1. Very low risk product

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Product brochure

1-year Interest-bearing treasury bills
Half-year Interest-bearing treasury bills

Product description

The 1-year interest-bearing treasury bill (1MAP) and the half-year interest-bearing treasury bill (FMAP) are fixed-rate securities issued by the Hungarian State with a basic denomination unit of HUF 10,000 and term of 1 or half year. The treasury bills are marketed at a rate of 100% by way of subscription. In addition to using electronic channels, investors can subscribe to treasury bills in person in the branch networks of the authorised government securities dealers and at the treasury offices of the Hungarian State Treasury.
The rate of the coupon payable at maturity is already set at the time of the issuance of the treasury bills. The coupon is paid at maturity together with the capital invested. The bonds are registered at both net and gross price. Dealers maintain a daily buy rate for the treasury bills, meaning that interest-bearing treasury bills can be sold through them at any time during the term of the treasury bill.

When is it recommended?

- If you are looking for a short-term investment vehicle with a predictable interest rate where repayment of the capital invested is guaranteed by the state.

Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY

1. Very low-risk product: This category includes financial instruments (e.g. Discounted Treasury Bills, Interest-bearing Treasury Bills, Liquidity funds, etc.) that typically provide a predetermined return at maturity in addition to the capital invested. Their risk lies mainly in the potential counterparty default risk and – if they are sold before maturity – the volatility of market interest rates. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 5% 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

Interest rate risk	Interest rate risk arises from the fact that a change in market yields influences the value of fixed-rate 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.
Country risk	The risk of investing in the instruments of a country, which depends on the given country's financial, economic and political stability. A more stable country means a smaller country risk premium, thus smaller risks and, in accordance with that, lower yields on government securities. This type of risk shows little change in the short term.
Price risk	In the event of an adverse, upward shift in yields, a sale before maturity may result in a price loss.

Scenarios*

Example 1	Let's assume that today you buy an interest-bearing treasury bill with a par value of HUF 1,000,000 and a term of 0,71 year. The security's term to maturity is 258 days, its standardised rate of return (EHM) is 1.65%, the corresponding price is 101.81%, that is, the interest-bearing treasury bill costs HUF 1,018,100. If there is a yield increase, 20 days later the same security can be sold at 101.85%, which corresponds to a 1.73% EHM, that is, it can only be sold at a price of HUF 1,018,500. This, however, only translates into a yield of 0.66% per annum, which is below the security's original 1.65% yield.
Example 2	Let's assume that today you buy an interest-bearing treasury bill with a par value of HUF 1,000,000 and a term of 1 year. The security's term to maturity is 363 days, its standardised rate of return (EHM) is 1.65%, the corresponding price is 101.34%, that is, the interest-bearing treasury bill costs HUF 1,013,400. If there is a yield decrease. 20 days later the same security can be sold at 101.50%, which corresponds to a 1.57% EHM, that is, it can be sold at a price of HUF 1,015,000. This, however, only translates into a yield of 3.02% per annum, which far exceeds the security's original 1.65% yield. If we compare treasury bills by term, we can say

that the longer the security's term, the bigger the potential gain/loss on the same investment horizon (20 days in the two examples above), under the same market conditions (a 5% EHM change in the two examples above).

Example 3

Let's assume that today you buy an interest-bearing treasury bill with a par value of HUF 1,000,000 and a term of 1 year. The security's term to maturity is 363 days, its standardised rate of return (EHM) is 1.65%, the corresponding price is 101.34%, that is, the interest-bearing treasury bill costs HUF 1,013,400. If you hold the security until maturity, your risks will be negligible, and you will have gained HUF 16,500, which corresponds to a yield of 1.65% per annum.

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.

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
- 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)
- Standardised rate of return on securities (referred to by its Hungarian acronym as "EHM"): http://www.mnb.hu/fogyasztovedelem/kerdesem-van/szotar/koltsegmutatok-1

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.
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