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 2014

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Financial Statements prepared in accordance with the International Financial Reporting Standards

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 2014, 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 2014, 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.

Ernst & Young Kft.
Budapest
1 June 2015

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I. Statement of Comprehensive Income

	Note	2014.12.31 EURO	2013.12.31 restated EURO
Interest income	7	51 307 005	64 012 375
Interest expense	7	-33 785 617	-41 667 423
Net interest income		**17 521 388**	**22 344 952**
Insurance premium earned	8	2 611 312	2 539 030
Claims paid	9	-431 573	-511 505
Net trading profit	10	-238 298	-76 379
Other operating income	11	401 762	104 796
Movements in insurance technical reserves	24	7 168 134	-13 423 436
Net operating profit before impairment loss on loans		**27 032 725**	**10 977 458**
Impairment loss on loans	4.1.2	-17 367 702	43 272
Credit loss expense		-1 020 982	-158 991
Operating profit (loss), net		**8 644 041**	**10 861 739**
Other operating expenses	11	-8 372 710	-8 284 189
Pre-tax profit (loss)		**271 331**	**2 577 550**
Taxes paid/received	12	-6 591	-405 926
Profit (loss) for the year		**264 740**	**2 171 624**
Profit (loss) for the year (attributable to the shareholders)		**264 740**	**2 171 624**
Profit (loss) for the year		**264 740**	**2 171 624**
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		156 299	-219 647
Taxes received/paid from other comprehensive income items		-15 154	21 965
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Foreign exchange gains or losses arisen on translation		-1 428 159	-592 984
Other comprehensive income for the period including deferred tax		**-1 287 014**	**-790 666**
Comprehensive profit (loss) for the year		**-1 022 274**	**1 380 958**

Budapest, 2nd July 2015

DIÁKHITEL KÖZPONT Z...
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2.

Bugár Csaba
CEO

II. Statement of Financial Position

	Note	2014.12.31 EURO	2013.12.31 restated EURO	2013.01.01 restated EURO
Assets				
Cash and cash equivalents	14	62 924 394	44 101 451	46 005 050
Student loans	15	781 195 438	829 993 844	804 204 950
Insurance premium receivable	15	8 033 676	8 569 324	8 210 639
Current income tax assets		9 780	32 601	25 781
Other receivables	16	626 581	428 353	879 638
Other assets	17	10 159	4 691	1 745
Properties, plant and equipment	18	741 085	714 313	614 864
Intangible assets	19	854 885	1 019 788	1 015 461
Total assets:		**854 395 998**	**884 864 365**	**860 958 128**
Liabilities				
Amounts payable to banks	21	488 140 440	518 108 679	524 849 729
Other liabilities	22	1 975 020	1 950 703	2 322 195
Bonds issued	23	320 318 820	326 498 894	310 526 686
Insurance technical reserves	24	7 666 169	15 499 644	2 199 183
Deferred tax liability	20	2 907 079	1 514 480	1 149 327
Total liabilities:		**821 007 528**	**863 572 400**	**841 047 120**
Equity				
Issued capital and capital reserve	25	10 054 853	10 054 853	10 054 853
Retained earnings	25	-25 241 118	-25 505 858	-27 677 482
Other reserves	25	48 574 735	36 742 970	37 533 637
Total equity:		**33 388 470**	**21 291 965**	**19 911 008**
Equity attributable to the shareholders		33 388 470	21 291 965	19 911 008
Total equity and liabilities:		**854 395 998**	**884 864 365**	**860 958 128**

Budapest, 2nd July 2015

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III. Statement of Changes in Equity

EURO

Item	Issued capital	Capital reserve	Retained losses	Other capital contribution	Other reserves: Valuation reserve	Other reserves: FX translation reserve	Total
Opening at January 2013 restated	**1 193 742**	**8 861 111**	**-27 677 482**	**38 477 438**	**88 404**	**-1 032 205**	**19 911 008**
Fair value recognised in equity	0	0	0	0	-197 683	0	-197 683
FX translation reserve	0	0	0	0	0	-592 984	-592 984
Loss for the year	0	0	2 171 624	0	0	0	2 171 624
Closing at 31 December 2013 restated	**1 193 742**	**8 861 111**	**-25 505 858**	**38 477 438**	**-109 279**	**-1 625 189**	**21 291 965**
Fair value recognised in equity	0	0	0	0	141 145	0	141 145
Capital contribution	0	0	0	14 576 421	0	0	14 576 421
Deferred tax on capital contribution	0	0	0	-1 457 642	0	0	-1 457 642
FX translation reserve	0	0	0	0	-476	-1 427 683	-1 428 159
Loss for the year	0	0	264 740	0	0	0	264 740
Closing at 31 December 2014	**1 193 742**	**8 861 111**	**-25 241 118**	**51 596 217**	**31 390**	**-3 052 872**	**33 388 470**

Budapest, 2nd July 2015

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IV. Cash flow statement

Operating cash-flows	Notes	2014.12.31	EURO 2013.12.31 restated
Pre-tax profit (loss)		**271 331**	**2 577 550**
Adjustments:			
Amortisation of intangible assets/depreciation of tangible assets	11	506 931	463 700
Gains/losses on the disposal of tangible/intangible assets	11	95 400	2 722
Impairment loss on financial assets	4.1.2	17 367 702	-43 272
Damages paid	9,11	1 452 532	511 505
Interest income, net	7	-17 521 388	-22 344 952
Movements in insurance technical reserves	24	-7 833 475	13 423 436
Corporate tax received	12	-6 591	-405 926
Student loans disbursed		-54 358 069	-62 654 624
Student loans repaid		57 985 580	52 558 178
Interest received		30 306 967	32 405 134
Interest paid		-36 584 809	-44 036 462
Net trading result		238 298	76 379
Movements in insurance premium receivable		367 642	-583 070
Movements in other assets		-180 875	441 519
Movements in other liabilities		1 416 916	-6 339
Operating cash flows, net		**-6 747 239**	**-30 192 072**
Investing cash-flows			
Tangible assets acquisitions		-321 401	-135 886
Tangible assets disposals		1 097	6 095
Intangible asset acquisitions		-241 021	-471 643
Investing cash flows, net		**-561 325**	**-601 434**
Financing cash flows			
Proceeds of bonds issued		86 709 310	95 497 887
Repayment of bonds issued		-69 745 843	-69 514 597
Amounts borrowed from banks		188 068 289	110 906 635
Repayment of amounts borrowed from banks		-189 886 175	-109 546 642
Shareholders contribution		14 576 421	0
Financing cash flows, net		**29 722 002**	**27 343 283**
Net changes in cash and cash equivalents		**22 684 769**	**-872 673**
Cash and cash equivalents as of 1 January	14	44 101 451	46 005 050
Change in fair value of cash equivalents		140 669	-197 683
Deferred tax on equity contribution		-1 457 642	0
Impact of FX rate fluctuations on cash and cash equivalents	14	-2 544 853	-833 243
Cash and cash equivalents at 31 December		62 924 394	44 101 451

Budapest, 2nd July 2015

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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 Student Loan Centre 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.

As of 17 June 2010, the powers of the Board of Directors have been exercised by the Chief Executive Officer, who is also responsible for the operational management of the company's activities and working organisation. For certain tasks set forth in the Deed of Foundation the Company has a Peremptory Supervisory Board, the Deed of Foundation subjects the adoption of final resolutions to the prior approval of the Supervisory Board. In terms of the functions of the members of management, the chairman and the members of the Supervisory board are considered to be senior officers.

On 20 October 2014 MFB as Founder of the company founded the Board of Directors by approving the modified Articles of Association. 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 Student Loan Centre is overseen by the Supervisory Board which also carries out the tasks of the Audit Committee.

Student Loan Centre 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 44 of act CCXXX of 2013 on the Budget of the Republic of Hungary for 2013, "The State of Hungary shall undertake a guarantee in respect of payment obligations of Student Loan Centre, 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.

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 publication of these financial statements was approved by the Board of Directors on 2nd July 2015.

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 Student Loan Centre is the Hungarian forint (HUF). The Company is not required by legislation to prepare financial statements in accordance with IFRS. These financial statements have been compiled for the international financial markets and therefore the Company chose the euro (EUR) as its presentation currency. The figures in the financial statements are presented in EUR and are not rounded.

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 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 modified financial statement for the year 2013.

The reason for the modification is that the Student Loan Centre accounted the overdue interest income receivebles as suspended at the contract termination date, which was accounted for as interest income at later collection date. As part of the modification the overdue interest receivable in relation to terminated contract was recorded.

The correction increased the amount of equity as at 1 January 2013 by 1,771,904 euros. (1,865,990 € increase of retained earnings and 94,086 € decrease in FX translation reserve). The balance of student loans has increased by 1,720,370 €, while the balance of insurance premium receivables has increased by 69,534 €.

The modification increased interest income by 467,766 € and insurance premium income by 19,501 € for the year 2013. Student loans increased by 437,588 € and premium income receivables increased by 18,270 €. Deferred tax items and translation reserves in connected to the modification were also ammended.

As of 2014 the company discloses Credit loss expense as a separate line in the statement of comprehensive income, this item was previously included in Other operating expenses. The amount of credit loss expense in 2013 was not significant.

A new line has also been added to the cash flow statement where net trading result is disclosed as a separate line item which was previously included in interest paid.

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. Foreign exchange rates

Transactions denominated in foreign currency are translated to the functional currency of the Company using the foreign exchange rates valid on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of the reporting period are translated to the functional currency using the exchange rate valid at the end of the reporting period. The Company translates the results and the financial position into the presentation currency as follows based on the principles set forth in the accounting policies:

- Assets and liabilities at the foreign exchange rates published by the Hungarian Central Bank (MNB) on the given reporting date
- Components of equity at the MNB exchange rates prevailing on the day of the original transaction
- Income and expense items are translated at the Hungarian Central Bank's monthly average FX rates that approximate the daily FX rates as income and expense items incur evenly during a month.

Any revaluation difference is presented in the statement of comprehensive income.

3.2. 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 can be split into three 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.

3.3. 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 subsidies in relation to any-purpose loan (diakhitel 1). Further to section 16 of government decree 1/2012. (I. 20.), students can enjoy subsidised interest during their entitlement to pregnancy benefit, maternity and child raising benefits, disability retirement, disability allowance, accidental disability pension and rehabilitation benefit under the conditions set.

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.

3.4. 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.

3.5. 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.

3.6. 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. When the insurance contract is initially recognised, this technical reserve is identical to the insurance premium accounted for as income from the risk premium, unless the insurance premium is higher than the market premium, as in this case the difference between the two premiums is accounted for as profit when the insurance premium falls due.

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.

3.7. Credit loss expense

The company discloses the amount of student loan declared as irrecoverable and student loans written off but not declared irrecoverable from the year 2014. In the preceeding years these items were included in other operating expense and their balance were not significant.

3.8. Other operating income and expense

Under other operating income the Company primarily recognises the profit from derecognising and selling intangible assets and property, plant and equipment.

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, Student Loan Centre makes regular contributions to public and private pension funds for its employees. These are expensed under "Other operating expenses".

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

3.9. 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.

3.10. 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".

3.10.1. 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.

3.10.2. 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.

3.10.3. 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.

3.10.4. 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.

Transaction costs incurred in connection with the issued bonds by the Company are not considered to be significant compared to the value of the issued bonds.

c) Other financial liabilities

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

3.11. Other assets

Under other assets the Company mainly recognises purchased packaging, promotional gifts and vouchers purchased for employees.

3.12. 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.

3.13. 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.

3.14. Impairment loss

3.14.1. 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

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.

3.14.2. Impairment loss of non-financial assets

If 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.

3.15. 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".

3.16. 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.

3.16.1. 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.

3.16.2. Retained earnings

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

3.16.3. Other reserves

Other reserves comprise differences which arise during the translation from the functional currency to the presentation currency (FX translation reserve), differences derived from the changes in the fair value of T-bills measured in accordance with the available-for-sale category but recognised under 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. At the time of the adoption of IFRS as at 1 January 2009, the Company opted for the exception laid down in IFRS 1 and considered the balance of its opening foreign exchange translation reserve zero.

3.17. 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.

3.18. 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, Student Loan Centre has been selling two types of student loans: type 1 and type 2. The proportion of the new product was below 10% in 2013 or in 2014 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.

3.19. New IFRS standards effective from 1 January, 2014

The amendments are to be applied latest from the financial year starting on 1 January 2014. The amendments have no impact on the company's financial statements.

- **IFRS 10 – Consolidated Financial Statements**

  IFRS 10 determines the principles related to the preparation of consolidated financial statements when an entity has the control over one or more entities. IFRS 10 replaces SIC 12 (Consolidation - Special Purpose Entitles) and IAS 27 (Consolidated and Separate Financial Statements). IFRS 10 is based on the existing principles, setting the conception of control as a determining factor, if the entity must be consolidated to the financial statement of the parent company. The regulation provides further guidance on the definition of the concept of the control.

- **IFRS 11 – Joint Arrangements**

  IFRS 11 provides a more realistic picture of the joint agreements, focusing on the rights and obligations rather than its legal form. The standard applies inconsistencies of definitions of joint agreements such that it applies one method for joint ventures.

- **IFRS 12 – Disclosure of Interests in Other Entities**

  IFRS 12 is a new comprehensive standard, which set out new disclosure requirements for interests in other companies, including subsidiaries, joint agreements, joint ventures, and non-consolidated organisational structures. The aim of IFRS 12 is to help for the users of financial statement in analysis of type of interests and related risks in other organizations, and their effect on financial position, financial performance, and cash-flow.

- **IAS 27 „Separate financial statements"**

  The requirements pertaining to consolidated financial statements have been removed from the former IAS 27 Consolidated and separate financial statements to IFRS 10. The requirements pertaining to the presentation and disclosure of separate financial statements have remained in IAS 27. Accordingly the title of the standards has changed to separate financial statements, the remaining sections have been renumbered, the scope of the standard has been redefined and the text has been re-edited from various other aspects. The accounting and disclosure requirements that remain in IAS 27 have also been updated in order to reflect the guidance in IFRS 10, IFRS 11, IFRS 12 and in IAS 28, as amended in 2011.

- **IAS 28 „Investments in associates and joint ventures”** The amendment to the standard is effective for the financial periods starting on or after 1 January 2014. The amendments have no effects on the financial statements.

- **IAS 32 (Amendment) „Financial instruments: Presentation”** The amendment helps setting off financial assets and financial liabilities by introducing standard practical guidance.

- **IAS 36 Impairment of Assets (amendment) - Recoverable Amount Disclosures for Non-Financial Assets**

This amendment cancel the unintended consequences of IFRS 13 related to requirements by IAS 36. Furthermore, these amendments determine disclosure requirements for recoverable amounts in case of useful assets or cash generating units, for which impairment was recorded in the current period.

- **IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The entity has no derivative contracts.

- **Investment entities (amendments of IFRS 10, IFRS 12 and IAS 27)**

Amendments of IFRS 10 Consolidated Financial Statement, IFRS Disclosures in Interest in Other Entities, and IAS 27 Consolidated and Other Financial Statements amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- **IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

- **Annual Improvements 2011-2013 Cycle**

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first IFRS financial statements. The improvements have no effect on the financial statements as the entity is an existing IFRS preparer.

3.20. Early application of new standards

The Company did not opt for early application of the new standards in the annual financial statements for 2014.

3.21. 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 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.

- **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.

- **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 2017 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 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.

- **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’.

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 accordance with relevant legislation and the recommendations of the Hungarian Financial Supervisory Authority on the design and operation of internal safeguards.

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 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 the loss 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, after which they are collected like taxes. The amounts collected by the Tax Authority are then forwarded to the Student Loan Centre.

The percentage of loan agreements terminated because of non-performance during the calendar year compared to the total number of agreements being repaid was 2.87% in 2014 and 3.49% in 2013.

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

Credit risk	31 Dec 2014	31 Dec 2013
Cash and cash equivalents	62 924 394	44 101 451
Student loans	875 466 385	911 985 383
Insurance premium receivables	8 875 309	9 286 350
Other financial assets	536 919	356 671
Maximum value of assets exposed to credit risk on 31 December	**947 803 007**	**965 729 855**

31 December 2014

Credit risk	Neither past due nor impaired	Not overdue, impaired	Overdue and impaired	Total
Cash and cash equivalents	62 924 394	0	0	**62 924 394**
Student loans	0	631 188 954	244 277 431	**875 466 385**
Insurance premium receivables	0	6 328 352	2 546 957	**8 875 309**
Other financial assets	536 919	0	0	**536 919**
Maximum value of assets exposed to credit risk on 31 December	**63 461 313**	**637 517 306**	**246 824 388**	**947 803 007**

31 December 2013

Credit risk	Neither past due nor impaired	Not overdue, impaired	Overdue and impaired	Total
Cash and cash equivalents	44 101 451	0	0	**44 101 451**
Student loans	0	689 609 540	222 375 843	**911 985 383**
Insurance premium receivables	0	6 988 718	2 297 632	**9 286 350**
Other financial assets	356 671	0	0	**356 671**
Maximum value of assets exposed to credit risk on 31 December	**44 458 122**	**696 598 258**	**224 673 475**	**965 729 855**

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. Actuarial reserve calculation: For each projected month, the risk premium paid in the relevant month less any loss incurred that month is calculated for each contract and then these amounts are discounted to the date of impairment testing with the risk-free interest rate.

  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*: borrowers paying in instalments, loans transferred to NAV, 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	2014		2013	
	Student Loan 1	Student Loan 2	Student Loan 1	Student Loan 2
	74,8%	46,1%	70,3%	39,4%

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. The monthly instalment may not be less than HUF 10,000 and may not exceed HUF 55,000. The loan is repayable in equal monthly instalments. 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 2014

Student loans	Student Loan 1			Student Loan 2			Total		
	Cost	Impairment loss	Net	Cost	Impairment loss	Net	Cost	Impairment loss	Net
Effective student loan contracts	**776 021 254**	**41 380 348**	**734 640 906**	**27 324 024**	**810 009**	**26 514 015**	**803 345 278**	**42 190 357**	**761 154 921**
Loans under disbursement and awaiting repayment	193 547 744	9 580 626	183 967 118	25 863 995	736 226	25 127 769	219 411 739	10 316 852	209 094 887
Loans being repaid and are not overdue	*410 856 785*	*8 857 325*	401 999 460	*920 430*	*11 526*	908 904	411 777 215	8 868 851	402 908 364
Loans being repaid overdue over 1-30 days	*75 324 865*	*3 853 463*	71 471 402	*145 486*	*4 410*	141 076	75 470 351	3 857 873	71 612 478
Loans being repaid overdue over 31-60 days	*22 213 097*	*2 264 197*	19 948 900	*149 934*	*13 675*	136 259	22 363 031	2 277 872	20 085 159
Loans being repaid overdue over 61-180 days	*74 078 763*	*16 824 737*	57 254 026	*244 179*	*44 172*	200 007	74 322 942	16 868 909	57 454 033
Terminated contracts	**72 101 223**	**52 071 423**	**20 029 800**	**19 884**	**9 167**	**10 717**	**72 121 107**	**52 080 590**	**20 040 517**
Renegotiated loans	*20 400 440*	*14 510 565*	*5 889 875*	*1 587*	*699*	*888*	20 402 027	14 511 264	5 890 763
Loans assigned to the tax authority for collection	*44 646 332*	*32 534 322*	*12 112 010*	*15 656*	*7 306*	*8 350*	44 661 988	32 541 628	12 120 360
Other terminated student loans	*7 054 451*	*5 026 536*	*2 027 915*	*2 641*	*1 162*	*1 479*	7 057 092	5 027 698	2 029 394
Balance at 31 December	**848 122 477**	**93 451 771**	**754 670 706**	**27 343 908**	**819 176**	**26 524 732**	**875 466 385**	**94 270 947**	**781 195 438**

Insurance premium receivable	Student Loan 1			Student Loan 2			Total		
	Cost	Impairment loss	Net	Cost	Impairment loss	Net	Cost	Impairment loss	Net
Effective student loan contracts	**8 108 909**	**372 604**	**7 736 305**	**12 980**	**157**	**12 823**	**8 121 889**	**372 761**	**7 749 128**
Loans under disbursement and awaiting repayment	2 022 446	86 267	1 936 179	12 287	142	12 145	2 034 733	86 409	1 948 324
Loans being repaid and are not overdue	*4 293 182*	*79 755*	4 213 427	*437*	*2*	435	4 293 619	79 757	4 213 862
Loans being repaid overdue over 1-30 days	*787 095*	*34 698*	752 397	*69*	*1*	68	787 164	34 699	752 465
Loans being repaid overdue over 31-60 days	*232 112*	*20 388*	211 724	*71*	*3*	68	232 183	20 391	211 792
Loans being repaid overdue over 61-180 days	*774 074*	*151 496*	622 578	*116*	*9*	107	774 190	151 505	622 685
Terminated contracts	**753 411**	**468 871**	**284 539**	**9**	**1**	**8**	**753 420**	**468 872**	**284 547**
Renegotiated loans	*213 171*	*130 659*	*82 512*	*1*	*0*	*1*	213 172	130 659	82 513
Loans assigned to the tax authority for collection	*466 526*	*292 951*	*173 574*	*7*	*1*	*6*	466 533	292 952	173 580
Other terminated student loans	*73 714*	*45 261*	*28 453*	*1*	*0*	*1*	73 715	45 261	28 454
Balance at 31 December	**8 862 320**	**841 475**	**8 020 845**	**12 989**	**158**	**12 831**	**8 875 309**	**841 633**	**8 033 676**

Total student loan receivables at 31 December	**856 984 797**	**94 293 246**	**762 691 551**	**27 356 897**	**819 334**	**26 537 563**	**884 341 694**	**95 112 580**	**789 229 114**

31 December 2013

Student loans

	Student Loan 1 Cost	Student Loan 1 Impairment loss	Student Loan 1 Net	Student Loan 2 Cost	Student Loan 2 Impairment loss	Student Loan 2 Net	Total Cost	Total Impairment loss	Total Net
Effective student loan contracts	**833 243 539**	**35 730 064**	**797 513 475**	**13 756 440**	**494 356**	**13 262 084**	**846 999 979**	**36 224 420**	**810 775 559**
Loans under disbursement and awaiting repayment	246 615 355	10 792 254	235 823 101	13 581 846	487 561	13 094 285	260 197 201	11 279 815	248 917 386
Loans being repaid and are not overdue	*429 303 932*	*5 593 450*	423 710 482	*108 407*	*909*	107 498	429 412 339	5 594 359	423 817 980
Loans being repaid overdue over 1-30 days	*61 201 432*	*2 548 837*	58 652 595	*23 564*	*660*	22 904	61 224 996	2 549 497	58 675 499
Loans being repaid overdue over 31-60 days	*22 507 488*	*1 753 727*	20 753 761	*15 998*	*983*	15 015	22 523 486	1 754 710	20 768 776
Loans being repaid overdue over 61-180 days	*73 615 332*	*15 041 796*	58 573 536	*26 625*	*4 243*	22 382	73 641 957	15 046 039	58 595 918
Terminated contracts	**64 983 616**	**45 766 415**	**19 217 201**	**1 788**	**704**	**1 084**	**64 985 404**	**45 767 119**	**19 218 285**
Renegotiated loans	*15 274 410*	*10 511 952*	*4 762 458*	*0*	*0*	*0*	15 274 410	10 511 952	4 762 458
Loans assigned to the tax authority for collection	*40 825 135*	*29 052 807*	*11 772 328*	*0*	*0*	*0*	40 825 135	29 052 807	11 772 328
Other terminated student loans	*8 884 071*	*6 201 656*	*2 682 415*	*1 788*	*704*	*1 084*	8 885 859	6 202 360	2 683 499
Balance at 31 December	**898 227 155**	**81 496 479**	**816 730 676**	**13 758 228**	**495 060**	**13 263 168**	**911 985 383**	**81 991 539**	**829 993 844**

Insurance premium receivable

	Student Loan 1 Cost	Student Loan 1 Impairment loss	Student Loan 1 Net	Student Loan 2 Cost	Student Loan 2 Impairment loss	Student Loan 2 Net	Total Cost	Total Impairment loss	Total Net
Effective student loan contracts	**8 611 818**	**314 345**	**8 297 473**	**2 907**	**38**	**2 869**	**8 614 725**	**314 383**	**8 300 342**
Loans under disbursement and awaiting repayment	2 548 842	94 948	2 453 894	2 870	38	2 832	2 551 712	94 986	2 456 726
Loans being repaid and are not overdue	*4 436 983*	*49 210*	4 387 773	*23*	*0*	23	4 437 006	49 210	4 387 796
Loans being repaid overdue over 1-30 days	*632 535*	*22 424*	610 111	*5*	*0*	5	632 540	22 424	610 116
Loans being repaid overdue over 31-60 days	*232 622*	*15 429*	217 193	*3*	*0*	3	232 625	15 429	217 196
Loans being repaid overdue over 61-180 days	*760 836*	*132 334*	628 502	*6*	*0*	6	760 842	132 334	628 508
Terminated contracts	**671 625**	**402 643**	**268 982**	**0**	**0**	**0**	**671 625**	**402 643**	**268 982**
Renegotiated loans	*157 866*	*92 482*	*65 384*	*0*	*0*	*0*	157 866	92 482	65 384
Loans assigned to the tax authority for collection	*421 940*	*255 600*	*166 340*	*0*	*0*	*0*	421 940	255 600	166 340
Other terminated student loans	*91 819*	*54 561*	*37 258*	*0*	*0*	*0*	91 819	54 561	37 258
Balance at 31 December	**9 283 443**	**716 988**	**8 566 455**	**2 907**	**38**	**2 869**	**9 286 350**	**717 026**	**8 569 324**
Total student loan receivables at 31 December	**907 510 598**	**82 213 467**	**825 297 131**	**13 761 135**	**495 098**	**13 266 037**	**921 271 733**	**82 708 565**	**838 563 168**

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	31 December 2014	31 December 2013
As of 1 January	**82 708 565**	**84 066 738**
Current year impairment	17 367 702	0
Current year reversal	0	-43 272
Translation difference	-4 963 687	-1 314 901
Impairment as of 31 December	**95 112 580**	**82 708 565**

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 (which can also be HUF 0 when moving into retirement) is considered to be an insurance loss. The reserve is calculated for all of the 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 is the same as 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.

Student loan 1

Risk distribution	2014 II. half-year	2014 I. half-year	2013 II. half-year	2013 I. half-year
Mortality	8,05%	5,59%	5,59%	6,0%
Disability	9,61%	5,89%	5,89%	4,7%
Pension	1,58%	0,22%	0,22%	3,5%
Insurance Risk total	*19,24%*	*11,70%*	*11,70%*	*14,2%*
Non-payment	80,76%	88,30%	88,30%	85,8%
Credit Risk total	*80,76%*	*88,30%*	*88,30%*	*85,8%*
Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**

Student loan 2

Risk distribution	2014 II. half-year	2014 I. half-year	2013 II. half-year	2013 I. half-year
Mortality	5,07%	4,07%	4,07%	2,4%
Disability	1,54%	0,67%	0,67%	0,2%
Pension	0,15%	0,21%	0,21%	0,0%
Insurance Risk total	*6,76%*	*4,95%*	*4,95%*	*2,6%*
Non-payment	93,24%	95,05%	95,05%	97,4%
Credit Risk total	*93,24%*	*95,05%*	*95,05%*	*97,4%*
Total	**100,00%**	**100,00%**	**100,00%**	**100,00%**

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

The calculation of the insurance reserve is based on numerous assumptions.

The following tables show the assumptions used for the calculation of financing interest, operating premium and payroll cost inflation for the ends of 2014 and 2013, respectively:

Student Loan 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%

Student Loan 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%

Student Loan 1

31 December 2013	2014	2015	2016	2017	2018	2019	2020+
Financing interest	3,93%	3,61%	3,94%	4,31%	4,53%	4,63%	4,67%
Operating premium	0,83%	0,80%	0,75%	0,75%	0,70%	0,70%	0,65%
Payroll cost inflation	2,38%	3,52%	3,30%	3,30%	3,30%	3,30%	3,30%

Student Loan 2

31 December 2013	2014	2015	2016	2017	2018	2019	2020+
Financing interest	3,93%	3,61%	3,94%	4,31%	4,53%	4,63%	4,67%
Operating premium	2,46%	2,50%	2,50%	2,50%	0,70%	0,70%	0,65%
Payroll cost inflation	2,38%	3,52%	3,30%	3,30%	3,30%	3,30%	3,30%

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

- The **minimum wage** was considered at HUF 101,500, being the statutory minimum wage prescribed for full-time employees by government decree 483/2013. (XII.17.). 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 1/2012.

(I.20.), i.e. at HUF 98,000. The minimum wage assumption used increased by 3.6% as compared to the assmuptions used for making reserves at the end of 2013.

- The **collection rates** are determined based on collection experience related to cancelled Student Loan 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. The collection rates for cancelled contracts at the end of 2014 were: 56%/54%/31%. At the end of 2013, the collection rates for contracts cancelled were: 60%/58,5%/33%. The same rates apply also to Student Loan 2 contracts.

- **Mortality** was estimated based on the national portability statistics for 2009 and on an analysis of differences between expected and actual mortality for Type 1 student loans. Based on the results, the mortality for both males and females was adjusted by 90% for reserve calculation purposes.

- With respect to **disability** figures we applied the best estimate which is 70% of the national figures.

- **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 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

Student Loan 1. – Student Loan 2.

Loan granted (HUF)	Under repayment	Overdue	Under repayment	Overdue
	31 December 2014		31 December 2013	
0 - 500 000	25,79%	15,12%	19,73%	18,11%
500 001 - 1 000 000	4,87%	4,63%	3,59%	2,31%
1 000 000 - 1 500 000	2,39%	2,34%	1,64%	1,20%
1 500 001 - 2 000 000	1,40%	1,38%	0,91%	0,70%
2 000 000 - .	0,89%	0,89%	0,36%	0,46%

The assumption used in 2014 changed compared to that used for provisions and reserves in 2013 as the probability of bullet payments increased in all the debtor categories except the lowest nonperformers.

- **Probability of early repayment**: Early repayment is estimated in the percentage of amounts repaid in periodic instalments and assumed that early repayment will take place once a year.

  Any early repaid amount and the probability of early repayment depend on the amount of the required instalment. We used the following assumptions for our estimates:

Probability of early repayment

Student Loan 1

31 December 2014		31 December 2013	
Probability of early repayment	Percentage of annual repayment	Probability of early repayment	Percentage of annual repayment
35,35%	0%	34,98%	0%
35,37%	3%	34,40%	3%
14,42%	22%	15,41%	25%
14,86%	190%	15,21%	196%

Student Loan 2

31 December 2014

Amount of monthly instalment (HUF)		Probability of early repayment	Percentage of annual repayment
Low	0 - 90 000	50,26%	36,46%
Medium	90 001 - 200 000	52,89%	24,47%
High	200 001-	50,51%	13,49%

31 December 2013

Amount of monthly instalment (HUF)		Probability of early repayment	Percentage of annual repayment
Low	0 - 62 500	48,13%	59,97%
Medium	62 500 - 150 000	44,50%	29,96%
High	150 001-	44,07%	16,12%

- **Initial earnings** were tested based on the tax authority's official income figures database for Type 1 student loans. Personal income is very low in some categories. 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 the economic activity of the population between 15 and 61 years of age per level of education and gender. As a result, people with finished grammar school education or higher in the 15-60 age group 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.
  The impacts of changes in the assumptions were analysed based on the factors that affect reserves the most. The changes in the assumptions for collection rates real wage increases were completely recalculated. Changes in mortality, disability and risk premium assumptions were identified with a simplified approach based on the apportioning of related cash flow components.

  The impacts of changes in the assumptions are set out in the tables below. Technical reserves are sensitive to increases in real wages, changes in mortality and disability assumptions but are less sensitive to collectability assumptions. Changes in the risk premium also have a significant impact on insurance technical reserves.

Sensitivity analysis of reserve calculations:

31 December 2014

Sensitivity analysis of reserve calculations for Student Loan 1	Original assumption	Amended assumption	2014 Reserve	2014 Change
Under basic assumptions			**7 516 911**	
Mortality (relative to mortality of population)	90%	80%	**6 722 983**	-10,56%
		100%	**8 304 487**	10,48%
Disability (relative to national data)	70%	60%	**6 059 259**	-19,39%
		80%	**8 968 211**	19,31%
Real wage growth		-1%	**10 413 160**	38,53%
		+1%	**5 621 011**	-25,22%
Collection rate on cancelled contracts	56%,54%,31%	55%,53%30%	**7 516 911**	0,00%
	56%,54%,31%	57%,55%32%	**7 516 911**	0,00%
Risk premium	1,42%	-0,10%	**7 964 686**	5,96%
		0,10%	**7 085 014**	-5,75%
Cost of capital		-1,00%	**5 532 091**	-26,40%
		1,00%	**10 597 351**	40,98%
Pricing			**9 841 532**	30,93%

Sensitivity analysis of reserve calculations for Student Loan 2	Original assumption	Amended assumption	2014 Reserve	2014 Change
Under basic assumptions			**149 258**	
Mortality (relative to mortality of population)	90%	80%	**114 326**	-23,40%
		100%	**181 016**	21,28%
Disability (relative to national data)	70%	60%	**127 028**	-14,89%
		80%	**168 313**	12,77%
Real wage growth		-1%	**171 488**	14,89%
		+1%	**127 028**	-14,89%
Collection rate on cancelled contracts	56%,54%,31%	55%,53%30%	**149 258**	0,00%
	56%,54%,31%	57%,55%32%	**149 258**	0,00%
Risk premium	1,28%	-0,10%	**177 840**	19,15%
		0,10%	**120 677**	-19,15%
Cost of capital		-1,00%	**238 178**	59,57%
		1,00%	**85 744**	-42,55%
Pricing			**101 623**	-31,91%

In the sensitivity analysis, the minimum wage, initial income and economic assumptions used for pricing differ from those used to make reserves. The analysis also reflects the effect of a small decrease in the late payment penalty rate.

31 December 2013

Sensitivity analysis of reserve calculations for Student Loan 1	Original assumption	Amended assumption	2013 Reserve	2013 Change
Under basic assumptions			**15 425 547**	
Mortality (relative to mortality of population)	90%	80%	**14 469 031**	-6,20%
		100%	**16 378 701**	6,18%
Disability (relative to national data)	70%	60%	**13 600 081**	-11,83%
		80%	**17 244 283**	11,79%
Real wage growth		-1%	**20 881 749**	35,37%
		+1%	**11 707 251**	-24,10%
Collection rate on cancelled contracts	60%, 58,5%, 33%	59%,57,5% 32%	**15 425 547**	0,00%
	60%, 58,5%, 33%	59%,57,5% 32%	**15 425 547**	0,00%
Risk premium	*	-0,10%	**15 236 940**	-1,22%
		0,10%	**15 661 312**	1,53%

* risk premium assumption	
-June 2014.	1,67%
June 2014 - June 2015	1,57%
July 2015 -	1,50%

Sensitivity analysis of reserve calculations for Student Loan 2	Original assumption	Amended assumption	2013 Reserve	2013 Change
Under basic assumptions			**74 097**	
Mortality (relative to mortality of population)	90%	80%	**57 256**	-22,73%
		100%	**94 305**	27,27%
Disability (relative to national data)	70%	60%	**67 360**	-9,09%
		80%	**84 201**	13,64%
Real wage growth		-1%	**84 201**	13,64%
		+1%	**67 360**	-9,09%
Collection rate on cancelled contracts	60%, 58,5%, 33%	59%,57,5% 32%	**74 097**	0,00%
	60%, 58,5%, 33%	61%, 59,5%, 34%	**74 097**	0,00%
Risk premium	1,24%	1,14%	**87 569**	18,18%
		1,34%	**63 992**	-13,64%

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	
	Student Loan 1	Student Loan 2
2013.01.01-2013.06.30	1,43%	1,57%
2013.07.01-2013.12.31	1,67%	1,24%
2014.01.01-2014.06.30	1,67%	1,24%
2014.07.01-2014.12.31	1,42%	1,28%

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 2014							
Cash and cash equivalents	62 924 394	62 924 394	62 924 394	-	-	-	-
Student loans	781 195 438	1 186 400 067	6 593 045	14 280 142	61 378 663	379 294 782	724 853 435
Insurance premium receivables	8 033 676	11 919 069	69 757	151 098	648 838	3 899 063	7 150 313
Other financial assets	536 919	536 919	330 352	3 133	14 320	174 391	14 723
Non-derivative financial liabilities							
Loans and advances from banks	- 488 140 440	- 581 436 435	- 1 337 070	- 7 827 160	-22 767 089	- 378 692 237	- 170 812 879
Other financial liabilities	- 451 406	- 451 406	- 451 406	-	-	-	-
Issued bonds	- 320 318 820	- 340 386 220	-	-66 009 302	-96 855 186	- 177 521 732	-
	43 779 761	**339 506 388**	**68 129 072**	**-59 402 089**	**-57 580 454**	**- 172 845 733**	**561 205 592**

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 2013							
Cash and cash equivalents	44 101 451	44 101 451	1 528 462	42 572 989	0	0	0
Student loans	829 993 844	1 359 276 446	6 487 721	14 074 626	63 120 709	502 809 834	772 783 556
Insurance premium receivables	8 569 324	13 623 590	67 363	145 912	650 872	5 045 879	7 713 564
Other financial assets	356 671	356 671	286 975	2 505	13 747	40 341	13 103
Non-derivative financial liabilities							
Loans and advances from banks	-518 108 679	-638 227 197	0	-7 727 487	-191 262 792	-228 126 554	-211 110 364
Other financial liabilities	-468 459	-468 459	-468 459	0	0	0	0
Issued bonds	-326 498 894	-359 695 176	0	-70 752 902	-11 750 173	-277 192 101	0
	37 945 258	**418 967 326**	**7 902 062**	**-21 684 357**	**-139 227 637**	**2 577 399**	**569 399 859**

*Expected interest cash flows were not included in other financial assets

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 investments in 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 needs to be developed 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 2014	31 December 2013
Fixed interest	61 942 118	42 572 989
Floating interest	789 229 114	838 563 168
Interest bearing assets	**851 171 232**	**881 136 157**
Fixed interest	-320 318 820	-326 498 894
Floating interest	-488 140 440	-518 108 679
Interest bearing liabilities	**-808 459 260**	**-844 607 573**

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 2014			31 December 2013		
	Increase (basis points)	Equity	Profit or loss	Increase (basis points)	Equity	Profit or loss
Floating-interest instruments (HUF)	50	-5 140 906	-5 140 906	50	-5 218 366	-5 218 366
Floating-interest instruments (EUR)	10	-123 227	-123 227	10	-127 551	-127 551
Cash flow sensitivity, net		**-5 264 133**	**-5 264 133**		**-5 345 917**	**-5 345 917**

Fair value sensitivity	31 December 2014			31 December 2013		
	Increase (basis points)	Equity	Profit or loss	Increase (basis points)	Equity	Profit or loss
Fixed interest instruments	50	-17 776	0	50	-24 865	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 Student Loan Centre 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

Student Loan Centre 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 Student Loan Centre are floating-interest rate loans, all of these were repriced in December 2014.

The fair value of the loans was discounted based on the HUF market rates on 31 December 2014 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:

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	982 276	61 942 118		62 924 394	62 924 394
Student loans	781 195 438			781 195 438	781 195 438
Insurance premium receivables	8 033 676			8 033 676	8 033 676
Available-for-sale financial assets	0			0	
Other financial assets	536 919			536 919	536 919
Loans and advances from banks			488 140 440	488 140 440	490 738 888
Other financial liabilities			451 406	451 406	451 406
Issued bonds			320 318 820	320 318 820	330 173 755

Fair value hierarchy

31 December 2014

Assets	Book value	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value	**61 942 118**	**61 942 118**	**61 942 118**	**0**	**0**
Available-for-sale financial assets	61 942 118	61 942 118	61 942 118	0	0
Assets disclosed at fair value	**790 748 309**	**790 748 309**	**982 276**	**0**	**789 766 033**
Cash and cash equivalents	982 276	982 276	982 276	0	0
Student loans	781 195 438	781 195 438	0	0	781 195 438
Insurance premium receivables	8 033 676	8 033 676	0	0	8 033 676
Other financial assets	536 919	536 919	0	0	536 919
Total	**852 690 427**	**852 690 427**	**62 924 394**	**0**	**789 766 033**

Liabilities	Book value	Fair value	Level 1	Level 2	Level 3
Liabilities measured at fair value	**0**	**0**	**0**	**0**	**0**
Liabilities disclosed at fair value	**808 910 666**	**821 364 049**	**0**	**820 912 643**	**451 406**
Loans and advances from banks	488 140 440	490 738 888	0	490 738 888	0
Other financial liabilities	451 406	451 406	0	0	451 406
Issued bonds	320 318 820	330 173 755	0	330 173 755	0
Total	**808 910 666**	**821 364 049**	**0**	**820 912 643**	**451 406**

31 December 2013

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	1 528 462	42 572 989		44 101 451	44 101 451
Student loans	829 993 844			829 993 844	829 993 844
Insurance premium receivables	8 569 324			8 569 324	8 569 324
Available-for-sale financial assets	0			0	
Other financial assets	356 671			356 671	356 671
Loans and advances from banks			518 108 679	518 108 679	514 232 594
Other financial liabilities			468 459	468 459	468 459
Issued bonds			326 498 894	326 498 894	340 007 727

31 December 2013

Assets	Book value	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value	**42 572 989**	**42 572 989**	**42 572 989**	**0**	**0**
Available-for-sale financial assets	42 572 989	42 572 989	42 572 989	0	0
Assets disclosed at fair value	**840 448 301**	**840 448 301**	**1 528 462**	**0**	**838 919 839**
Cash and cash equivalents	1 528 462	1 528 462	1 528 462	0	0
Student loans	829 993 844	829 993 844	0	0	829 993 844
Insurance premium receivables	8 569 324	8 569 324	0	0	8 569 324
Available-for-sale financial assets	0	0	0	0	0
Other financial assets	356 671	356 671	0	0	356 671
Total	**883 021 290**	**883 021 290**	**44 101 451**	**0**	**838 919 839**

Liabilities	Book value	Fair value	Level 1	Level 2	Level 3
Liabilities measured at fair value	**0**	**0**	**0**	**0**	**0**
Liabilities disclosed at fair value	**845 076 032**	**854 708 780**	**0**	**854 240 321**	**468 459**
Loans and advances from banks	518 108 679	514 232 594	0	514 232 594	0
Other financial liabilities	468 459	468 459	0	0	468 459
Issued bonds	326 498 894	340 007 727	0	340 007 727	0
Total	**845 076 032**	**854 708 780**	**0**	**854 240 321**	**468 459**

7. Interest income and expense

Interest income	2014	2013
Student loan interest income*	50 951 703	63 361 008
T-bills	353 960	650 165
Interest paid by employees	1 342	1 197
Bank interest received	0	5
Total	**51 307 005**	**64 012 375**

Interest expense	2014	2013
Bond interest	**19 080 551**	**20 448 701**
Interest on long-term loans	**14 684 672**	**21 072 381**
EIB loan interest	9 424 671	14 177 549
MFB loan interest	4 155 346	6 348 416
Takarékbank loan interest	1 104 655	546 416
Stand-by loan interest	**20 394**	**146 341**
Budapest Bank loan interest	18 420	88 280
Takarékbank loan interest	0	19 081
MFB loan interest	1 974	38 980
Total	**33 785 617**	**41 667 423**

Net interest income	**17 521 388**	**22 344 952**

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

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

Student Loan interest income details	2014 Student Loan 1	2014 Student Loan 2	2014 Total	2013 Student Loan 1	2013 Student Loan 2	2013 Total
Student loan interest income*	***24 781 582***	***18 529***	***24 800 111***	***26 923 016***	***2 769***	***26 925 785***
-interest on funding costs	*15 733 144*	*9 527*	*15 742 671*	*18 530 884*	*1 601*	*18 532 485*
-interest on risk premium	*6 185 000*	*3 305*	*6 188 305*	*5 493 787*	*401*	*5 494 188*
-Interest on operating costs	*2 863 438*	*5 697*	*2 869 135*	*2 898 345*	*767*	*2 899 112*
Student loan interest accrued due to ca	**21 798 341**	**375 059**	**22 173 400**	**32 911 571**	**152 872**	**33 064 443**
-interest on funding costs	*13 900 317*	*196 270*	*14 096 587*	*21 454 212*	*83 513*	*21 537 725*
-interest on risk premium	*5 514 205*	*64 821*	*5 579 026*	*8 406 359*	*24 456*	*8 430 815*
-Interest on operating costs	*2 383 819*	*113 968*	*2 497 787*	*3 051 000*	*44 903*	*3 095 903*
Amount reclassified from interest income to insurance premium received	**-2 599 951**	**-11 361**	**-2 611 312**	**-2 537 919**	**-1 111**	**-2 539 030**
Student loan default interest*	**3 684 698**	**412**	**3 685 110**	**3 182 060**	**77**	**3 182 137**
State targeted interest subsidies*	**1 857 199**	**1 047 195**	**2 904 394**	**2 195 279**	**532 394**	**2 727 673**
Total	**49 521 869**	**1 429 834**	**50 951 703**	**62 674 007**	**687 001**	**63 361 008**

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 policy interest subsidies received are presented as part of interest income.

Insurance premium income	2014 Student Loan 1	2014 Student Loan 2	2014 Total	2013 Student Loan 1	2013 Student Loan 2	2013 Total
Period risk premium	11 699 205	68 126	11 767 331	13 900 146	24 857	13 925 003
Period operating premium	5 247 257	119 665	5 366 922	5 949 345	45 670	5 995 015
Total premiums	***16 946 462***	***187 791***	***17 134 253***	***19 849 491***	***70 527***	***19 920 018***
Thereof: premium income	**2 599 952**	**11 361**	**2 611 312**	**2 537 919**	**1 111**	**2 539 030**

9. Claims paid

Expense caused by insurance events	2014 Student Loan 1	2014 Student Loan 2	2014 Total	2013 Student Loan 1	2013 Student Loan 2	2013 Total
Loan written off due to death	289 609	0	289 609	511 505	0	511 505
Loan written off due to disability	141 964	0	141 964	0	0	0
Total	**431 573**	**0**	**431 573**	**511 505**	**0**	**511 505**

10. Net trading profit or loss

Net trading profit or loss	2014	2013
Loss/profit from the repiurchase of financial instruments	-238 298	-76 379
Net trading loss/profit	**-238 298**	**-76 379**

11. Other operating income and expenses

Other operating income	2014	2013
Income from forgiven receivables	3 316	3 321
Government grants received	84 297	87 434
Sale of public procurement tender documents	0	1 005
Advertising campaign paid by MFB	303 750	0
Other	10 399	13 036
Total	**401 762**	**104 796**

Other operating costs, expenses	2014	2013
Material costs	75 870	99 046
Services used	3 087 587	2 968 216
Other services	697 127	719 907
Wage cost	2 279 379	2 332 232
Other staff benefits	588 196	618 943
Social security contribution	763 745	776 715
Depreciation	506 931	463 700
Costs of issuing bonds	260 593	282 022
Amounts contributed free of charge	14 743	18 991
Impairment of inventories	113	0
Fines, compensation	29	24
Other	9 120	1 671
Net value of PPE and intangible assets sold, scrapped	89 277	2 722
Total	**8 372 710**	**8 284 189**

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	2014	2013
Corporate tax	10% , 19%	10% , 19%
Corporate tax rate	**10% , 19%**	**10% , 19%**

Tax rates used by Company	2014	2013
Corporate tax	10%	10%
Deferred tax rate	**10%**	**10%**

Corporate tax expense in reporting year	2014	2013
Corporate tax expense in reporting year	0	-2 214
Total corporate tax expense in reporting year	**0**	**-2 214**

Deferred tax income	2014	2013
Occurrence and reversal of temporary differences	-6 591	-403 712
Total deferred tax income	**-6 591**	**-403 712**
Total corporate tax	**-6 591**	**-405 926**

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

Breakdown of effective tax rate	2014	2013
Period result	264 740	2 171 624
Corporate tax income / expense	-6 591	-405 926
Profit/loss before tax	271 331	2 577 550
Expected corporate tax based on tax rate	-27 133	-257 755
Non-deductible expenses	-1 467	-1 886
Tax-exempt income	30 375	0
Reversal effect of tax differences	-8 011	-155
Corporate income tax payable	0	2 266
Negative corporate tax base in reporting year, for which deferred tax assets were not allocated	-20 897	0
Unrecognised changes in temporary differences	60	-172 314
Impact of exchange rate changes	20 482	24 142
Other	0	-224
Tax income	**-6 591**	**-405 926**

13.Breakdown of assets and liabilities by maturity

Assets by maturity	31 December 2014	31 December 2013
Cash and cash equivalents		
Short-term	62 924 394	44 101 451
Long-term	0	0
Total:	**62 924 394**	**44 101 451**
Student loans		
Short-term	132 270 779	125 147 621
Long-term	648 924 659	704 846 223
Total:	**781 195 438**	**829 993 844**
Insurance premium receivables		
Short-term	1 403 498	1 312 241
Long-term	6 630 178	7 257 083
Total:	**8 033 676**	**8 569 324**
Current tax receivables		
Short-term	9 780	32 601
Long-term	0	0
Total:	**9 780**	**32 601**
Other receivables		
Short-term	437 467	374 909
Long-term	189 114	53 444
Total:	**626 581**	**428 353**
Other assets		
Short-term	10 159	4 691
Long-term	0	0
Total:	**10 159**	**4 691**
Property, plant and equipment		
Short-term	0	0
Long-term	741 085	714 313
Total:	**741 085**	**714 313**
Intangible assets		
Short-term	0	0
Long-term	854 885	1 019 788
Total:	**854 885**	**1 019 788**
Total:	**854 395 998**	**884 864 365**

Liabilities by maturity	31 December 2014	31 December 2013
Loans and advances from banks		
Short-term	19 920 415	183 814 035
Long-term	468 220 025	334 294 644
Total:	**488 140 440**	**518 108 679**
Other liabilities		
Short-term	1 827 441	1 703 345
Long-term	147 579	247 358
Total:	**1 975 020**	**1 950 703**
Issued bonds		
Short-term	148 652 522	72 213 521
Long-term	171 666 298	254 285 373
Total:	**320 318 820**	**326 498 894**
Technical reserves		
Short-term	476 357	505 204
Long-term	7 189 812	14 994 440
Total:	**7 666 169**	**15 499 644**
Deferred tax liabilities		
Short-term	0	0
Long-term	2 907 079	1 514 480
Total:	**2 907 079**	**1 514 480**
Total:	**821 007 528**	**863 572 400**

14. Cash and cash equivalents

Cash and cash equivalents	2014	2013
Cash	1 195	1 526
Available-for-sale securities	61 942 118	42 572 989
Bank deposits	977 270	1 522 894
Restricted-use cash	3 811	4 042
Total	**62 924 394**	**44 101 451**

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

Available-for-sale securities

at 31 December 2014

Instrument	Date of purchase	Date of maturity	Face value HUF	Face value Euro	Fair value Euro
D150121	2014.09.01	2015.01.21	180 000 000	571 628	570 428
D150121	2014.09.02	2015.01.21	160 000 000	508 114	507 047
D150121	2014.09.03	2015.01.21	230 000 000	730 414	728 880
D150121	2014.09.04	2015.01.21	200 000 000	635 142	633 809
D150121	2014.09.05	2015.01.21	225 000 000	714 535	713 035
D150121	2014.09.08	2015.01.21	100 000 000	317 571	316 904
D150121	2014.09.10	2015.01.21	3 185 000 000	10 114 643	10 093 402
D150121	2014.09.11	2015.01.21	100 000 000	317 571	316 904
D150121	2014.09.12	2015.01.21	60 000 000	190 543	190 143
D150121	2014.09.15	2015.01.21	105 000 000	333 450	332 750
D150121	2014.09.16	2015.01.21	45 000 000	142 907	142 607
D150121	2014.09.17	2015.01.21	45 000 000	142 907	142 607
D150121	2014.09.18	2015.01.21	35 000 000	111 150	110 917
D150121	2014.09.19	2015.01.21	75 000 000	238 178	237 678
D150121	2014.09.22	2015.01.21	35 000 000	111 150	110 917
D150121	2014.09.23	2015.01.21	44 000 000	139 731	139 438
D150121	2014.09.24	2015.01.21	9 430 000 000	29 946 966	29 884 077
D150121	2014.09.25	2015.01.21	70 000 000	222 300	221 833
D150121	2014.09.26	2015.01.21	30 000 000	95 271	95 071
D150121	2014.09.29	2015.01.21	50 000 000	158 786	158 452
D150121	2014.09.30	2015.01.21	50 000 000	158 786	158 452
D150121	2014.10.01	2015.01.21	120 000 000	381 085	380 285
D150121	2014.10.02	2015.01.21	126 000 000	400 140	399 299
D150121	2014.10.03	2015.01.21	280 000 000	889 199	887 332
D150121	2014.10.06	2015.01.21	425 000 000	1 349 678	1 346 843
D150121	2014.10.07	2015.01.21	124 000 000	393 788	392 961
D150121	2014.10.08	2015.01.21	1 000 000 000	3 175 712	3 169 043
D150121	2014.10.09	2015.01.21	65 000 000	206 421	205 988
D150121	2014.10.14	2015.01.21	1 130 000 000	3 588 555	3 581 019
D150121	2014.10.15	2015.01.21	165 000 000	523 993	522 892
D150121	2014.10.16	2015.01.21	90 000 000	285 814	285 214
D150121	2014.10.21	2015.01.21	50 000 000	158 786	158 452
D150121	2014.10.22	2015.01.21	60 000 000	190 543	190 143
D150121	2014.10.29	2015.01.21	210 000 000	666 900	665 499
D150121	2014.10.30	2015.01.21	42 000 000	133 380	133 100
D150121	2014.10.31	2015.01.21	40 000 000	127 028	126 762
D150121	2014.11.04	2015.01.21	485 000 000	1 540 220	1 536 986
D150121	2014.11.05	2015.01.21	260 000 000	825 685	823 951
D150121	2014.11.06	2015.01.21	140 000 000	444 600	443 666

D150121	2014.11.07	2015.01.21	105 000 000	333 450	332 750
D150121	2014.11.10	2015.01.21	175 000 000	555 750	554 582
Total			**19 546 000 000**	**62 072 470**	**61 942 118**

at 31 December 2013

Instrument	Date of purchase	Date of maturity	Face value HUF	Face value Euro	Fair value Euro
D140212	2013.11.13	2014.02.12	3 556 000 000	11 976 693	11 882 077
D140212	2013.11.14	2014.02.12	72 000 000	242 498	240 582
D140212	2013.11.15	2014.02.12	73 000 000	245 866	243 923
D140212	2013.11.18	2014.02.12	40 000 000	134 721	133 657
D140212	2013.11.19	2014.02.12	56 000 000	188 609	187 119
D140212	2013.11.20	2014.02.12	37 000 000	124 617	123 632
D140212	2013.11.21	2014.02.12	32 000 000	107 777	106 925
D140212	2013.11.22	2014.02.12	40 000 000	134 721	133 657
D140212	2013.11.26	2014.02.12	55 000 000	185 241	183 778
D140212	2013.11.27	2014.02.12	6 367 000 000	21 444 209	21 274 799
D140212	2013.11.28	2014.02.12	36 000 000	121 249	120 291
D140212	2013.11.29	2014.02.12	38 000 000	127 985	126 974
D140212	2013.12.02	2014.02.12	250 000 000	842 006	835 354
D140212	2013.12.03	2014.02.12	225 000 000	757 805	751 819
D140212	2013.12.04	2014.02.12	198 000 000	666 869	661 600
D140212	2013.12.05	2014.02.12	223 000 000	751 069	745 136
D140212	2013.12.06	2014.02.12	126 000 000	424 371	421 018
D140212	2013.12.07	2014.02.12	83 000 000	279 546	277 338
D140212	2013.12.09	2014.02.12	86 000 000	289 650	287 362
D140212	2013.12.10	2014.02.12	121 000 000	407 531	404 311
D140212	2013.12.12	2014.02.12	532 000 000	1 791 789	1 777 634
D140212	2013.12.13	2014.02.12	65 000 000	218 922	217 192
D140212	2013.12.18	2014.02.12	130 000 000	437 843	434 384
D140212	2013.12.20	2014.02.12	200 000 000	673 605	668 283
D140212	2013.12.21	2014.02.12	100 000 000	336 802	334 142
Total			**12 741 000 000**	**42 911 994**	**42 572 989**

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.

Student Loan 1.

A total of 345,254 people (2013: 338,554) have been granted a student loan since the scheme was launched and a total amount of nearly HUF 275.2 billion has been disbursed. At the end of 2014, the number of repaying debtors reached 136,625 people (2013: 135,924 people) and the number of clients with closed contracts totalled 136,053.

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% of income for the students borrowing the largest amounts. The Decree allows for a reduction of the monthly instalment for up to 24 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

Student Loan 2.

Since the start of the student loans scheme in 2012, a total of 15,312 students (in 2013: 10,067) have been granted a student loan and a total amount of nearly HUF 8.6 billion has been disbursed. A total of 1020 debtors reached their repayment period (2013: 205) and 166 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 preceeding 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 loan repayer 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 Student Loan Centre 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	2014	2013
Other financial assets	***536 919***	***356 671***
Trade receivables	484	0
Employee loans	67 902	51 663
Advances to creditors	34 413	5 490
Safety deposit	140 409	13 710
Subsidised interest	293 711	285 808
Other receivables	***89 662***	***71 682***
Prepaid expenses, accrued income	85 585	65 601
Other tax receivables	3 809	4 032
Other receivables	268	2 049
Total other receivables	**626 581**	**428 353**

17. Other assets

Other assets	2014	2013
Marketing inventories	3 653	4 099
Jubilee badge	0	201
Recyclable packaging	403	391
Tangible assets reclassified to inventory	6 103	0
Total	**10 159**	**4 691**

18. Tangible assets

The Company does not have any assets under restricted ownership.

Changes in property, plant and equipment	Property rights	Technical machinery, equipment, vehicles	Other equipment	Capital expenditures	Total
Gross value, 1 January 2013	**298 048**	**1 584 668**	**226 747**	**14 358**	**2 123 821**
Additions	0	119 481	17 725	543 923	681 129
Reclassifications	0	-120 619	-6 845	-384 583	-512 047
Disposals	0	0	0	0	0
Conversion differences	-5 641	-29 995	-4 293	-271	-40 200
Gross value, 31 December 2013	**292 407**	**1 553 535**	**233 334**	**173 427**	**2 252 703**
Additions	99 662	183 008	20 501	551 293	854 464
Disposals	-185 959	-302 812	-16 418	-503 948	-1 009 137
Reclassifications	0	0	0	0	0
Conversion differences	-16 696	-88 707	-13 322	-9 902	-128 627
Gross value, 31 December 2014	**189 414**	**1 345 024**	**224 095**	**210 870**	**1 969 403**
Accumulated depreciation, 1 January 2013	**97 729**	**1 212 012**	**199 216**	**0**	**1 508 957**
Depreciation	18 308	148 471	9 989	0	176 768
Disposals	0	-112 064	-6 710	0	-118 774
Reclassifications	0	0	0	0	0
Conversion differences	-1 849	-22 941	-3 771	0	-28 561
Accumulated depreciation, 31 December 2013	**114 188**	**1 225 478**	**198 724**	**0**	**1 538 390**
Depreciation	13 192	169 643	13 990	0	196 825
Disposals	-99 649	-303 504	-15 904	0	-419 057
Reclassifications	0	0	0	0	0
Conversion differences	-6 519	-69 975	-11 346	0	-87 840
Accumulated depreciation, 31 December 2014	**21 212**	**1 021 642**	**185 464**	**0**	**1 228 318**
Net value, 1 January 2013	**200 319**	**372 656**	**27 531**	**14 358**	**614 864**
Net value, 31 December 2013	**178 219**	**328 057**	**34 610**	**173 427**	**714 313**
Net value, 31 December 2014	**168 202**	**323 382**	**38 631**	**210 870**	**741 085**

Cost of fully written off tangibles in use	Property rights	Technical machinery, equipment, vehicles	Other equipment	Capital expenditures	Total
31 December 2013	**0**	**936 956**	**182 372**	**0**	**1 119 328**
31 December 2014	**0**	**695 261**	**165 152**	**0**	**860 413**

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 2013	**3 700 703**	**10 700**	**3 711 403**
Additions	305 446	3 702	309 148
Reclassifications	0	0	0
Disposals	-2 043	0	-2 043
Conversion differences	-70 049	-203	-70 252
Gross value, 31 December 2013	**3 934 057**	**14 199**	**3 948 256**
Additions	200 584	307	200 891
Reclassifications		0	0
Disposals	-496	0	-496
Conversion differences	-224 632	-811	-225 443
Gross value, 31 December 2014	**3 909 513**	**13 695**	**3 923 208**
Accumulated depreciation, 1 January 2013	**2 693 802**	**2 140**	**2 695 942**
Depreciation	282 758	2 838	285 596
Disposals	-2 040	0	-2 040
Reclassifications	0	0	0
Conversion differences	-50 989	-41	-51 030
Accumulated depreciation, 31 December 2013	**2 923 531**	**4 937**	**2 928 468**
Depreciation	304 580	2 984	307 564
Disposals	-495	0	-495
Reclassifications	0	0	0
Conversion differences	-166 932	-282	-167 214
Accumulated depreciation, 31 December 2014	**3 060 684**	**7 639**	**3 068 323**
Net value, 1 January 2013	**1 006 901**	**8 560**	**1 015 461**
Net value, 31 December 2013	**1 010 526**	**9 262**	**1 019 788**
Net value, 31 December 2014	**848 829**	**6 056**	**854 885**

Cost of fully written off intangibles in use	Unrestricted ownership of property rights	Unrestricted ownership of property rights	Total
31 December 2013	**2 460 026**	**0**	**2 460 026**
31 December 2014	**2 405 657**	**307**	**2 405 964**

20. Deferred tax assets and tax liabilities

Deferred tax	31 December 2014			31 December 2013		
	Tax asset	Tax liability	Net	Tax asset	Tax liability	Net
Intangible assets	0	0	0	0	0	0
Property, plant and equipment	747		747	730	0	730
Receivables, loans disbursed	10 082 977	-803 368	9 279 609	8 905 012	-856 932	8 048 080
Prepaid expenses, accrued income	166 449	0	166 449	315 327	0	315 327
Cash equivalents	0	-3 488	-3 488	12 142	0	12 142
Provisions	0	-10 183 867	-10 183 867	0	-9 515 305	-9 515 305
Technical reserve	766 617	0	766 617	1 549 965	0	1 549 965
Long-term liabilities	1 308 198	-1 458 206	-150 008	1 089 555	-159 019	930 536
Accrued expenses, deferred income	0	-2 783 138	-2 783 138	0	-2 855 955	-2 855 955
Tax receivables (tax liabilities)	**12 324 988**	**-15 232 067**	**-2 907 079**	**11 872 731**	**-13 387 211**	**-1 514 480**
Tax assets not considered	**0**	**0**	**0**	**0**	**0**	**0**
Tax assets (tax liabilities), total	**12 324 988**	**-15 232 067**	**-2 907 079**	**11 872 731**	**-13 387 211**	**-1 514 480**

The following tables illustrate the tax impacts of temporary differences:

Change in tax impact of temporary differences 2014.12.31	Opening as at 1 January	Recognized in profit or loss	Recognized in equity on capital contribution	Recognized in other comprehensive income	FX impact recognized in other comprehensive income	Closing as at 31 December
Intangible assets	0	0	0	0	0	0
Property, plant and equipment	730	60	0	0	-43	747
Receivables, loans disbursed	8 048 080	1 715 635	0	0	-484 106	9 279 609
Prepaid expenses, accrued income	315 327	-132 773	0	0	-16 105	166 449
Cash equivalents	12 142	0	0	-15 154	-476	-3 488
Provisions	-9 515 305	-1 229 489	0	0	560 927	-10 183 867
Technical reserve	1 549 965	-704 932	0	0	-78 416	766 617
Long-term liabilities	930 536	436 478	-1 478 806	0	-38 216	-150 008
Accrued expenses, deferred income	-2 855 955	-91 570	0	0	164 387	-2 783 138
Temporary difference not considered	0	0	0	0	0	0
Total	**-1 514 480**	**-6 591**	**-1 478 806**	**-15 154**	**107 952**	**-2 907 079**

In case of capital contribution the deferred tax effect in relation to the EURIBOR based interest loan is disclosed.

Change in tax impact of temporary differences 2013.12.31	Opening as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	FX impact recognized in other comprehensive income	Closing as at 31 December
Intangible assets	0	0	0	0	0
Property, plant and equipment	-685	1 385	0	30	730
Receivables, loans disbursed	8 406 673	-197 049	0	-161 544	8 048 080
Prepaid expenses, accrued income	593 574	-263 762	0	-14 485	315 327
Cash equivalents	-9 823	0	2 171	19 794	12 142
Provisions	-8 374 521	-1 283 476	0	142 692	-9 515 305
Technical reserve	219 918	1 317 969	0	12 078	1 549 965
Long-term liabilities	-740 836	1 637 177	0	34 195	930 536
Accrued expenses, deferred income	-1 243 627	-1 615 956	0	3 628	-2 855 955
Temporary difference not considered	0	0	0	0	0
Total	**-1 149 327**	**-403 712**	**2 171**	**36 388**	**-1 514 480**

21.Amounts payable to banks

Loans and advances from banks	Interest rate	Borrowing date	Maturity date	Currency	Loan amount HUF 2014	Loan amount EUR 2014	Carrying amount EUR 2014	Loan amount HUF 2013	Loan amount EUR 2013	Carrying amount EUR 2013
European Investment Bar I	EIB VSFR	2005.10.12	2020.06.15	HUF	990 000 000	3 143 955	3 147 273	1 170 000 000	3 940 588	3 946 729
European Investment Bar I	EIB VSFR	2006.01.12	2020.06.15	HUF	1 650 000 000	5 239 925	5 245 443	1 950 000 000	6 567 647	6 577 881
European Investment Bar I	EIB VSFR	2006.04.11	2020.06.15	HUF	1 265 000 000	4 017 276	4 021 506	1 495 000 000	5 035 196	5 043 042
European Investment Bar I	EIB VSFR	2006.08.10	2021.03.15	HUF	975 000 000	3 096 319	3 099 580	1 125 000 000	3 789 027	3 794 932
European Investment Bar I	EIB VSFR	2006.11.13	2021.03.15	HUF	1 820 000 000	5 779 796	5 785 882	2 100 000 000	7 072 850	7 083 872
European Investment Bar I	EIB VSFR	2006.12.12	2021.03.15	HUF	1 885 000 000	5 986 217	5 992 521	2 175 000 000	7 325 452	7 336 868
European Investment Bar I	EIB VSFR	2007.03.12	2021.09.15	HUF	1 050 000 000	3 334 498	3 338 009	1 200 000 000	4 041 629	4 047 927
European Investment Bar I	EIB VSFR	2007.06.13	2021.12.15	HUF	2 800 000 000	8 891 994	8 901 358	3 200 000 000	10 777 677	10 794 472
European Investment Bar I	EIB VSFR	2007.10.11	2022.03.15	HUF	4 283 967 936	13 604 649	13 618 975	4 855 163 661	16 352 308	16 377 790
European Investment Bar II.	EIB VSFR	2008.07.17	2023.03.15	HUF	4 250 000 000	13 496 777	13 510 990	4 750 000 000	15 998 114	16 023 044
European Investment Bar II.	EIB VSFR	2008.08.08	2023.03.15	HUF	3 400 000 000	10 797 421	10 808 791	3 800 000 000	12 798 491	12 818 435
European Investment Bar II.	3M BUBOR-0,455%	2008.12.11	2023.06.15	HUF	1 615 000 000	5 128 775	5 132 759	1 805 000 000	6 079 283	6 086 619
European Investment Bar II.	3M BUBOR-0,390%	2009.03.11	2023.06.15	HUF	5 100 000 000	16 196 132	16 209 210	5 700 000 000	19 197 737	19 221 457
European Investment Bar II.	EIB VSFR	2009.08.10	2024.03.15	HUF	3 325 000 000	10 559 243	10 570 362	3 500 000 000	11 788 084	11 806 454
European Investment Bar II.	EIB VSFR	2009.12.15	2024.06.15	HUF	1 567 500 000	4 977 929	4 983 171	1 650 000 000	5 557 240	5 565 900
European Investment Bar II.	EIB VSFR	2010.03.10	2024.09.15	HUF	2 500 000 000	7 939 280	7 947 641	2 500 000 000	8 420 060	8 433 181
European Investment Bar II.	3M BUBOR-1,130%	2010.08.19	2025.03.15	HUF	6 700 000 000	21 277 271	21 287 017	6 700 000 000	22 565 761	22 586 220
European Investment Bar II.	3M BUBOR-1,142%	2010.10.13	2025.06.15	HUF	3 500 000 000	11 114 993	11 120 021	3 500 000 000	11 788 084	11 798 709
European Investment Bar II.	3M BUBOR-1,032%	2010.12.13	2025.06.15	HUF	3 650 000 000	11 591 349	11 597 195	3 650 000 000	12 293 288	12 304 969
European Investment Bank	6,296%	2011.03.09	2025.09.15	HUF	3 000 000 000	9 527 136	9 553 795	3 000 000 000	10 104 072	10 132 345
European Investment Bank	5,803%	2011.04.21	2025.12.15	HUF	5 500 000 000	17 466 417	17 511 465	5 500 000 000	18 524 132	18 571 908
European Investment Bank	6,157%	2011.10.12	2026.06.15	HUF	4 100 000 000	13 020 420	13 056 050	4 100 000 000	13 808 898	13 846 686
European Investment Bank	6,471%	2012.03.12	2026.09.15	HUF	2 500 000 000	7 939 280	7 962 113	2 500 000 000	8 420 060	8 444 276
European Investment Bank	6,353%	2012.06.11	2026.12.15	HUF	5 500 000 000	17 466 417	17 515 734	5 500 000 000	18 524 132	18 576 436
European Investment Bank	3M BUBOR-0,56%	2012.10.18	2027.06.15	HUF	3 000 000 000	9 527 136	9 534 064	3 000 000 000	10 104 072	10 115 793
European Investment Bank	4,746%	2013.02.11	2027.12.15	HUF	2 500 000 000	7 939 280	7 956 027	2 500 000 000	8 420 060	8 437 821
European Investment Bank	3M BUBOR+0,161%	2013.10.11	2028.09.15	HUF	2 000 000 000	6 351 424	6 358 205	2 000 000 000	6 736 048	6 746 020
European Investment Bank	3M BUBOR+0,161%	2013.10.11	2028.09.15	HUF	1 800 000 000	5 716 282	5 722 385	1 800 000 000	6 062 443	6 071 418
European Investment Bank	3M BUBOR+0,104%	2014.02.11	2028.12.15	HUF	1 500 000 000	4 763 568	4 768 526	0	0	0
European Investment Bank	2,98%	2014.10.13	2029.09.15	HUF	2 400 000 000	7 621 709	7 631 804	0	0	0
European Investment Bank	2,98%	2014.10.13	2029.09.15	HUF	1 600 000 000	5 081 139	5 087 869	0	0	0
Hungarian Development II.	3M EURIBOR+0,5%	2006.05.16	2014.12.31	HUF	0	0	0	49 892 452 041	168 038 975	166 452 484
Hungarian Development Banl	3M BUBOR+1,98%	2013.08.24	2018.08.21	HUF	7 500 000 000	23 817 841	23 863 730	7 500 000 000	25 260 180	25 321 611
Hungarian Development Banl	3M BUBOR+1,98%	2014.02.11	2018.08.21	HUF	2 500 000 000	7 939 280	7 954 576	0	0	0
Hungarian Development Banl	3M EURIBOR + 1,2%	2014.12.31	2019.12.31	HUF	50 000 000 000	158 785 608	144 209 186	0	0	0
Magyar Takarékbank	3M BUBOR+0,8%	2013.08.23	2018.08.21	HUF	1 500 000 000	4 763 568	4 770 091	1 500 000 000	5 052 036	5 061 507
Magyar Takarékbank	3M BUBOR+0,8%	2013.08.24	2018.08.21	HUF	8 500 000 000	26 993 553	27 030 519	8 500 000 000	28 628 204	28 681 874
Budapest Bank	1M BUBOR+0,45%	2014.12.19	2015.03.09	HUF	420 000 000	1 333 799	1 336 597	0	0	0
Total					**158 146 467 936**	**502 227 656**	**488 140 440**	**144 117 615 702**	**519 071 825**	**518 108 679**

**VSFR: variable spread floating rate = 3MBUBOR + variable 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	2014	2013
Other financial liabilities	**451 406**	**468 459**
Trade payables	451 406	468 459
Other liabilities	***1 523 614***	***1 482 244***
Unbilled creditors	71 734	59 752
Overhead for debt collection	6 962	0
Accrued operating costs	944 854	830 795
Accrued cost of assets received free of charge	230 196	331 757
Liabilities to student loan clients	89 680	101 187
Liabilities to employees	7 711	1 699
Other tax liabilities	144 923	130 639
Good performance guarantee	27 553	26 415
Total other liabilities	**1 975 020**	**1 950 703**

23. Issued bonds

Issued bonds	Interest	First issue	Maturity	Listed	Face valeu (Forint)	Face value (EURO)	NBV (EURO)	Face valeu (Forint)	Face value (EURO)	NBV (EURO)
					2014			2013		
DK2014/01	5,50%	2011.03.09	2014.02.12	igen (BÉT)	0	0	0	18 205 920 000	61 317 975	64 176 610
DK2015/01	8,00%	2011.10.12	2015.02.12	igen (BÉT)	19 245 990 000	61 119 724	65 343 891	22 499 980 000	75 780 472	80 183 577
DK2015/02	7,75%	2012.06.11	2012.08.24	igen (BÉT)	25 499 990 000	80 980 628	83 308 631	25 499 990 000	85 884 578	88 529 518
DK2016/01	5,50%	2013.03.12	2016.12.22	igen (BÉT)	38 999 860 000	123 852 329	125 853 298	27 499 900 000	92 620 323	93 609 189
DK2017/01	6,75%	2014.09.10	2017.11.24	igen (BÉT)	12 999 970 000	41 284 163	45 813 000	0	0	0
Összesen					**96 745 810 000**	**307 236 844**	**320 318 820**	**93 705 790 000**	**315 603 348**	**326 498 894**

24. Technical reserve

Changes in technical reserves

	Student Loan 1.	Student Loan 2.	Euro Total
Balance at 1 Jan 2013	**2 190 600**	**8 583**	**2 199 183**
Use of reserve	-1 126 411	0	-1 126 411
Re-measurement loss	14 484 230	65 617	14 549 847
Currency conversion difference	-122 872	-103	-122 975
Balance on 31 December 2013	**15 425 547**	**74 097**	**15 499 644**
Use of reserve	-424 141	0	-424 141
Re-measurement loss	-6 823 661	79 668	-6 743 993
Currency conversion difference	-660 835	-4 506	-665 341
Balance on 31 December 2014	**7 516 910**	**149 259**	**7 666 169**

The change in 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-2013 assumptions to the end-of-2014 assumptions step by step	Student Loan 1	Student Loan 2	Total
Assumptions for 2013 to 31 December 2013 on f/x rate of 12.31.2013	15 425 547	74 097	15 499 644
F/x difference	-880 785	-4 231	-885 016
Assumptions for 2013 to 31 December 2013 on f/x rate of 12.31.2014	**14 544 762**	**69 866**	**14 614 628**
Assumptions for 2013 to 31 December 2014	14 411 382	69 866	14 481 248
Change in temporary probabilities	15 027 470	76 217	15 103 687
Change in loan disbursement and repayment probability*	14 201 785	69 866	14 271 651
Change in risk premium	7 593 128	9 527	7 602 655
Change in late payment interest	7 593 128	9 527	7 602 655
Real wage growth	7 821 779	9 527	7 831 306
Change in cost of capital	5 144 654	34 933	5 179 587
Change in operating cost	5 601 956	28 581	5 630 537
Changes in minimum wage	5 198 641	25 406	5 224 047
Changes in modelpoints and collection sample	7 516 911	149 258	7 666 169
Assumptions for 2014 to 31 December 2014	**7 516 911**	**149 258**	**7 666 169**

Changes in assumptions analysis

Amending end-of-2012 assumptions to the end-of-2013 assumptions step by step	Student Loan 1	Student Loan 2	Total
Assumptions for 2012 to 31 December 2012 on f/x rate of 12.31.2012	2 190 600	8 583	2 199 183
F/x difference	-41 464	-163	-41 627
Assumptions for 2012 to 31 December 2012 on f/x rate of 12.31.2013	**2 149 136**	**8 420**	**2 157 556**
Assumptions for 2012 to 31 December 2013	1 852 413	16 840	1 869 253
Change in morbidity and disability probabilities	11 717 355	97 673	11 815 028
Change in temporary probabilities	13 482 200	101 041	13 583 241
Change in loan disbursement and repayment probability*	14 644 168	104 409	14 748 577
Change in risk premium	17 139 874	57 256	17 197 130
Changes in economic assumptions and minimum wage**	15 435 654	74 097	15 509 751
Change in collection rate	15 425 547	74 097	15 499 644
Assumptions for 2013 to 31 December 2013	**15 425 547**	**74 097**	**15 499 644**

* Variables that have changed: probability of advance repayment and bullet payment and the ratio of monthly and half-yearly loan disbursements

** Economic variables that have changed: wage inflation, financing interest, cost ratio and minimum wage.

25. Share capital, capital reserve and other reserves

The share capital of Student Loan Centre 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 each with a nominal value of HUF 1,000,000. (1,193,742 €)
The capital reserve did not change over the periods presented, and amounts to HUF 2,200 million (8,861,111 €).

Equity	**2014**	**2013**
Share capital and capital reserve	10 054 853	10 054 853
Profit reserve	-25 241 118	-25 505 858
Other reserves	48 574 735	36 742 970
Other capital grant	*51 596 217*	*38 477 438*
Valuation reserve	*31 390*	*-109 279*
Currency conversion reserve	*-3 052 872*	*-1 625 189*
Total equity:	**33 388 470**	**21 291 965**

26. Contingent assets and liabilities

Item	2014.12.31		Maturity	2013.12.31		Maturity
	Figures in HUF	Figures in EUR		Figures in HUF	Figures in EUR	
Student Loan 1 disbursable facility recording account	1 568 630 000	4 981 517	2015.01.15	1 679 194 600	5 655 568	2014.01.15
Student Loan 2 disbursable facility recording account	39 661 691	125 954	2015.01.15	29 398 518	99 015	2014.01.15
MFB (HDB) facility to be used as student loan collateral	0	0	-	2 500 000 000	8 420 060	2014.02.21
EIB III facility to be used as student loan collateral	6 000 000 000	19 054 273	2015.06.30	9 900 000 000	33 343 437	2015.06.30
EIB IV facility to be used as student loan collateral	27 965 952 463	88 811 815	2017.12.31	27 900 467 971	93 969 445	2017.12.31
MFB (HDB) stand by facility to be used as student loan collateral	0	0	-	12 500 000 000	42 100 300	2014.03.11
BB stand by facility to be used as student loan collateral	2 080 000 000	6 605 481	2015.03.09	0	0	-
OTP stand by facility to be used as student loan collateral	10 000 000 000	31 757 122	2015.03.09	0	0	-
Contingent liability due to legal cases	0	0		0	0	-
Total	**47 654 244 154**	**151 336 162**		**54 509 061 089**	**183 587 825**	

27. Transactions with related parties

Shareholder rights over the Company are exercised by the Hungarian Development Bank (MFB), and the 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 from the shareholder 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 pregnancy benefit, maternity and child raising benefits, disability retirement, disability allowance, accidental disability pension and rehabilitation benefit under the conditions set.

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	2014	2013
Drawn loans	502 227 656	519 071 825
Issued bonds	307 236 844	315 603 348
Total	**809 464 500**	**834 675 173**

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	2014	2013
Short-term employee benefits	87 074	124 086
Total	**87 074**	**124 086**

Transactions with related parties	2014	2013
Services used	13 465	15 069
MFB Advertising campaign	303 750	0
Long-term loans taken	166 724 888	25 260 180
Long-term loans repayment	158 444 066	67 360 480
Interest paid after long-term loans	2 613 549	4 264 649
Short-term loans taken	2 222 999	8 891 583
Short-term loans repayment	2 222 999	8 891 583
Interest paid after short-term loans	1 967	39 375
Total	**332 547 683**	**114 722 919**

28.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.