company's market-based financing has been stable in the past few years; this is set up with the professional support of the Government Debt Management Agency and approved by the Minister responsible for the government budget.

4.1.5. Market risk

Market risk is the risk that changes in market prices, such as interest rates (interest risk), prices (price risk) and exchange rates (currency risk) will influence the Company's profits or the value of its financial instruments.

Management of market risks

Due to the special rules on student loans and the Student Loan Centre (such as the method for calculating interest) there is no interest risk to the Company's profit under Hungarian accounting standards, as the interest risks must be passed on to clients by continuously accruing/deferring the difference of funding costs and interest income and releasing such accruals/deferrals against loan interests during the prescribed period. Traditional banking operations and risk management requires the duration matching of maturities on the assets and equity & liabilities side to ensure that both sides of the balance sheet reflect the same movements in yields. Thus the interest margin remains largely unchanged as it is hedged against interest risk by having an impact on the balance sheet structure. In accordance with this principle, the Student Loan Centre would need to reflect short-term (half-year and declining) duration value of student loans (i.e. the loans would be re-priced on a six monthly basis) also on the equity & liabilities side as a combination of a number of weighed funding instruments as the maturities cannot be changed on the asset side of the balance sheet (this would only be possible subject to profound changes in the terms of conditions of student loans as loan products). However, in practice, such a funding scheme would result in the dominance of floating interest financing instruments with truly adverse consequences: although the approach could render accruals/deferrals by the Company unnecessary, it would cause serious volatility in student loan interest rates. Besides, the approach would be difficult to be put into practice as traditional banking practice allows for a number of

instruments on both the assets and the equity & liabilities side to enable continuous duration matching, but such instruments are not available or applicable to the Company.

The Company can manage interest and foreign exchange risks by influencing the ratio of fix and floating interest debts and by choosing the duration of the assets used. The Company's funding structure is devised with a view to continuously reducing student loan interest rates as yield also reduce. At the same time, this structure would need to allow little room for reflecting unexpected increases in market yields in student loan interest rates. The Company's financing strategy aims to develop the fix/floating ratio proposed by the Sovereign Debt Management Centre (ÁKK) subject to market conditions and in view of the nature, market availability and interest sensitivity of the various funds with different interest rates and durations.

The following table displays the exposure to interest rate risk under IFRS at the end of the reporting periods:

Interest rate risk	31 December 2015	31 December 2014
Fixed interest	307	19 516
Floating interest	246 485	248 531
Interest bearing assets	**246 792**	**268 047**
Fixed interest	-107 590	-128 031
Floating interest	-125 291	-126 544
Interest bearing liabilities	**-232 881**	**-254 575**

A 50 basis-point change in HUF interest and a 10 basis-point change in EUR interest would make the following impact on the Company's profits and equity.

Cash flow sensitivity	31 December 2015			31 December 2014		
	Increase (basis points)	Equity	Profit or loss	Increase (basis points)	Equity	Profit or loss
Floating-interest instruments (HUF)	50	1 013	1 013	50	912	912
Floating-interest instruments (EUR)	10	-37	-37	10	-38	-38
Cash flow sensitivity, net		**976**	**976**		**874**	**874**

Fair value sensitivity	31 December 2015			31 December 2014		
	Increase (basis points)	Equity	Profit or loss	Increase (basis points)	Equity	Profit or loss
Fixed interest instruments	50	0	0	50	-6	0

Foreign exchange risk can arise from the HUF/EUR exchange rate fluctuations and between various foreign currencies. However, when the financial statements were prepared, the Student Loan Centre had no assets or liabilities denominated in foreign exchange.

4.1.6. Early repayment risk

Early repayment risk is the risk that Diákhitel Központ Zrt. incurs losses because clients pay their loans back in part or in full prior to the contractual maturity date.

The large repayment sums owing to the high willingness to repay early seem beneficial from a financing and cash-flow perspective as they promote the goal of becoming self-financing as quickly as possible. Nevertheless, from the perspective of spreading credit losses they are not so beneficial, since the – presumably – highly solvent borrowers willing to pay are removed from the risk pool more quickly, and so the interest element of the risk premium designed to cover the expected credit losses of the entire pool is also paid for a shorter period. The Company currently manages this risk by integrating expected early repayments into the model applied for estimating the risk premium and reserves. There are no other measures – penalty fees, time restrictions – applied for early repayments.

5. Capital management

Diákhitel Központ Zrt. is engaged in 'other lending', which it performs as an economic entity under the applicable government decree; apart from some minor exceptions it does not fall under the Act on Credit Institutions and Financial Enterprises. Despite this, the Company is not governed by the National Bank of Hungary and the capital requirements set for institutions carrying out financial activities do not apply to the Company. For this reason the Company's capital adequacy is relatively low compared to the financial sector. The Company complies with the capital requirements for business organisations, which state that the share capital of companies limited by shares may not be less than HUF 5 million. (section 3:212 of act V of 2013).

6. Fair value of financial instruments

The Company's accounting policies and disclosures require fair values to be determined for financial assets and liabilities. The Company only applies fair value measurements for available-for-sale securities classified under cash and cash equivalents.

The fair value is the amount at which assets are sold or liabilities are settled under normal market conditions between informed parties.

In the case of active markets the Company determines the fair values of assets and liabilities based on quoted prices available on the market (Level 1).

When independent prices are not available, fair values are determined by using valuation techniques which rely on observable market data. These include comparisons with similar instruments where observable market prices exist, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants (Level 2). For financial instruments, fair values may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data (Level 3).

For the individual categories of financial instrument the fair values were determined using the following methods for valuation and/or disclosure purposes.

Available-for-sale financial instruments

The fair value calculations for these instruments are presented in note 3.9.1 in the "Summary of key accounting principles" chapter.

Student loans and insurance premium receivables

Since there is no product on the market that is comparable with student loans, and since the Company passes on the entire cost of the funds sourced on the money and capital markets to clients, including the risk and operation premiums, in this report we assumed in respect of the student loans and insurance premium receivables that their carrying amounts are a suitable approximate estimate for their fair values. This assumption is backed up by the fact that the contracts are re-priced on a six-monthly basis.

Other receivables and other liabilities

As other receivables and other liabilities are current items, their carrying amounts well reflect the fair values of the assets and liabilities.

Loans and advances from banks

A significant part of loans taken by Diákhitel Központ Zrt. are floating-interest rate loans, all of these were re-priced in December 2015.

The fair value of the loans was discounted based on the HUF market rates on 31 December 2015 and the average spread on bonds issued by the company compared to reference government bonds yields. The cash-flow elements to be discounted in case of HUF based floating-interest instruments were calculated based on the forward rates of 3 month HUF swap yield curves available on Reuters and the marge of the loans. The cash-flow elements to be discounted in case of EURIBOR based MFB loans were calculated based on the forward returns of 3 months euro swap yield curves available on Reuters and the marge on the loan. The fair value of the loans differs from their book value.

Issued bonds

The bonds issued by the Company are publicly issued bonds bearing fixed interest and are traded on the Budapest Stock Exchange. All of the bond series possess the same conditions as a benchmark government bond series (interest, maturity) for easier comparisons and to facilitate pricing, yet their market is still significantly less liquid relative to the market for government securities. For this reason the Company calculates the fair value of bonds by comparing the yield of the last transaction prior to the given date with the yield for the benchmark government security at the same time, and then after adding the yield premium calculated in this way to the yield valid when the fair value of the benchmark government security was calculated, this yield is used to discount the expected cash flows of the given bond series.

The following table shows the fair values of the Company's financial assets and financial liabilities calculated as determined above, compared with their carrying amounts at the end of the individual reporting periods:

Fair value of financial instruments

31 December 2015

Fair value of financial instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents	260	299	0	559	559
Student loans	244 121	0	0	244 121	244 121
Insurance premium receivables	2 355	0	0	2 355	2 355
Other financial assets	167	0	0	167	167
Fair value of financial assets	**246 903**	**299**	**0**	**247 202**	**247 202**
Loans and advances from banks	0	0	158 464	158 464	158 699
Other financial liabilities	0	0	149	149	149
Issued bonds	0	0	74 417	74 417	76 393
Fair value of financial liabilities	**0**	**0**	**233 030**	**233 030**	**235 241**

31 December 2014

Fair value of financial instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents	309	19 505	0	19 814	19 814
Student loans	245 991	0	0	245 991	245 991
Insurance premium receivables	2 530	0	0	2 530	2 530
Other financial assets	169	0	0	169	169
Fair value of financial assets	**248 999**	**19 505**	**0**	**268 504**	**268 504**
Loans and advances from banks	0	0	153 710	153 710	154 529
Other financial liabilities	0	0	142	142	142
Issued bonds	0	0	100 865	100 865	103 968
Fair value of financial liabilities	**0**	**0**	**254 717**	**254 717**	**258 639**

Fair value hierarchy

31 December 2015

Assets	Book value	Fair value	1. szint	2. szint	3. szint
Assets measured at fair value	**299**	**299**	**299**	**0**	**0**
Available-for-sale financial assets	299	299	299	0	0
Assets disclosed at fair value	**246 903**	**246 903**	**260**	**0**	**246 643**
Cash and cash equivalents	260	260	260	0	0
Student loans	244 121	244 121	0	0	244 121
Insurance premium receivables	2 355	2 355	0	0	2 355
Other financial assets	167	167	0	0	167
Total	**247 202**	**247 202**	**559**	**0**	**246 643**

Liabilities	Book value	Fair value	1. szint	2. szint	3. szint
Liabilities measured at fair value	**0**	**0**	**0**	**0**	**0**
Liabilities disclosed at fair value	**233 030**	**235 241**	**0**	**235 092**	**149**
Loans and advances from banks	158 464	158 699	0	158 699	0
Other financial liabilities	149	149	0	0	149
Issued bonds	74 417	76 393	0	76 393	0
Total	**233 030**	**235 241**	**0**	**235 092**	**149**

31 December 2014

Assets	Könyv szerinti érték	Valós érték	1. szint	2. szint	3. szint
Assets measured at fair value	**19 505**	**19 505**	**19 505**	**0**	**0**
Available-for-sale financial assets	19 505	19 505	19 505	0	0
Assets disclosed at fair value	**248 999**	**248 999**	**309**	**0**	**248 690**
Cash and cash equivalents	309	309	309	0	0
Student loans	245 991	245 991	0	0	245 991
Insurance premium receivables	2 530	2 530	0	0	2 530
Other financial assets	169	169	0	0	169
Total	**268 504**	**268 504**	**19 814**	**0**	**248 690**

Liabilities	Könyv szerinti érték	Valós érték	1. szint	2. szint	3. szint
Liabilities measured at fair value	**0**	**0**	**0**	**0**	**0**
Liabilities disclosed at fair value	**254 717**	**258 639**	**0**	**258 497**	**142**
Loans and advances from banks	153 710	154 529	0	154 529	0
Other financial liabilities	142	142	0	0	142
Issued bonds	100 865	103 968	0	103 968	0
Total	**254 717**	**258 639**	**0**	**258 497**	**142**

7. Interest income and expense

	Interest income	2015	2014
Note7.1	Student loan interest income*	13 783	15 717
Note7.2	T-bills	84	110
Note7.3	Interest paid by employees	0	1
	Total	**13 867**	**15 828**

	Interest expense	2015	2014
Note7.5	**Bond interest**	**4 032**	**5 887**
	Interest on long-term loans	**4 691**	**4 532**
Note7.6	*EIB loan interest*	2 494	2 908
Note7.7	*MFB loan interest*	1 936	1 283
Note7.8	*Takarékbank loan interest*	261	341
	Stand-by loan interest	**0**	**6**
Note7.9	*Budapest Bank loan interest*	0	5
Note7.11	*MFB loan interest*	0	1
	Total	**8 723**	**10 425**
	Net interest income	**5 144**	**5 403**

* Contains the interest elements of student loans related to loan components.

Diákhitel interest income details	2015			2014		
	Diákhitel 1	Diákhitel 2	Total	Diákhitel 1	Diákhitel 2	Total
Student loan interest income*	***7 253***	***22***	***7 275***	***7 655***	***6***	***7 661***
-interest on funding costs	*4 222*	*10*	*4 232*	*4 858*	*3*	*4 861*
-interest on risk premium	*1 696*	*4*	*1 700*	*1 911*	*1*	*1 912*
-Interest on operating costs	*1 335*	*8*	*1 343*	*886*	*2*	*888*
Student loan interest accrued due to capita	**5 063**	**201**	**5 264**	**6 714**	**116**	**6 830**
-interest on funding costs	*3 267*	*95*	*3 362*	*4 281*	*61*	*4 342*
-interest on risk premium	*1 036*	*37*	*1 073*	*1 698*	*20*	*1 718*
-Interest on operating costs	*760*	*69*	*829*	*735*	*35*	*770*
Amount reclassified from interest income to insurance premium received	**-1 036**	**-11**	**-1 047**	***-803***	***-4***	**-807**
Student loan default interest*	**1 262**	**1**	**1 263**	***1 137***	**0**	**1 137**
State targeted interest subsidies*	**522**	**506**	**1 028**	***573***	**323**	**896**
Total	**13 064**	**719**	**13 783**	**15 276**	**441**	**15 717**

* Late payment interest received includes the actually received interest on impaired student loans.

8. Insurance premium earned

Based on the actuarial model calculation, the Company calculates the income from insurance premium based on the risk premium spread, i.e. the risk and operating premium attributable to the period is multiplied by the insurance risk percentage. The risk spread is presented in section 4.1.3. Based on section 3.3 of the accounting policies, interest subsidies received are presented as part of interest income.

Insurance premium income	2015			2014		
	Diákhitel 1	Diákhitel 2	Total	Diákhitel 1	Diákhitel 2	Total
Period risk premium	2 732	41	2 773	3 609	21	3 630
Period operating premium	2 095	77	2 172	1 621	37	1 658
Total premiums	***4 827***	***118***	***4 945***	***5 230***	***58***	***5 288***
Thereof: premium income	**1 036**	**11**	**1 047**	**803**	**4**	**807**

9. Damages paid

Expense caused by insurance events	2015			2014		
	Diákhitel 1	Diákhitel 2	Total	Diákhitel 1	Diákhitel 2	Total
Loan written off due to death	105	3	108	89	0	89
Loan written off due to disability	22	0	22	44	0	44
Total	**127**	**3**	**130**	**133**	**0**	**133**

The estimation of damages payable and the actual damage events are presented in the table below:

Diákhitel 1				Diákhitel 2			
Loan written off due to Mortality		Loan written off due to Disability		Loan written off due to Mortality		Loan written off due to Disability	
estimated	actual	estimated	actual	estimated	actual	estimated	actual
197	89	**0**	44	0	0	0	0
200	105	**0**	22	6	3	0	0

10.Net trading profit or loss

Net trading profit or loss	2015	2014
Loss/profit from the sale of financial instruments	-119	-73
Net trading loss/profit	**-119**	**-73**

11. Other operating income and expenses

Other operating income	2015	2014
Income from forgiven receivables	7	1
Income from forgiven liabilities	18	0
Government grants received	26	26
Advertising campaign paid by MFB	32	94
Other	6	4
Total	**89**	**125**

Other operating costs, expenses	2015	2014
Material costs	30	23
Services used	824	955
Other services	302	216
Wage cost	676	703
Other staff benefits	234	182
Social security contribution	245	236
Depreciation	179	156
Costs of issuing bonds	-198	81
Amounts contributed free of charge	60	5
Other	3	3
Net value of PPE and intangible assets sold, scrapped	0	27
Total	**2 355**	**2 587**

* The cost of bonds held in trading include a negative amount of HUF 219 million which is the total of issuance costs incurred in relation to bonds issued until 31 December 2014. These costs were expensed when incurred and did not reduce the initial cost of the bonds. As a result of the changes in 2015, the initial cost and the amortisation of these bonds were remeasured.

12.Tax expense, tax income

According to section 19 of act LXXXI of 1996, for a positive taxable base of no more than HUF 500 million, the tax rate is 10%, for any amount in excess of this threshold the rate is 19%.

The following table summarises the tax rates valid in the periods presented:

Corporate income tax rates of the Company	**2015**	**2014**
Corporate tax	10% , 19%	10% , 19%
Corporate tax rate	**10% , 19%**	**10% , 19%**

Tax rates used by Company	**2015**	**2014**
Corporate tax	10%	10%
Deferred tax rate	**10%**	**10%**

Corporate tax expense in reporting year	**2015**	**2014**
Corporate tax expense in reporting year	3	0
Total corporate tax expense in reporting year	**3**	**0**

Deferred tax income	**2015**	**2014**
Occurrence and reversal of temporary differences	24	2
Total deferred tax income	**24**	**2**
Total corporate tax	**27**	**2**

The following table reconciles the tax expected based on the accounting profit and the tax actually paid:

Breakdown of effective tax rate	**2015**	**2014**
Period result	201	20
Corporate tax income / expense	-27	-2
Profit/loss before tax	228	22
Expected corporate tax based on tax rate	-23	-2
Impact of exchange rate changes	0	0
Non-deductible expenses	-6	-1
Tax-exempt income	3	9
Reversal effect of tax differences	2	-2
Corporate income tax payable	3	0
Negative corporate tax base in reporting year, for which deferred tax assets were not allocated	0	-6
Unrecognised changes in temporary differences	-4	0
Other	-2	0
Tax income	**-27**	**-2**

13. Breakdown of assets and liabilities by maturity

Assets by maturity	31 December 2015	31 December 2014
Cash and cash equivalents		
Short-term	558	19 813
Long-term	1	1
Total:	**559**	**19 814**
Student loans		
Short-term	43 180	41 651
Long-term	200 941	204 340
Total:	**244 121**	**245 991**
Insurance premium receivables		
Short-term	437	442
Long-term	1 918	2 088
Total:	**2 355**	**2 530**
Current tax receivables		
Short-term	0	0
Long-term	0	3
Total:	**0**	**3**
Other receivables		
Short-term	131	135
Long-term	64	63
Total:	**195**	**198**
Other assets		
Short-term	3	3
Long-term	56	0
Total:	**59**	**3**
Property, plant and equipment		
Short-term	0	0
Long-term	196	233
Total:	**196**	**233**
Intangible assets		
Short-term	0	0
Long-term	257	269
Total:	**257**	**269**
Total:	**247 742**	**269 041**

Liabilities by maturity	2015.12.31	2014.12.31
Loans and advances from banks		
Short-term	7 625	6 273
Long-term	150 839	147 437
Total:	**158 464**	**153 710**
Other liabilities		
Short-term	529	576
Long-term	20	46
Total:	**549**	**622**
Issued bonds		
Short-term	39 311	46 809
Long-term	35 106	54 056
Total:	**74 417**	**100 865**
Technical reserves		
Short-term	155	150
Long-term	2 514	2 264
Total:	**2 669**	**2 414**
Deferred tax liabilities		
Short-term	0	0
Long-term	938	915
Total:	**938**	**915**
Total:	**237 037**	**258 526**

14. Cash and cash equivalents

Cash and cash equivalents	2015	2014
Cash	1	0
Available-for-sale securities	299	19 505
Bank deposits	258	308
Restricted-use cash	1	1
Total	**559**	**19 814**

Restricted-use cash includes the necessary coverage for the use of bank cards.

Available-for-sale securities

31 December 2015

Instrument	Date of purchase	Date of maturity	Face value	Fair value
D150121	2015.12.29	2016.03.09	300	299
összesen			**300**	**299**

31 December 2014

Instrument	Date of purchase	Date of maturity	Face value	Fair value
D150121	2014.09.01	2015.01.21	180	179
D150121	2014.09.02	2015.01.21	160	160
D150121	2014.09.03	2015.01.21	230	229
D150121	2014.09.04	2015.01.21	200	199
D150121	2014.09.05	2015.01.21	225	224
D150121	2014.09.08	2015.01.21	100	100
D150121	2014.09.10	2015.01.21	3 185	3 178
D150121	2014.09.11	2015.01.21	100	100
D150121	2014.09.12	2015.01.21	60	60
D150121	2014.09.15	2015.01.21	105	105
D150121	2014.09.16	2015.01.21	45	45
D150121	2014.09.17	2015.01.21	45	45
D150121	2014.09.18	2015.01.21	35	35
D150121	2014.09.19	2015.01.21	75	75
D150121	2014.09.22	2015.01.21	35	35
D150121	2014.09.23	2015.01.21	44	44
D150121	2014.09.24	2015.01.21	9 430	9 410
D150121	2014.09.25	2015.01.21	70	70
D150121	2014.09.26	2015.01.21	30	30
D150121	2014.09.29	2015.01.21	50	50
D150121	2014.09.30	2015.01.21	50	50
D150121	2014.10.01	2015.01.21	120	120
D150121	2014.10.02	2015.01.21	126	126
D150121	2014.10.03	2015.01.21	280	279
D150121	2014.10.06	2015.01.21	425	424
D150121	2014.10.07	2015.01.21	124	124
D150121	2014.10.08	2015.01.21	1 000	998
D150121	2014.10.09	2015.01.21	65	65
D150121	2014.10.14	2015.01.21	1 130	1 127
D150121	2014.10.15	2015.01.21	165	165
D150121	2014.10.16	2015.01.21	90	90
D150121	2014.10.21	2015.01.21	50	50
D150121	2014.10.22	2015.01.21	60	60
D150121	2014.10.29	2015.01.21	210	209
D150121	2014.10.30	2015.01.21	42	42
D150121	2014.10.31	2015.01.21	40	40
D150121	2014.11.04	2015.01.21	485	484
D150121	2014.11.05	2015.01.21	260	259
D150121	2014.11.06	2015.01.21	140	140
D150121	2014.11.07	2015.01.21	105	105
D150121	2014.11.10	2015.01.21	175	175
összesen			**19 546**	**19 505**

15. Student loans and insurance premium receivables

The student loan contracts provided by the Company comprise a loan component and an insurance component, which are presented on separate rows in the statement of financial position.

The disbursement of student loans (Type 1) began in October 2001. The repayments of student loans commenced on 1 January 2003, while the income-based repayments started in 2005.

Type 2 was launched on 15 August 2012 and the first disbursement was made on 15 October 2012.

Diákhitel 1 (Type 1)

A total of 350,136 people (2014: 345,254) have been granted a student loan since the scheme was launched and a total amount of nearly HUF 286.21billion has been disbursed. At the end of 2015, the number of repaying debtors reached 134,021 people (2014: 136,625 people) and the number of clients with closed contracts totalled 152,212.

In the first and second year of repayment, the instalment payable by debtors paying in instalments are based on twelve times the minimum wage valid on 31 October of the year prior to the first and second year of repayment.

From the second year of repayment, the monthly instalment of student loans equals 1/12 of 6% of income earned in the second year prior to the relevant year or, for fee-paying tuition from the 2006/2007 academic year, 1/12 of 8%, 9% of income for the students borrowing the largest amounts. The Decree allows for a reduction of the monthly instalment for up to 36 calendar months if certain conditions are met. However, the reduced instalments may not be below the minimum instalment.

The mandatory monthly instalments changed as follows:

Year	Minimum wage	Minimum wage defining instalment	Repayment rate 6%	Repayment rate 8%	Repayment rate 9%
2003	50 000	50 000	3 000	-	-
2004	53 000	53 000	3 180	-	-
2005	57 000	57 000	3 420	-	-
2006	62 500	62 500	3 750	-	-
2007	65 500	62 500	3 750	5 000	-
2008	69 000	65 500	3 930	5 240	-
2009	71 500	69 000	4 140	5 520	-
2010	73 500	71 500	4 290	5 720	6 435
2011	78 000	73 500	4 410	5 880	6 615
2012	93 000	78 000	4 680	6 240	7 020
2013	98 000	93 000	5 580	7 440	8 370
2014	101 500	98 000	5 880	7 840	8 820
2015	101 500	101 500	6 090	8 120	9 135
2016	111 000	105 000	6 300	8 400	9 450

Diákhitel 2 (Type 2)

Since the start of the student loans scheme in 2012, a total of 20,378 students (in 2014: 15,312) have been granted a student loan and a total amount of nearly HUF 14.3 billion has been disbursed. A total of 2,728 debtors reached their repayment period (2014: 1,020) and 417 contracts have already been concluded.

The repayment amount in the first year of repayment and the year after is determined based on the minimum wage effective on 31 October of the year preceding the first year of repayment and the subsequent year. From the second year after the commencement of the loan repayment is based on the salary of the person who repays the loan in the second year prior to the current year.

The amount of instalment depends on the initial amount of loan and is at least 4% of this amount. The instalment rates applicable to the debts owed per contract are disclosed by Diákhitel Központ in line with relevant legislation.

Repayment ratio:

Loan amount defining instalment	Repayment rate
0 - 1 000 000 Ft	4%
1.000.001- 2.000.000 Ft	5%
2.000.001- 3.000.000 Ft	7%
3.000.001- 4.000.000 Ft	9%
4.000.001-30.000.000 Ft	11%

Information on student loans and insurance premium receivables along with related impairment loss is detailed in the tables contained in sections 4.1.2 and 4.1.3.

16. Other receivables

Other receivables	2015	2014
Other financial assets	***167***	***169***
Trade receivables	0	0
Employee loans	17	21
Advances to creditors	2	11
Safety deposit	47	44
Subsidised interest request	101	93
Other receivables	**28**	**29**
Prepaid expenses, accrued income	25	27
Other tax receivables	2	1
Other receivables	1	1
Total other receivables	**195**	**198**

17. Other assets

Other assets	2015	2014
Expense incurred in relation to the replacement of IT syst	56	0
Marketing inventories	1	1
Tangible assets reclassified to inventory	2	2
Összesen	**59**	**3**

*The capital expenditures incurred in relation to changing the IT system in 2014 were presented among tangible assets.

18.Tangible assets

The Company has restricted ownership with regard to property rights.

Changes in property, plant and equipment	Property rights	Technical machinery, equipment, vehicles	Other equipment	Capital expenditures	Total
Gross value, 1 January 2014	**87**	**461**	**69**	**52**	**669**
Additions	31	58	6	174	269
Reclassifications	0	0	0	0	0
Disposals	-59	-95	-5	-159	-318
Gross value, 31 December 2014	**59**	**424**	**70**	**67**	**620**
Additions	24	69	10	98	201
Reclassifications	1	0	0	-56	-55
Disposals	0	-82	-2	-109	-193
Gross value, 31 December 2015	**84**	**411**	**78**	**0**	**573**
Accumulated depreciation, 1 January 2014	**34**	**364**	**59**	**0**	**457**
Depreciation	4	53	4	0	61
Reclassifications	0	0	0	0	0
Disposals	-31	-95	-5	0	-131
Accumulated depreciation, 31 December 2014	**7**	**322**	**58**	**0**	**387**
Depreciation	4	62	7	0	73
Reclassifications	0	0	0	0	0
Disposals	0	-81	-2	0	-83
Accumulated depreciation, 31 December 2015	**11**	**303**	**63**	**0**	**377**
Net value, 1 January 2014	**53**	**97**	**10**	**52**	**212**
Net value, 31 December 2014	**52**	**102**	**12**	**67**	**233**
Net value, 31 December 2015	**73**	**108**	**15**	**0**	**196**

Cost of fully written off tangibles in use	Property rights	Technical machinery, equipment, vehicles	Other equipment	Capital expenditures	Total
31 December 2014	**0**	**219**	**52**	**0**	**271**
31 December 2015	**0**	**224**	**57**	**0**	**281**

19.Intangible assets

The Company does not have any assets under restricted ownership.

Movements in intangible assets	Property rights	Intellectual products	Total
Gross value, 1 January 2014	**1 168**	**4**	**1 172**
Additions	63	0	63
Reclassifications	0	0	0
Disposals	0	0	0
Gross value, 31 December 2014	**1 231**	**4**	**1 235**
Additions	94	0	94
Reclassifications	0	0	0
Disposals	-74	0	-74
Gross value, 31 December 2015	**1 251**	**4**	**1 255**
Accumulated depreciation, 1 January 2014	**868**	**1**	**869**
Depreciation	96	1	97
Reclassifications	0	0	0
Disposals	0	0	0
Accumulated depreciation, 31 December 2014	**964**	**2**	**966**
Depreciation	105	1	106
Reclassifications	0	0	0
Disposals	-74	0	-74
Accumulated depreciation, 31 December 2015	**995**	**3**	**998**
Net value, 1 January 2014	**300**	**3**	**303**
Net value, 31 December 2014	**267**	**2**	**269**
Net value, 31 December 2015	**256**	**1**	**257**

Cost of fully written off intangibles in use	Unrestricted ownership of property rights	Unrestricted ownership of property rights	Total
31 December 2014	**758**	**0**	**758**
31 December 2015	**712**	**0**	**712**

20. Deferred tax assets and tax liabilities

Deferred tax	31 December 2015			31 December 2014		
	Tax asset	Tax liability	Net	Tax asset	Tax liability	Net
Intangible assets	0	0	0	0	0	0
Property, plant and equipment	0	-1	-1	0	0	0
Receivables, loans disbursed	3 556	-243	3 313	3 175	-253	2 922
Prepaid expenses, accrued income	25	0	25	53	0	53
Cash equivalents	0	0	0	0	-1	-1
Provisions	0	-3 582	-3 582	0	-3 207	-3 207
Technical reserve	267	0	267	241	0	241
Long-term liabilities	192	-365	-173	412	-459	-47
Accrued expenses, deferred income	0	-787	-787	0	-876	-876
Tax receivables (tax liabilities)	**4 040**	**-4 978**	**-938**	**3 881**	**-4 796**	**-915**
Tax assets not considered	**0**	**0**	**0**	**0**	**0**	**0**
Tax assets (tax liabilities), total	**4 040**	**-4 978**	**-938**	**3 881**	**-4 796**	**-915**

The following tables illustrate the tax impacts of temporary differences:

Change in tax impact of temporary differences 2015.12.31	Opening as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Closing as at 31 December
Intangible assets	0	0	0	0
Property, plant and equipment	0	-1	0	-1
Receivables, loans disbursed	2 922	391	0	3 313
Prepaid expenses, accrued income	53	-28	0	25
Cash equivalents	-1	0	1	0
Provisions	-3 207	-375	0	-3 582
Technical reserve	241	26	0	267
Long-term liabilities	-47	-126	0	-173
Accrued expenses, deferred income	-876	89	0	-787
Temporary difference not considered	0	0	0	0
Total	**-915**	**-24**	**1**	**-938**

Change in tax impact of temporary differences 2014.12.31	Opening as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity on capital contribution	Closing as at 31 December
Intangible assets	0	0	0	0	0
Property, plant and equipment	0	0	0	0	0
Receivables, loans disbursed	2 389	533	0	0	2 922
Prepaid expenses, accrued income	94	-41	0	0	53
Cash equivalents	4	0	-5	0	-1
Provisions	-2 825	-382	0	0	-3 207
Technical reserve	460	-219	0	0	241
Long-term liabilities	277	135	0	-459	-47
Accrued expenses, deferred income	-848	-28	0	0	-876
Temporary difference not considered	0	0	0	0	0
Total	**-449**	**-2**	**-5**	**-459**	**-915**

The *Recognised as other capital provided* column reflects the deferred tax effect in relation to the EURIBOR based interest loan.

21. Amounts payable to banks

Loans and advances from banks	Interest rate	Borrowing date	Maturity date	Currency	Amount of loan	Capital Contribution	Book value	Amount of loan	Capital Contribution	Book value
						2015			2014	
European Investment Bar	EIB VSFR	2005.10.12	2020.06.15	HUF	810		810	990		991
European Investment Bar	EIB VSFR	2006.01.12	2020.06.15	HUF	1 350		1 351	1 650		1 652
European Investment Bar	EIB VSFR	2006.04.11	2020.06.15	HUF	1 035		1 036	1 265		1 266
European Investment Bar	EIB VSFR	2006.08.10	2021.03.15	HUF	825		825	975		976
European Investment Bar	EIB VSFR	2006.11.13	2021.03.15	HUF	1 540		1 541	1 820		1 822
European Investment Bar	EIB VSFR	2006.12.12	2021.03.15	HUF	1 595		1 596	1 885		1 887
European Investment Bar	EIB VSFR	2007.03.12	2021.09.15	HUF	900		901	1 050		1 051
European Investment Bar	EIB VSFR	2007.06.13	2021.12.15	HUF	2 400		2 402	2 800		2 803
European Investment Bar	EIB VSFR	2007.10.11	2022.03.15	HUF	3 713		3 715	4 284		4 288
European Investment Bar	EIB VSFR	2008.07.17	2023.03.15	HUF	3 750		3 753	4 250		4 254
European Investment Bar	EIB VSFR	2008.08.08	2023.03.15	HUF	3 000		3 002	3 400		3 404
European Investment Bar	3M BUBOR-0,455%	2008.12.11	2023.06.15	HUF	1 425		1 426	1 615		1 616
European Investment Bar	3M BUBOR-0,390%	2009.03.11	2023.06.15	HUF	4 500		4 502	5 100		5 104
European Investment Bar	EIB VSFR	2009.08.10	2024.03.15	HUF	2 975		2 977	3 325		3 329
European Investment Bar	EIB VSFR	2009.12.15	2024.06.15	HUF	1 403		1 403	1 568		1 569
European Investment Bar	EIB VSFR	2010.03.10	2024.09.15	HUF	2 250		2 252	2 500		2 503
European Investment Bar	3M BUBOR-1,130%	2010.08.19	2025.03.15	HUF	6 365		6 410	6 700		6 703
European Investment Bar	3M BUBOR-1,142%	2010.10.13	2025.06.15	HUF	3 325		3 328	3 500		3 502
European Investment Bar	3M BUBOR-1,032%	2010.12.13	2025.06.15	HUF	3 468		3 470	3 650		3 652
European Investment Bar	6,296%	2011.03.09	2025.09.15	HUF	3 000		3 008	3 000		3 008
European Investment Bar	5,803%	2011.04.21	2025.12.15	HUF	5 500		5 514	5 500		5 514
European Investment Bar	6,157%	2011.10.12	2026.06.15	HUF	4 100		4 111	4 100		4 111
European Investment Bar	6,471%	2012.03.12	2026.09.15	HUF	2 500		2 507	2 500		2 507
European Investment Bar	6,353%	2012.06.11	2026.12.15	HUF	5 500		5 516	5 500		5 516
European Investment Bar	3M BUBOR-0,56%	2012.10.18	2027.06.15	HUF	3 000		3 001	3 000		3 002
European Investment Bar	4,746%	2013.02.11	2027.12.15	HUF	2 500		2 505	2 500		2 505
European Investment Bar	3M BUBOR+0,161%	2013.10.11	2028.09.15	HUF	2 000		2 001	2 000		2 002
European Investment Bar	3M BUBOR+0,161%	2013.10.11	2028.09.15	HUF	1 800		1 801	1 800		1 802
European Investment Bar	3M BUBOR+0,104%	2014.02.11	2028.12.15	HUF	1 500		1 501	1 500		1 502
European Investment Bar	2,98%	2014.10.13	2029.09.15	HUF	2 400		2 403	2 400		2 403
European Investment Bar	2,98%	2014.10.13	2029.09.15	HUF	1 600		1 602	1 600		1 602
European Investment Bar	2,561%	2015.08.18	2030.06.15	HUF	6 000		6 007	0		0
European Investment Bar	3M BUBOR+11,3%	2015.10.13	2030.09.15	HUF	3 900		3 903	0		0
Hungarian Developement	3M BUBOR+1,98%	2013.08.24	2018.08.21	HUF	7 500		7 512	7 500		7 514
Hungarian Developement	3M BUBOR+1,98%	2014.02.11	2018.08.21	HUF	2 500		2 504	2 500		2 505
Hungarian Developement	3M EURIBOR+1,2%	2014.12.31	2019.12.31	HUF	50 000	-4 590	46 357	50 000	-4 590	45 410
Magyar Takarékbank	3M BUBOR+0,8%	2013.08.23	2018.08.21	HUF	1 500		1 502	1 500		1 502
Magyar Takarékbank	3M BUBOR+0,8%	2013.08.24	2018.08.21	HUF	8 500		8 509	8 500		8 512
Budapest Bank	1M BUBOR+0,45%	2014.12.19	2015.03.09	HUF	0		0	420		421
Összesen					**161 929**	**-4 590**	**158 464**	**158 147**	**-4 590**	**153 710**

**VSFR: variable spread floating rate = 3MBUBOR + változó spread*

The Company consistently paid the due repayment instalments in time and complied with the conditions specified in the loan contracts throughout the periods presented.

22.Other liabilities

Other liabilities	2015	2014
Other financial liabilities	**149**	**142**
Trade payables	149	142
Other liabilities	***400***	***480***
Unbilled creditors	18	23
Overhead for debt collection	2	2
Accrued operating costs	235	298
Accrued cost of assets received free of charge	46	72
Liabilities to student loan clients	27	28
Liabilities to employees	2	7
Other tax liabilities	70	46
Good performance guarantee	0	4
Total other liabilities	**549**	**622**

23. Issued bonds

Issued bonds	Interest	First issue	Maturity	Listed	Face value	NBV	Face value	NBV
					2015		2014	
DK2015/01	8,00%	2011.10.12	2015.02.12	igen (BÉT)	0	0	19 246	20 576
DK2015/02	7,75%	2012.06.11	2012.08.24	igen (BÉT)	0	0	25 500	26 233
DK2016/01	5,50%	2013.03.12	2016.12.22	igen (BÉT)	39 000	39 311	39 000	39 630
DK2017/01	6,75%	2014.09.10	2017.11.24	igen (BÉT)	18 000	19 406	13 000	14 426
DK2018/01	2,50%	2015.05.20	2018.06.22	igen (BÉT)	15 500	15 700	0	0
Összesen					**72 500**	**74 417**	**96 746**	**100 865**

Movements in issued bonds

Changes in amount of bond issued

Date	Description	DK2014/01	DK2015/01	DK2015/02	DK2016/01	DK2017/01	DK2018/01	Total
2014.01.01	**Opening Balanc**	**18 206**	**22 500**	**25 500**	**27 500**	**0**	**0**	**93 706**
2014.02.12	maturity	-18 206	0	0	0	0	0	-18 206
2014.03.12	issue	0	0	0	5 000	0	0	5 000
2014.06.25	redemption	0	-703	0	0	0	0	-703
2014.06.25	issue	0	0	0	6 500	0	0	6 500
2014.09.10	redemption	0	-314	0	0	0	0	-314
2014.09.10	issue	0	0	0	0	5 000	0	5 000
2014.10.08	issue	0	0	0	0	5 000	0	5 000
2014.11.12	redemption	0	-2 237	0	0	0	0	-2 237
2014.11.12	issue	0	0	0	0	3 000	0	3 000
2014.12.31	**Closing Balance**	**0**	**19 246**	**25 500**	**39 000**	**13 000**	**0**	**96 746**
2015.02.12	maturity	0	-19 246	0	0	0	0	-19 246
2015.03.11	issue	0	0	0	0	5 000	0	5 000
2015.03.11	redemption	0	0	-2 073	0	0	0	-2 073
2015.04.15	redemption	0	0	-600	0	0	0	-600
2015.05.20	redemption	0	0	-1 585	0	0	0	-1 585
2015.05.20	issue	0	0	0	0	0	4 000	4 000
2015.06.17	issue	0	0	0	0	0	3 000	3 000
2015.07.15	issue	0	0	0	0	0	3 000	3 000
2015.08.19	issue	0	0	0	0	0	2 500	2 500
2015.08.24	maturity	0	0	-21 242	0	0	0	-21 242
2015.12.09	issue	0	0	0	0	0	3 000	3 000
2015.12.31	**Closing Balance**	**0**	**0**	**0**	**39 000**	**18 000**	**15 500**	**72 500**

24. Technical reserves

Changes in technical reserves

	Diákhitel 1	Diákhitel 2	Total
Balance at 1 Jan 2014	**4 580**	**22**	**4 602**
Use of reserve	-133	0	-133
Re-measurement loss	-2 080	25	-2 055
Balance on 31 December 2014	2 367	47	2 414
Use of reserve	-127	-3	-130
Re-measurement loss	382	3	385
Balance on 31 December 2015	2 622	47	2 669

The change in the technical reserves row in the statement of comprehensive income contains the utilisation of the reserve, release due to change of assumptions presented in the table above together with any profit derived from re-measurement.

Changes in assumptions analysis Amending end-of-2014 assumptions to the end-of-2015 assumptions step by step	Diákhitel 1	Diákhitel 2	Total
Assumptions for 2014 to 31 December 2014	**2 367**	**47**	**2 414**
Assumptions for 2014 to 31 December 2015	2 867	21	2 888
Change in morbidity and mortality probabilities	2 310	11	2 321
Change in temporary probabilities	2 567	16	2 583
Change in loan disbursement and repayment probabili	5 084	18	5 102
Change in risk premium	4 031	-15	4 016
Change in late payment interest	4 031	-15	4 016
Real wage growth	3 782	-16	3 766
Change in cost of capital	3 113	-12	3 101
Change in operating cost	3 199	-13	3 186
Changes in minimum wage	2 947	-14	2 933
Change in the maximum number of semesters for whic	2 999	8	3 007
Change in collection rate	2 999	8	3 007
Changes in modelpoints and collection sample	2 622	47	2 669
2015-ös feltételezésekkel 2015 december 31-ére	**2 622**	**47**	**2 669**

Changes in assumptions analysis Amending end-of-2013 assumptions to the end-of-2014 assumptions step by step	Diákhitel 1	Diákhitel 2	Total
Assumptions for 2013 to 31 December 2013 on f/x rate (	**4 580**	**22**	**4 602**
Assumptions for 2013 to 31 December 2013 on f/x rate (	4 538	22	4 560
Change in temporary probabilities	4 732	24	4 756
Change in loan disbursement and repayment probabili	4 472	22	4 494
Change in risk premium	2 391	3	2 394
Change in late payment interest	2 391	3	2 394
Real wage growth	2 463	3	2 466
Change in cost of capital	1 620	11	1 631
Change in operating cost	1 764	9	1 773
Changes in minimum wage	1 637	8	1 645
Changes in modelpoints and collection sample	2 367	47	2 414
Assumptions for 2014 to 31 December 2014	**2 367**	**47**	**2 414**

25. Share capital, capital reserve and other reserves

The share capital of Diákhitel Központ Zrt. at the time of the FX translation, during the comparative period and at the end of the reporting period totalled 300 registered and paid ordinary shares with a nominal value of HUF 1,000,000 each. The capital reserve did not change over the periods presented, and amounts to HUF 2,200 million.

Equity	2015	2014
Share capital and capital reserve	2 500	2 500
Profit reserve	-5 958	-6 159
Other reserves	14 163	14 174
Other capital grant	14 164	14 164
Valuation reserve	-1	10
Total equity:	**10 705**	**10 515**

The FX translation reserve was terminated due to the change of the presentation currency from EUR to HUF. The table below shows the differentelements of equity:

Description	Share capital	Capital reserve	Profit reserves	Other reserves			Total
				Other capital contribution	DKJ Revaluation reserve	FX translation reserve	
Opening balance 2015.01.01 in EUR	1 193 742	8 861 111	-25 241 118	51 596 217	31 390	-3 052 872	33 388 470
FX translation reserve in EUR	-241 028	-1 874 544	5 679 089	-6 616 389	1	3 052 872	0
Modified opening balance in EUR	952 714	6 986 567	-19 562 029	44 979 828	31 391	0	33 388 470
Opening balance 2015.01.01 in HUF millions	300	2 200	-6 159	14 164	10	0	10 515

26. Contingent assets and liabilities

Item	31 December 2015		31 December 2014	
	Amount	Maturity	Amount	Maturity
Diákhitel 1 Student Loan Centre disbursable facility recording account	1 617	2016.01.15	1 569	2015.01.15
Diákhitel 2 Student Loan Centre disbursable facility recording account	54	2016.01.15	40	2015.01.15
EIB III facility to be used as student loan collateral	0	-	6 000	2015.06.30
EIB IV facility to be used as student loan collateral	23 923	2017.12.31	27 966	2017.12.31
MFB (HDB) stand by facility to be used as student loan collateral	10 000	2016.03.08	0	-
BB stand by facility to be used as student loan collateral	0	-	2 080	2015.03.09
OTP stand by facility to be used as student loan collateral	0	-	10 000	2015.03.09
Total	**35 594**		**47 655**	

27.Operating leasing commitments

The Company has uncancellable leasing agreements for the leasing of its office buildings.

The main conditions of these leasing agreements are:

- KÖKI Business Center: Customer Service

The term of the lease is five years and can be prolonged at the end of the term at market rates. The leasing fee is expressed in EUR which is a generally accepted pricing method on the local market. All the benefits and losses from the associated FX risks are borne by the Company. The agreement prohibits sublease. Termination by the lessee before the end of the fix lease period carries a penalty payable by the Company for the period until the lessor signs an agreement with another lessee.

- Kacsa utca Residence Office Building

The term of the lease is five years but can be terminated after three years. The Company may prolong the lease at discounted rates. At the end of the lease term, the agreement can be prolonged at market rates. The leasing fee is expressed in EUR which is a generally accepted pricing method on the local market. All the benefits and losses from the associated FX risks are borne by the Company. Sublease is subject to prior consent of the lessor.

Contractual terms	R-CO (KÖKI)	KAFEX III. em	KAFEX raktár	Kafex Fsz.ügyfélszolg
Lease period	2012.08.15-2017.08.15	2014.05.31.-2019.05.31	2014.05.31.-2019.(	2015.03.31-2019.05.31
Leased area	303 m2	2368,13m2	57,59m2	155,18m2
Leasing fee	20,4 EURO+ VAT /m2	9,9 EUR/m2+VAT	5,5EUR/m2+VAT	11 EUR/m2+VAT
Discounted first 14 months		7,16 EUR/m2+VAT		
Service charge	13 EURO+ VAT /m2	3,8 EUR/m2+VAT	-	3,8 EUR/m2+VAT
Can be terminated as of	-	2017.05.31	2017.05.31	2017.05.31

Minimum lease payment

2015	Köki Center	Office Building of Residence	Total
within 1 year	16	166	182
over 1 but within 5 years	10	68	78
over 5 years	0	0	0
Total	**26**	**234**	**260**

2014	Köki Center	Office Building of Residence	Total
within 1 year	16	146	146
over 1 but within 5 years	25	230	230
over 5 years	0	0	0
Total	**41**	**376**	**376**

28. Transactions with related parties

Shareholder rights over the Company are exercised by the Hungarian Development Bank (MFB), and the Company's ultimate parent entity is the Hungarian government.

Transactions with the Hungarian government and with the bank exercising shareholder rights

The Company's transactions with the government of Hungary include the purchases of T-bills issued by the government, and the interest income reported thereon. The T-bills held by the Company at the end of the period were presented in note 14 to the financial statements. The income accounted in connection with the T-bills is detailed under note 7 of the financial statements.

Transactions between the Company and related parties were executed under normal market conditions. The only exception to this rule is the EURIBOR interest bearing MFB loans (for more details see note 21), where the favourable interest conditions meant that the initial fair value of the disbursed loan was lower than the amount actually disbursed. The difference was accounted as a capital grant under other reserves, as presented in note 25. The year-end portfolio of MFB loans along with the borrowing conditions are detailed in note 21.

Further to the government decree on the on the student loan system (1/2012 Government Decree), student debtor who has taken an any-purpose student loan – during the contract period – can enjoy subsidised interest during their entitlement to infant care benefit, child raising benefit and child care support services (collectively: maternity benefits).

The funds for the targeted interest subsidy should be made available in the budget of the ministry responsible for family policies. Amounts of targeted interest subsidy are transferred by the ministry to the Student Loan entity's account along with an indication of the relevant student loan debtor.

Based on section 29 of Government Decree 1/2012 (I.20), a student debtor who has taken a limited purpose student loan is entitled to a standard subsidised interest during the term of the underlying loan contract. The standard interest subsidy is the amount over the interest payable by the debtor based on the interest rate as defined in subsection 6(7) of the government decree.

Funding for the standard subsidised interest should be budgeted in the budget of the ministry responsible for whole-of-government. The monthly amount of standard subsidised interest is transferred by the ministry to the student loan entity in the month following loan disbursement and based on a monthly interest payment schedule per debtor.

The Hungarian government guarantees the value of credits drawn and bonds issued by the Company to finance student loans (see note 1).

Government guarantees are shown in the following table:

Liabilities at the end of the period	2015	2014
Drawn loans	161 929	158 147
Issued bonds	72 500	96 746
Total	**234 429**	**254 893**

The figures in the table reflect the amount of principal payable to banks (note 21) and bonds issued (note 23).

Transactions with executives in key positions	2015	2014
Short-term employee benefits	52	27
Payments after termination of employment contract	0	0
Other long-term payables	0	0
Sevarance payments	0	0
Services used	0	0
Total	**52**	**27**

Transactions with related parties	2015	2014
Services used	4	4
Advertising campaign	32	94
Long-term loans taken	0	52 500
Long-term loans repayment	0	49 892
Interest paid after long-term loans	992	811
Short-term loans taken	0	700
Short-term loans repayment	0	700
Interest paid after short-term loans	0	1

29. Subsequent events

There were no post-balance sheet events before the date of approval as referred to in note 2.1 to the financial statements which would have called for adjustment of the financial statements.