

4. Medium risk product



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Product brochure

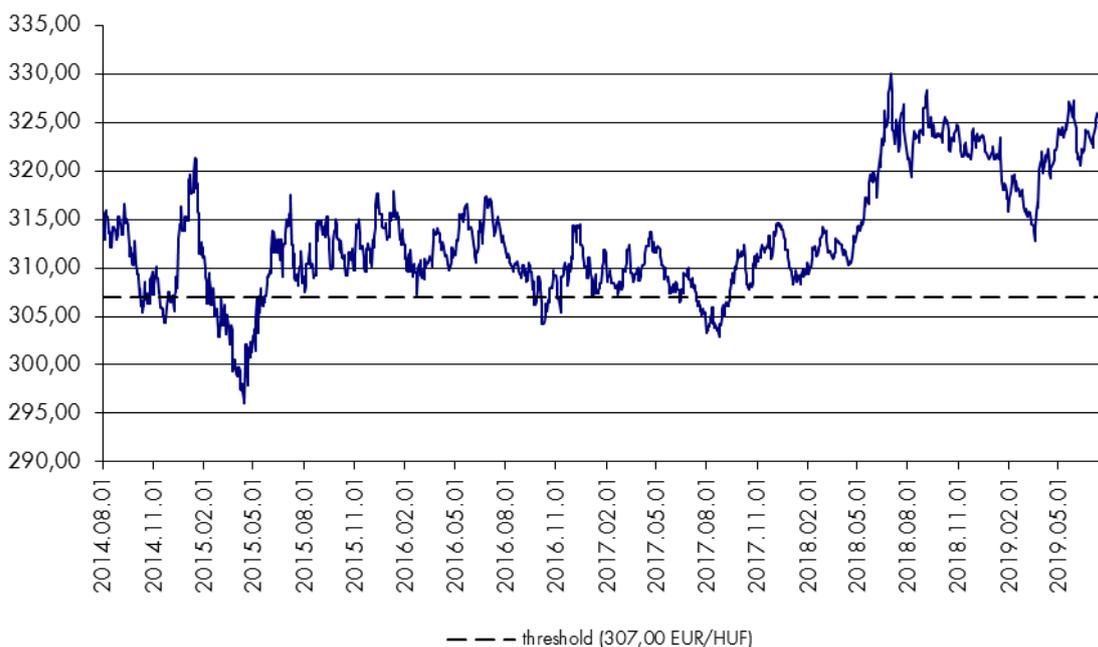
Raiffeisen PB 6 % AUT 201214 HUF bond

Product description

Raiffeisen Bank is an active player on the domestic bond market and is a regular actor on the retail as well as the institutional investors' market as an issuer. Within the framework of an annually renewed bond scheme it serves customers who want to invest with a variety of products, tailoring them to market demands and means available. As a result of a change in legislation, credit institution bonds issued after 2 July 2015 will no longer be covered by National Deposit Insurance Fund (NDIF) insurance. Raiffeisen bonds issued at an earlier date will continue to be covered by the NDIF until maturity. Raiffeisen Bank Zrt. assumes full responsibility – to the extent of the value of all of its assets – for the redemption of the bonds.

In the case of auto callable bonds Raiffeisen PB 6 % AUT 201214 HUF, the nominal interest (coupon) is set at issuance for the entire term, but it is only paid if the official EUR/HUF exchange rate set by the European Central Bank (ECB) is below 307.00 on the interest rate monitoring day. If the EUR/HUF exchange rate is below the 307.00 threshold, the bond pays the coupon for the year and it is then called, i.e., the bond matures. If the EUR/HUF exchange rate is 307.00 or above 307.00, no coupon is paid for the year and the bond is not redeemed. If the bond is not redeemed, the next interest period starts, which can have two possible outcomes: if the EUR/HUF exchange rate is below 307.00, the bond pays the coupon for the year and it is called; if the EUR/HUF exchange rate is 307.00 or above 307.00, no coupon is paid for the year and the bond is not redeemed. If the variable does not assume a value that is below the threshold on any of the interest monitoring days during the term of the bond, the bond will mature without coupon payment and the full amount of the capital will be repaid at maturity.

EUR/HUF exchange rate (source: mnb.hu)



Basic Data

Product name: Raiff. PB 6 % AUT 201214 HUF
Product identifier: RH6A201214
ISIN code: HU0000353859
Term and maturity: 84 months, 14.12.2020
Currency: Hungarian forint
Interest rate: 6.00%
Interest basis: actual/365
Interest monitoring dates: 10.12.2014., 10.12.2015., 08.12.2016., 08.12.2017., 10.12.2018., 10.12.2019., 10.12.2020.
Coupon payment dates: 12.12.2014., 14.12.2015., 12.12.2016., 12.12.2017., 12.12.2018., 12.12.2019., 14.12.2020.

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When is it recommended?

- If you thinking in terms of a long-term investment horizon and are looking for an investment vehicle with a higher yield than government securities and are willing to take the risk associated with an additional variable – in this case currency risk – in return.

Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY
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4. Medium-risk product: This category includes financial instruments (e.g. predominantly bond mixed funds, Raiffeisen interest-bearing bonds, structured corporate bonds etc.) which characteristically do not guarantee a return of the invested capital, but except in the event of extraordinary market events, shifts in security price are moderate compared to other (non-capital-guaranteed) securities. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 35% of the capital invested. (To assess possible losses, the Bank determines the risk classification of a product using VaR calculation based on historical data, at a 99% confidence level, for a one-year investment horizon.)

Key risk factors

Issuer risk	Issuer risk is the risk associated with the issuer of the securities. The value of the securities and the satisfaction of the claims related to them depend on the issuer's business operations, liquidity position and net worth. In the event of default or the issuer's intention not to pay, the claims arising from debt securities may not be paid (default risk of bonds).
Interest rate risk	Interest rate risk arises from the fact that a change in market yields influences the value of the securities. Market yields can increase as a result of accelerating inflation, budget overspending, a central bank rate hike or government over-indebtedness, among others. A decrease in market yields can result from a slowdown in inflation, deflation, shrinking debts or monetary policy easing (a rate cut). The longer the term of a bond is, the more sensitive its price is to changes in yields. If you hold the securities to maturity, there is no interest rate risk to consider.
Price volatility of the underlying product	Volatility means the variability of a price. The volatility of the underlying product has an effect on the secondary market price of structured bonds. If the price is within the band and volatility increases, there is a higher probability that the price will leave the band, which may entail a drop in the secondary market price of the bond.
Spread Risk	Since the issuer is interested in making sure that investors hold the bonds until maturity, it sets a buy rate that is lower than the sell rate (the sell and buy rates are interpreted from the perspective of the issuer). What this means in practice is that the spread between the buy and sell rates is wide, and as a result, the investor may suffer a loss, if the bonds are sold before maturity.

Scenarios*

Example 1	Let's assume that you bought a five-year auto callable bond with a par value of HUF 1,000,000 at the time of issuance. The bond has a nominal interest rate of 8.00% per annum, and the coupon is paid if on an interest monitoring day, the official EUR/HUF exchange rate set by the MNB is below 306.75. There has not been coupon payment on the bond, therefore, if you would like to sell it before the year in which the bond matures, you can only do so below the acquisition price.
Example 2	Let's assume that you bought a five-year auto callable bond with a par value of HUF 1,000,000 at the time of issuance. The bond has a nominal interest rate of 8.00% per annum, and the coupon is paid if on an interest monitoring day, the official EUR/HUF exchange rate set by the MNB is below 306.75. There has not been coupon payment on the bond, therefore, during the year in which the bond matures if the EUR/HUF exchange rate is below 306.75 three days before coupon payment (i.e. on an interest monitoring day), the bank will pay the coupon in respect of the entire five-year term and will be called.
Example 3	Let's assume that you bought a five-year auto callable bond with a par value of HUF 1,000,000 at the time of issuance. The bond has a nominal interest rate of 8.00% per annum, and the coupon is paid if on an interest monitoring day, the official EUR/HUF exchange rate set by the MNB is below 306.75. There has not been coupon payment on the bond, therefore, during the year in which the bond matures if the EUR/HUF exchange rate is above 306.75 three days before coupon payment (i.e. on an interest monitoring day), the bond will mature without coupon payment.

***PLEASE NOTE: The examples presented in this document do not show every possible outcome. For easier understanding the examples are simple and do not include any fees, commissions or taxes. They are insufficient to form the basis for an investment decision.**

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Practical information

- Information for customers: <https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato>
- Product-related descriptions and interpretations: <https://www.raiffeisen.hu/treasury-utikalauz>
- Information on investment products: <https://www.raiffeisen.hu/maganszemely/megtakaritas-befektetes/befektetesi-tajekoztato>
- Final terms and conditions: https://www.raiffeisen.hu/documents/global/raiportal/pdf/kotvenyprogram/vegl_felt_pb_6_201214_HUF.pdf
- Product-related fees and charges: <https://www.raiffeisen.hu/hasznos/kondiciok>
- Taxation of investments: <http://www.nav.gov.hu/>
- Institutional protection: <http://www.oba.hu/> and <http://www.bva.hu/>
- Changes in the prices of financial instruments issued by Raiffeisen Bank Zrt.: <https://www.raiffeisen.hu/hasznos/arfolyamok>
- Changes in the prices of key products: <http://bet.hu/> (Hungarian stock exchange), <http://akk.hu/> (Hungarian government securities), <http://www.mnb.hu/> (exchange rates)
- In the case of auto callable bonds, no EHM (standardised rate of return on securities) is calculated.

Other information

- Depending on the nature of the given product, investments are exposed to various risks, including the possible loss of the capital invested. No reliable conclusions can be drawn from historical data or information regarding future returns, changes or performance.
- The risk of a financial instrument made up of more than one component may exceed the sum of the risks of the individual components.
- Conversion between different currencies may affect the result achievable.
- Any tax consequence related to an investment product may only be assessed on the basis of the Customer's individual conditions, and may change in the future as a function of changes in legislation.
- This document is intended for information purposes, and should not be construed as an offer to buy or sell any investment product or service or as investment or tax advice by Raiffeisen Bank Zrt. Consequently, before making an investment decision, please consider the appropriateness of the investment in light of your own goals, needs, financial position and the risks involved.