General Investment Products Information

20th June 2016

I. Introduction—Bases for your investment decisions ... 3
II. Bonds and government securities ... 6
II.1. Government securities ... 6
II.1.1. Government bonds ... 6
II.1.2. Discount treasury bills ... 6
II.1.3. Risks of investment in government securities ... 7
II.2. Corporate bonds ... 8
II.2.1. Overview ... 8
II.2.2. Foreign currency Bonds ... 8
II.2.3. Risks of foreign currency bonds ... 8
II.3. Self-issued bonds (Raiffeisen bonds) ... 9
II.3.1. Overview ... 9
II.3.2. Risks of investing in bonds issued by Raiffeisen Bank ... 10
III. Equities ... 11
III.1. Overview ... 11
III.2. Risk of equities ... 11
IV. Investment funds ... 12
IV.1. Overview ... 12
IV.2. Types of investment funds available in the market ... 13
IV.3. Risks of investment funds ... 14
V. Certificates ... 15
V.1. Overview ... 15
V.2. Most popular certificate types ... 16
V.3. Risks of certificates ... 16
VI. Other products ... 17
VI.1. ETFs ... 17
VI.1.1 Overview ... 17
VI.1.2 What type of ETFs are available in the market? ... 17
VI.1.3 Advantages of ETFs ... 17
VI.1.4 Disadvantages of ETFs ... 18
VI.2. Warrants ... 18
VI.2.1 Overview ... 18
VI.1.2 Types of Warrants ... 18
VI.2.3 Advantages of warrants: ... 19
VI.2.4 Disadvantages of warrants: ... 19
VII. Taxation ... 19
VII.1. Withholding tax (dividends, interest) ... 19
VII.2. Capital gains ... 20
VIII. Deposit Insurance and investor protection ... 20
VIII.1. National Deposit Insurance Fund (OBA) ... 20
VIII.2. Investor Protection Fund (BEVA) ... 21
IX. Investment related fees; general information ... 21
X. Disclaimer ... 21

I. Introduction—Bases for your investment decisions

When an investment decision is to be made, apart from the expected returns one should by all means take into account risks as well. Risk practically means the chance that the actual return of your investment will deviate from the return expected when the investment was made. While it might occur that you achieve a return which is lower than the expected yield, nevertheless the opportunity for outperformance is also given.
Apart from the issue of risks and returns, you know for how long you want to invest your money and most of the times you also want to consider whether in case the need should arise for you to access your money you can get it or not?
Let us then consider returns, risks, the flexibility of the investment, and the investment period.

Some general truths

In order to achieve higher returns, you usually have to assume higher risk.
It is generally true that the longer you keep the selected form of investment your risk will be mitigated without you having to give up the opportunity for higher returns.
Why is it so? The answer is simple.
Everybody chooses an investment whose value they expect to increase. This increase in value, however, does not always occur continuously, since the markets change from day to day, and prices fall or rise. In the long run, however, the fluctuations of the markets, hence of returns, will even up, whereby risk will be mitigated.
So you should be aware when choosing an investment that promises an extremely high yield that you very probably assume some risk as well, which however may be mitigated by thinking in long terms and increasing the duration of your investment.

Multiple demands, multiple possibilities

When one talks about investments, one usually has securities in mind. Securities have several forms, each with different characteristics and risks. In this document you can see the following categories:

- Bonds and government securities
- Equities
- Investment funds
- Certificates
- Other investment products

This information memorandum provides a brief survey of the above product categories.

Definitions

Underlying Product	In case of derivative products the financial instrument’s market price is dependent on the market value of the underlying product. This underlying product can be any financial or non financial instrument (e.g. foreign currency, equity, index, interest, commodity.etc.)
CDS	Instrument to cover the credit risk exposure, the basic form of credit derivatives. The buyer of the credit insurance pays a fee annually or quarterly to the seller of the credit insurance (who is a third party), who pays compensation (to the buyer of the credit insurance) if the issuer of the underlying goes bankrupt. In practice, it is a major indicator of a countryt's bankruptcy risk.

Dematerialised Security	Dematerialized security is the sum of data containing the formal requirements of the security in an identifiable manner, created, forwarded and registered electronically, in line with the provisions of the Act CXX of 2001 on the Capital Market and applicable separate regulations. The series of signs digitally represents all the requirements of the security defined in regulations, the total nominal value of the entire series issued and the number of securities issued.
EEA	Abriviation for the European Economic Area, member countries are the members of the European Union, Norway, Liechtenstein, Iceland and Switzerland.
Futures	A financial contract obligating the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price. Some futures contracts may call for physical delivery of the asset, while others are settled in cash (settlement of the difference between the price of the asset at maturity and the earlier determined futures price). Based on the Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities, futures products are considered as complex products.
OECD	Organisation for Economic Cooperation and Development. Its purpose is to support member governments in forming the possible best social and economic policy. Currently it has 34 members including Hungary. Full list of member countries is available at: www.ksh.hu or www.oecd.org
Option	Option is a financial derivative product, that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Purchase price of the option is the so called premium, which the buyer of the option pays to the option writer in all cases, even, if he does not want to use the opportunity. Based on the Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Bszt), the option is a complex financial instrument.
Market Liquidity	Ability to be sold without causing a significant movement in the price and with minimum loss of value. Money, or cash, is the most liquid asset, and can be used immediately to perform economic actions like buying, selling, or paying debt, meeting immediate wants and needs Liquidity means the degree to which an asset can be bought or sold in the market (or an open position can be closed) without affecting the asset's price (with minimum loss of value). Liquidity is characterized by a high level of the gap between purchase and sales price. It is important to highlight, that we can only sell or purchase the given financial instrument of our portfolio, if there is continous price quatation for that instrument. Cash is considered to be the most liquid asset, as this can be used immediately.
Portfolio	Portfolio means the collection of financial assets and any other investments owned by the same individual or organisation.
Reference rate	A benchmark interest used in order to specify conditions of applied interest rates. This reference rate shall be available and controllable to public at all times (e.g. base rate of national banks, interbank rates, such as BUBOR, LIBOR)

Spread	Difference between bid and ask prices.
Structured investment	Structured investments are investment vehicles based on a basket of underlying financial instruments. Structured investment is a complex financial product based on the Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Bszt).
Structured Notes	Structured notes are bonds, where the value of the interest and capital is dependent on two elements: 1.) the base product (usually a fixed income security) and 2) a contract or reference rate (the price trend of one or more financial paramters, such as indexes, shares, portfolios, exchange rates or materials). These products usually include a derivative product.
Derivates product	Based ont he Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Bszt) Section 4. Point 61. 'derivative instrument' shall mean an instrument the value of which is derived from the price of an underlying financial instrument and which may itself be traded.
Products without leverage	In case of products withouth leverage the financial instrument is an underlying product itself (e.g. foreign currency, equity) or it can be such derivative product, where the price of the derivative instrument follows exactly (or in smaller decree) the price change of the underlying instrument.
Leveraged Product	The market price of a leverage product is dependent of the market price change of the underlying product. Compared to the market price change of the underlying product, the leveraged product's price always changes in greater decree. The investor is able to undertake a bigger position than its invested capital. Thus it is also key, that his potential gain or loss is also so bigger as the multiplicator / leverage ratio of the product. The relationship between the two is not always linear, the ratio of leverage can differ from product to product.
Leverage Ratio	The leverage ratio is a key risk indicator of products with leverage. It shows which multiple is the position taken by the investor in comparison to the invested amount (or base collateral). 10x leverage ratio means, that 1% change in the market price of the base product means 10% move in the same direction in the value of the invested capital. In case of leverage in our investment, the potential capital gain or capital loss can be the multiple of our invested capital.
Capital protected (or principal protected) product	If a financial instrument is capital protected (or principal protected), it means, that at the time of maturity the issuer of the given instrument is obliged to pay the investor minimum the invested capital (the nominal value of the instrument). It is very important to note, that capital protection is only applicable, if the investor keeps the instrument until maturity (apart from some special cases).
Warrant	Warrants are securitised options traded on exchagnes. A warrant is such a derivative security that gives the holder the right to purchase or sell the underlying securities (usually equity) from the issuer at a specific price within a certain time frame. The obliged party in case of warrants is always the issuer financial institution. According to the Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Bszt.) a warrant is a complex financial instrument.

II. Bonds and government securities

When you buy bonds you acquire securities whose issuer undertakes to pay the amount identified on the bond (the face value) as well as its pre-determined interest (coupon) on the date and in the way identified in the terms of the bond. The face value of bonds is repaid upon maturity.
Bonds are issued by governments, municipalities, national banks and incorporated business organisations.
The purpose of issuing bonds is to finance the activities of the issuer, i.e. to raise funds. Therefore when purchasing bonds, the investor in fact finances the activities of the issuer in exchange for the interest rate set out in the bond and the face value to be repaid upon maturity.
Among debt securities, this document covers securities issued by the Hungarian State, and corporate bonds.

II.1. Government securities

To finance budgetary deficit and to renew maturing debts, the Hungarian State periodically issues government securities, which may be bought by the players of the economy, including retail customers, usually at market terms. Therefore government securities are one embodiment of the government debt.
The issue of government securities, the management of outstanding debts and the operation of the trading system are the responsibility of the Government Debt Management Agency ("ÁKK").
Under Hungarian laws, government securities with maturities not longer than one year are called treasury bills, and those with maturities longer than one year are called government bonds.

II.1.1. Government bonds

Hungarian Government Bonds are fixed-income government securities with maturities longer than one year when they are issued. At present, they are issued with tenors of 3, 5, 10 and 15 years. From the aspect of interest calculation, fixed interest rate and variable interest rate bonds may be distinguished.
In the case of fixed interest rate government bonds, the size of the interest (coupon) payable in the different interest periods is announced and fixed already at the time of the issue. Interest is paid annually or semiannually, and the principal is repaid upon the maturity of the securities.
On the other hand, in the case of variable interest rate bonds, only the method and time of determination of the interest rate is fixed, and the size of the payable interest (coupon) is known only for the relevant interest period. The interest rate of the variable interest rate government bonds traded at present is tied either to the average yield of 3-month discount treasury bills achieved at auctions, or to the inflation rate.

The basic denomination of Hungarian Government Bonds is HUF 10,000.

Since April 1999, new series of Hungarian Government Bonds are issued only in dematerialised way, which means that they do not exist in a physically printed form. After issue, bond series are admitted to trading on the Budapest Stock Exchange.
Hungarian Government Bonds may be bought and sold during the tenor of the securities by domestic private individuals as well as business associations and foreign investors.

II.1.2. Discount treasury bills

Discount treasury bills are government securities with maturities shorter than one year, which pay no interest. They are issued at discount prices lower than face value, and upon maturity the face value is repaid to the investor. The amount of the discount is the difference between face value and purchase price. In the case of

such securities type, the return on your investment will equal the difference between face value and purchase price.
At present, discount treasury bills are issued with two different tenors of 3 and 12 months, but considering the active trading of government securities in the secondary market they can be practically purchased with any remaining term to maturity up to one year.

The basic denomination of discount treasury bills is HUF 10,000.
You can find the required minimum invested amount int he current Terms and Conditions.

Since April 1999, discount treasury bills are also issued only in the dematerialised form.
After issue, discount treasury bills with maturity of 12 months are admitted to trading on the Budapest Stock Exchange.
Since June 2001, discount treasury bills may be bought and sold during the term of the securities—besides domestic private individuals and business associations—by foreign investors as well.

Primary dealers may buy Hungarian Government Bonds / Discount Treasury Bills directly at auctions (public distribution procedure), and investors through orders given to primary dealers.

You may get Hungarian Government Bonds / Discount Treasury Bills not only upon their issue, i.e. at auctions. The secondary market of securities provides a continuous opportunity for investment after the issue of the securities as well. In the secondary market, these securities may be purchased among others at primary dealers as well as at the branches of the Hungarian State Treasury.
Raiffeisen Bank is one of the primary dealers of Hungarian government securities. In order to give an auction order for Hungarian Government Bonds / Discount Treasury Bills, please visit our branch at 1054 Budapest, Akadémia u. 6.
You can give a buy or sell order for the secondary market at any branch of the Bank, and if you have a Direkt ID and password, you may as well give your order via the Raiffeisen Direkt telebanking service. Besides this if you have an acces to DirektNet, you may give your order via the Internet.

II.1.3. Risks of investment in government securities

Risks arising from the economic and political environment
In case of investments in government securities, one should reckon with the risk arising from **changes in exchange rates as well**. Changes in the market interest rate level will have an impact on the return of the investment in the case of variable interest rate as well as fixed interest rate government securities.
If the state gets more and more indebted, the investors will be inclined to buy the securities issued by the state only at higher and higher yields. This may reduce the returns of government securities issued earlier.
It is generally true that if expected market yields are increasing, the present value of a given future cash flow will be smaller and smaller over time.
If the investor buys long-term government securities with fixed interest rates, there is a risk in the fact that market yields rise, since this way the value of fixed interest rates will decrease. It is reasonable to buy long-term securities with fixed interest rates only if you expect market yields to fall during the given period.
Government securities—due to an extensive secondary market turnover—are **liquid** investments.
During the term of the securities, their market price—for which the securities may be bought or sold—is subject to change from day to day. Therefore one cannot know in advance even in the case of fixed income securities how large yield one will achieve if one is unable to keep the securities until maturity.

Risks connected to the issuer
In the case of investments in government securities, the risk of **non-payment** could be quite different. The CDS fee, the market yields and the ratings of the credit rating agencies can be authoritative to evaluate the risk of non-payment.
Generally one need not be afraid that an issuer, i.e. the government will refuse repayment. It may take place very seldom, upon the occurrence of state bankruptcy that government securities are not paid back, but issuers tend to make efforts for negotiation and financial performance even in such cases to ensure that their future financing demands will be satisfied.

II.2. Corporate bonds

II.2.1. Overview

Corporate bonds are debt securities in which case the issuer company gives guarantee to pay the interest and the face value upon maturity.
From the aspect of interest calculation, fixed interest rate and variable interest rate bonds may be distinguished as well as bonds issued at discount prices lower than face value.
In the case of investments in corporate bonds, one should reckon with higher risk than those provided by government securities with a similar maturity, because of the credit ratings. Accordingly, the expected return on corporate bonds is higher than the return on a government bond issued by a relevant country.

II.2.2. Foreign currency Bonds

For persons having long-term foreign currency savings government bonds or bonds of large international companies may constitute an alternative form of investment as opposed to foreign currency term deposits.
These securities are typically denominated in euros, US dollars, British pounds or Swiss francs.
Foreign currency bonds provide a good opportunity to mitigate the consolidated risk of your investment portfolio, or may as well serve as hedge for any event of HUF weakening.
The minimum size for this kind of investment is the foreign currency equivalent of HUF 5 million.
The counter-value of the bonds may be provided in HUF (in such case conversion costs should also be taken into account) as well as in the relevant currency.
Foreign currency bonds constitute an investment opportunity accessible for Raiffeisen Bank's Private Banking clientele.

II.2.3. Risks of foreign currency bonds

In the case of ***Foreign currency government bonds,*** in addition to the risk factors enumerated in respect of government securities one should also pay attention to two further risk factors arising from the fact that FX bonds are denominated in foreign currencies, and that they might be issued by a state different from the Hungarian State.
Country risk means that the repayment of the bond and the relevant interest depends on the economic situation of the issuing country and on any expected and unpredictable events that might take place there.
In the case of bonds denominated in other currencies than HUF one should pay attention that exchange rate fluctuations may cause capital loss. This is called foreign **currency exchange rate risk.**
In the case of ***Foreign currency corporate bonds*** again two additional factors should be taken into account. Apart from the exchange rate of the currency, the risk of the issuer also differs from the sovereign debt risk described above. The rating or risk category of the bond—published by international credit

assessment institutions as a part of the terms of the bond—serves as important information for the investor in each case.

II.3. Self-issued bonds (Raiffeisen bonds)

II.3.1. Overview

In the scope of its bond programs, Raiffeisen Bank sells registered, dematerialised bonds only, in the form of public offerings. The bonds issued by Raiffeisen Bank, therefore it commits to pay back the interest and the capital as well.
The purpose of the bond programs is that the Bank raises funds from time to time to finance its business activities through bond issuances.
The bonds sold in the scope of the bond programs may be issued in several series and in several instalments within each series.
The bonds issued by Raiffeisen Bank are denominated in HUF, EUR or US dollars, and their tenor is minimum 30 days and maximum 15 years.

As far as interest payment is concerned, the bonds issued by the Bank may be fixed interest rate bonds, variable interest rate bonds, bonds with indexed interest rates, or discount bonds.

In the case of **fixed interest rate bonds,** the interest rate of the bond is determined in advance on annual level, and the interest amount calculated on this basis will be paid in arrears, on the date or dates specified in the relevant Final Terms.

The interest rate of **variable interest rate bonds** is calculated on the basis of a publicly available **reference interest rate** identified by the issuer in the relevant Final Terms. The interest rate so calculated is to be understood on annually. The interest amount calculated on the basis of the interest rate will be paid in arrears, on the date or dates specified in the relevant Final Terms.

The interest rate of **bonds with indexed interest rates** will be calculated on the basis of some index and/or formula, or changes in the price or yield of some securities, currency or standardised stock exchange product, or other factors, as provided in the relevant Final Terms. Raiffeisen Private Banking autocallable (AUT) bonds and the Raiffeisen Private Banking range accrual (RAC) bonds are part of bonds with indexed interest rates.

Discount bonds are issued at a price lower than their face value, and are repaid at face value upon maturity. No interest is paid on these securities.

Bonds are issued in the scope of subscription or auction procedures, in accordance with the Base Prospectus and the relevant Final Terms.
In the case of bonds which are being circulated or under the issue procedure the exact terms & conditions, interest rate, interest payment dates, duration, etc. of the bond are regulated in the document "Final Terms" concerning the relevant bond.

The Base Prospectus and the Final Terms connected to the different issues are available in Raiffeisen Bank's website (www.raiffeisen.hu). The obligation of the Bank to provide adequate information to the public on the Bond Program (the public offerings connected to the issue procedures and the result of the issues) are

fulfilled in the way approved by Central Bank of Hungary (CBH; the Hungarian Financial Supervisory Authority) (via the website www.kozzetetelek.hu, a capital market public disclosure system operated by CBH), as well as on the Bank's own website. The obligation of public disclosure as set out in Art. 52. (5) and Art. 54. (1) of Act CXX of 2001 on the Capital Market is fulfilled by the issuer via publication in its website.

The Bank provides for the liquidity of the securities by bilateral quotation.

Currently the denomination of the bonds issued by Raiffeisen Bank in forint may be HUF 10,000, HUF 100,000, or HUF 1,000,000 therefore the amount of the investment must be a multiple of 10,000 forints, 100,000 forints or 1.000,000 forints. The denomination of the bonds issued by Raiffeisen Bank in euro is currently EUR 50, therefore the amount of the investment must be a multiple of 50 euros.

You can give a buy or sell order for the secondary market at any branch of the Bank, and if you have a Direkt ID and password, you may as well give your order via the Raiffeisen Direkt telebanking service. Besides this if you have an acces to DirektNet, you may give your order via Internet. Purchase orders for the secondary market shall only be accepted if Raiffeisen Bank has available stocks.

II.3.2. Risks of investing in bonds issued by Raiffeisen Bank

In the case of corporate bonds, one may count on higher yields than those provided by government securities. At the same time, in addition to the risk factors to be taken into account in respect of government securities, there are other risks to be reckoned as well, therefore it may be said that these products embodying a higher risk level than that of government securities.

When considering an investment in Raiffeisen bonds, one should be aware of the liquidity, price and interest rate risks **connected to the securities,** as well as of risk factors **arising from changes** in the Hungarian regulatory, taxation and economic (macro) **environment** concerning the payback of the investment.

One should take into account that the market price of bonds may fluctuate, and that—depending on prevailing conditions (especially in the case of bonds with indexed interest rates) one might not be entitled to any interest amount at all.
One should additionally pay attention to the uncertainty factors **connected to the operation of the issuer** as well which may have an adverse impact on the Bank's future solvency towards the bondholders: the major risk factors affecting the issuer are credit, interest rate, currency exchange rate, liquidity and operational risks.
When assessing risks, one should also take into account that the deposit insurance provided by the National Deposit Insurance Fund ("NDIF" or "OBA") covers bonds - as set out in VIII.1 - subject to the following limitations:
In accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the "Banking Act") in effect till 2nd July 2015, for the purpose of deposit insurance debt securities issued by credit institutions before 2nd July 2015 qualify as deposits, hence as insured instruments until their maturity.

Please be advised that in accordance with the modification of the Banking Act, effective as of 3rd July 2015, the insurance provided by the NDIF shall not cover the bonds / certificates of deposit issued starting

from that date. This modification shall not affect the bonds and certificates of deposit issued before 2nd July 2015 which shall continue to insured until their maturity under the same conditions

III. Equities

III.1. Overview

Equities are securities embodying ownership interest. Depending on the equity type, shareholders may have different rights regarding votes and dividend. The expected yield of equities basically depends on two factors: the size of **dividend** (a portion of the profit achieved by the company which is divided among the shareholders, the measure of which is decided by the shareholders' meeting) and the expected **capital gain** (difference between the selling and the purchase price of the equity). Realisation of the capital gain is uncertain, which is one of the major risks of equities.

Whoever owns the given share on the date of dividend payment according to the share register of the company will be entitled to dividend.

The predominant part of domestic equity trading is constituted by the turnover of equities quoted on the Budapest Stock Exchange (BSE).
Investors may carry out transactions through banks and brokerage firms who are registered members of the stock exchange.
The stock exchange as a centralised and transparent market guarantees that the transactions of the customers will always be fulfilled at the best price that may be achieved in the given moment. For successfully executed transactions, the customers must pay a commission to the exchange members.

The market of the equities which are not quoted on Exchanges (the OTC market) is not centralised, which means that the dealer of the company commissioned to carry out the deal will try to seek counterparty demand for the relevant transaction. The price of these transactions is created through case-bycase negotiation, as there are no market prices to compare the price with.

Trades concerning equities issued in foreign currencies by corporates registered abroad must be carried out through foreign stock exchanges or other trading systems. Depending on the system used for the trade, the costs of such deals may increase.

When entering a buy order for equities, the financial coverage must be available in the account of the customer in the relevant currency, and in the case of a sell order, the securities must be available. Of course the exact definition of such availability may vary, depending on the business line.

III.2. Risk of equities

The price of equities may be influenced by lots of factors, therefore when evaluating equities one must take into account the individual risks of the concerned securities as well as market risks.

Risks arising from the economic and political environment; market risk
When assessing **market risk,** one should investigate the macroeconomic situation (interest rate policy, exchange rate policy, budget, inflation, balance of payments, operating industries, etc.) and the political

situation of the relevant country, as well as the global market situation, i.e. what exchange rate and interest rate policies the leading central banks pursue, what the macroeconomic processes (economic growth, inflation, etc.) are like.
These are the factors that analysts and investors take into account when assessing the corporates and taking decision. The transparency of their operation and the emphasis laid by the different corporates on disclosing information also play a very important role in judging corporates.

Risks related to the issuer
The **individual risk** of equity means the risk arising from the operation of the company: whether its profit/loss meets up to expectations, what kind of owners it has, what the management of the company is like, etc.

Currency exchange rate risk
In the case of equities issued in foreign currencies by corporates registered abroad one should also reckon— apart from the aforementioned general risks—the risk arising from the currency of the investment, since the market movement of currencies also influences the gain achieved on the investment.

IV. Investment funds

IV.1. Overview

At present, in Hungary 60-70 percent of savings are held in time deposits and current accounts—as opposed to 20-30 percent in more developed countries—and only the remaining portion flows to more sophisticated forms of investment, e.g. investment funds. However, the past years have witnessed investment funds getting headway with an increasing dynamism.

Today, **investment units** count as one of the most widely spread and most popular forms of investment. Each investment unit embodies one unit of investment in an investment fund.
An **investment fund** is a portfolio of assets collectively owned by the investors.
The asset portfolio is managed by an expert firm called fund manager. The **fund manager** is a company with a staff of financial professionals of outstanding expertise who are responsible for the management and investment of the assets collected in the fund. A fund manager may manage the assets of several funds at the same time.
Each investment fund is obligated to set out its **investment policy** which includes on the basis of what principles and in what kind of instruments the fund manager may invest the assets of the investors. This information is detailed in the fund prospectus, management regulations, as well as the key investor information document (KIID).
As a result of the activities of the experts, the property of the fund continuously changes. Consequently, the assets falling on each investment units are also subject to change. The assets falling on one unit of the investment fund is called the net asset value of one investment unit.
Therefore in the case of investment units the yield generally results from changes in the net asset value. Recently, however, investment funds paying returns periodically have also appeared.
Each investment fund is obligated to set out its investment policy. As a result of their different investment policies, funds fundamentally differ regarding what securities or money market instruments the assets of the

fund are invested in, thus the different funds of course offer different risks and different yield opportunities for the investors.
The custodian calculates the net asset value of the fund and the net asset value falling on each investment unit on a daily basis, and also makes sure that the net asset values are published in *Magyar Tőkepiac* as a printed daily newspaper of nation-wide circulation, as well as on the websites of the Hungarian Association of Fund and Asset Managements (BAMOSZ), the fund manager and the distributor (respectively, www.alapok.raiffeisen.hu and www.raiffeisen.hu).

IV.2. Types of investment funds available in the market

As regards the time horizon for which the investment units are issued, two types of funds may be distinguished: open-end and closed-end funds. **Open-end funds** will issue and redeem investment units continuously even after the subscription is closed. Therefore the investors may purchase investment units any time as long as the fund is operated.
On the contrary, **closed-end funds** will not issue any more investment units once the subscription has been closed. Closed-end funds are generally admitted to trading on a stock exchange.
Another significant categorisation of investment funds is based on the types of financial instruments in which the fund manager invests the fund's assets. As it has already been mentioned in the introduction, the different investment policies mean different risks. Let us see the major types of investment funds:

Money market or liquidity funds typically invest monies in short-term (including the shortest-term) bonds and deposits, therefore great fluctuations are rare in the price of their investment units, and they offer a well-balanced yield which is in line with market yields. Money market funds may be an ideal investment for people seeking investments with very low risk.

Bond funds invest their assets similarly to money market funds, but in accordance with their investment policies they may also invest in corporate bonds as well as long-term government bonds.
The performance of bond funds primarily depends on the yields of the government securities market, therefore when yields in the government securities market fall, bond funds will perform well, while in the event yields rise no excellent performance is to be expected from them. If you choose bond funds, no abrupt and voluminous price fluctuations are to be expected (Except in cases of extreme market movements).
.
Equity funds invest the majority of their assets in equities. Generally speaking, equities count as risky investment where the possibility for price fluctuations may be termed significant; therefore it is generally advisable to invest savings in equity funds for longer terms. Equity funds represent the riskiest category of investment funds, but at the same time this is the fund type that offers the opportunity for the highest return in the long run. It is a really exciting form of investment; nevertheless, the risk of your investment may also be mitigated if you divide your savings among several forms of investment.

The assets of **mixed funds** are invested in bonds and equities in a mixed manner, with equities typically having a smaller weight in the fund. Thus mixed funds offer a solution for more conservative customers who— while protecting their capital—also wish to partake of the opportunity for the higher yields offered by equity markets.

Special investment funds whose investment policies differ from the aforementioned types are becoming more and more popular. Here follows a survey of the special investment funds available in the market which are included in the product range of Raiffeisen Bank:

The fund manager invests the majority of the assets of **real estate funds** not in securities, but in real estate purchases and building construction projects. There are no violent fluctuations in the prices of the investment units of real estate funds, but price movements are closely related to changes in the real estate market (which is influenced by the country's economy as well).

In the case of investment funds belonging to the **fund of funds** type, the assets of the fund are invested in investment funds. Due to the fact that there are several investment funds in the portfolio, the value of the fund is derived from a large number of investments at the same time; therefore the risks of the investment are quite divided.

Derivative or absolute yield funds are special structures where the assets of the fund are invested not in bonds or equities, but in financial derivatives. Derivatives cover a wide range from the simplest options to the most sophisticated futures and structured products; therefore there is a variegated and wide range of investment products in the case of derivative funds as well.

Principal protected funds are becoming increasingly popular these days. There are three types of principal protected funds: principal protected, yield protected, and principal and yield protected funds. Principal protected funds embody a special type of derivative funds. It is important that these funds have a specific duration, in other words, the duration of the fund is fixed already at the outset.
In the case of principal protected funds, the fund manager pursues an investment policy that ensures that the invested principal will be repaid in full to the investor at the end of the term.
In the case of yield guaranteed funds, the fund manager undertakes that irrespective of the performance of the markets the customer will achieve the predetermined yield.
It is a very important feature of these funds that the protection will be valid in the case of principal protected as well as yield protected funds only if the investment units are not redeemed before maturity.

At Raiffeisen Bank, the investment units of several fund managers are available.

The basic denomination of investment units is generally HUF 1. In the case of principal guaranteed and principal protected funds, the typical basic denomination is HUF 10,000.

Tha minimum investment amount can be find the Bank's List of Terms & Conditions from time to time in effect.

You can give a buy or sell order for the secondary market at any branch of the Bank, and if you have a Direkt ID and password, you may as well give your order via the Raiffeisen Direkt telebanking service. Besides this if you have an acces to DirektNet, you may give your order via the Internet.

IV.3. Risks of investment funds

The uncertainty of future yields is due to several factors in the case of an investment fund. If a fund invests in a basically volatile and unpredictable market, it will be unable to achieve a risk level significantly lower than that of the relevant market. This is called **systematic risk.**

Apart from this, the following risks should also be taken into account in the case of investment funds:

Risk arising from the economic environment
The governmental and economic policy of the different countries may influence general capital market conditions. Potential influencing factors include economic growth, the exchange rate policy, the interest rate level, inflation, and the size of the budgetary deficit.

Political risk
The governmental policy of the different countries is from time to time subject to change, which may influence the capital market, hence the net asset value of the investment fund as well.

Currency exchange rate risk
If the investment units of an investment fund are issued in a foreign currency, one should also take into account the risk arising from the fluctuations in the exchange rate of that currency, since the impact of the exchange rate will be directly reflected in changes in the net asset value (which is expressed in HUF).

Pricing and settlement risk of derivative products
Some funds partake of the performance of underlying products through derivatives (such are e.g. derivative funds). In such case it may be a problem if the trading of the underlying is suspended for a couple of days, or is terminated for ever. In such case the fund manager—in the interest of the investment unit holders—may agree on a new settlement and pricing order with the issuer of the derivative, which may affect the net asset value of the fund adversely.

Risks connected to the issuer
If the issuer of the securtities with ownership rights held by an investment fund becomes insolvent, and is unable to fulfil its payment liabilities (decline to pay a part or the complete liability, or does not pay in time), it may affect the net asset value of the fund adversely (yields be behind, prices of the investment units fall).

Counterparty risk
If the counterparties involved in the trades concluded by the fund manager on behalf of the fund fail to meet their obligations in full, this may affect the net asset value of the funds and the price of the investment units adversely.

V. Certificates

V.1. Overview

Less widely spread in Hungary, certificates are investment instruments issued by financial institutions. These securities belong to the category of structured products, and one of their major features is that the investor is able to assume a position in the price movements of almost any currency, commodity, equity or index of the world, or in derivatives concerning these. With these instruments one is able to reach easily, and above all cost-effectively e.g. large international indexes, or commodity exchange instruments. It is another extraordinary feature of certificates that you may put your bet on special directions of investment as well, i.e. you are able to speculate not only on price rises in a particular target market, but on price falls as well, therefore you can make appropriate investments in any market relations with certificates.

These types of securities are admitted to trading on some stock exchange in each case, where the issuer ensures the liquidity of the product with continuous bilateral quotation. Changes in the price of the certificate (whether index-linked, interest bearing, principal guaranteed, with or without maturity, etc.) always depend on the price changes of some kind of underlying product. This underlying product may be any kind of instrument indeed: an individual equity, an equity basket, an equity index, a commodity exchange product, some raw material, a foreign currency, or a derivative, or variations of the aforesaid.

Current information concerning newly issued RCB certificates is continuously available in our website in the language in which they were published by the issuer, and occasionally in Hungarian as well.

V.2. Most popular certificate types

In the case of **index certificates,** the issuer buys e.g. the underlying portfolio of a stock exchange index, or assumes a corresponding derivative position, thus investors need not buy all papers constituting the index in a series of complicated transactions, as they are able through one simple security to speculate directly on a country embodied by the relevant index or the products covered by the index.

In the case of **basket certificates,** one is able to buy a "product package" (e.g. raw materials, equities) created by the issuer in the scope of one security, whereby the investor is able to partake of the performance of these products.

By investing in **discount certificates,** the investors are able to buy the underlying securities cheaper than what they would actually cost, but in exchange they will get the gains from any price increase only up to a predetermined limit (cap). At any rate, with discount certificates one is able to achieve the profit determined by the product until the fixed maturity. In consideration for the limited gain, however, one need not be afraid of loss upon price falls of a certain measure.

The **bonus certificate** structure means that a limit below the current market price is established at the outset of the term, as well as a bonus price level which the investor will get even if upon maturity the price of the underlying product falls short of this level. However, should any time during the term of the certificate the price of the underlying product fall below the established limit, the investor will not get the expected bonus, because the product is transformed into an index certificate, i.e. upon maturity you will get your money in accordance with the actual market price of the underlying product.

Principal protected certificates, as their name indicates, guarantee that your invested capital will be preserved, provided the certificate is kept until maturity. Principal protected certificates may be of different types, not only because the underlying product can be anything, but also because there may be certificates offering fixed returns, as well as types that offer a variable yield. If the underlying market of the product(s) of the certificate performs well, this will provide an opportunity for higher returns, allowing a share in the rise of a stock exchange or commodity exchange index, or determining payout in accordance with the closing price prevailing upon maturity.

For a detailed description of leveraged certificates (turbo, warrant), see the Bank's publication Treasury Útikalauz, which is only available in Hungarian.

V.3. Risks of certificates

In case of certificates, the factors described for the risks of equities should be taken into account.

Based on the different types of certificates, the smallest risk is assumed when one chooses principal protected products (which exist in this product family as well). If this type of product is chosen, you only give up the expected profit at maximum if the conditions set out in the product structure are unsatisfied (provided the securities are kept until maturity).
In case of the most widely traded certificates (e.g. index, bonus, basket) you need not count on any greater risk than in the case of products carrying normal market risks. These products usually directly follow the changes in the price of the underlying product, thus the risks to be taken into account in the market of the underlying are to be counted on. However, in case of bonus and basket certificates, higher risks could be taken into account in the market of the underlying product, as in case of underlying options it can occur that the elapsed time affects on the risk.
In the case of leveraged certificate investments it may occur that in addition to the invested capital you incur further payment obligations as well. Please take this possibility into account when making your investment decision.

VI. Other products

VI.1. ETFs

VI.1.1 Overview

ETFs are exchange traded funds providing access to a portfolio managed by expert management based on pre-announced ivestment policy. Such portfolio consists of shares and bonds as well as commodity exchange products, futures, options and other derivative products.

VI.1.2 What type of ETFs are available in the market?

Index ETF: It aims to follow the movements of the exchange rate of an index.
ETC (exchange traded commodity): It aims to follow the movements of the exchange rate of an exchange traded commodity or that of a commodity exchage index (precious metal, oil, grain).
Bond ETF: containing bond portfolio.
ETC: Exchange Traded Currency): It aims to follow the performance of a particular currency or a group of currencies. Its yield includes furthermore the yield deriving from an interest on the deposit (typically repeated overnight interest) and the yield earned on the initial margin.
Leverage ETF: It aims to follow in a multiple manner the one-way or manyfold exhange rate movements of an investment vehicle or a group of investment wehicles. Leverage can be achieved by the management of the ETF via derivative products like futures, options and waps. The maintenance of leverage requires active management and regular fine-tuning of weighting. It can entail significant cost in a volatile market, which can influence the performance of the ETF.

VI.1.3 Advantages of ETFs

- The owner of the ETF benefits from products composing the ETF. There is no issuer risk (only the risk of the basic product itself).
- Provide access to a broad range of financial instruments for retail investors with modest investment amounts.
- Due to the collective nature, cost is relatively lower than that of single investments.

- Loss is limited to the capital invested, i.e. no higher loss can be incurred than the invested capital.
- Diversification: the variuos portfolios are composed of a broad range of products as opposed to single/individual investments.
- Decision making by expert management.
- Profits earned on ETFs are automatically reinvested.
- Favourable taxation: ETFs generate low capital gains. No redemption before maturity. Profit earned on the instruments that compose the ETF is subject to taxation aggregately when the ETF is sold.
- Due to the additional liquidity secured by market makers, the difference between exchange of the ETF and the value of products composing the ETF is usually small.
- Transparency: Due to primary distribution and for trasparency reasons, the composition of ETF portfolios is published on a regular basis.

VI.1.4 Disadvantages of ETFs

- Managemen fees: Potential profit (ranging from 0 to 1 % per annum) is decreased by management fees.
- In the case of Index ETFs and Leverage ETFs, the difference between the yield of the ETF and the Index to be followed can be significant.
- If the ETF contains products with denomination different from that of the investment units, there can be FX risk inherent in the investment
- The trading hours of the investment products of ETFs (especially the investment products of exotic markets) can significantly limit the liquidity and the trading hours of ETFs.
- Spreads and quantities applied by market makers can flutuate. The liquidity of ETFs can be negatively impacted by the decrease in the liquidity of investment products contained int he ETFs. This can make more difficult the closing of ETF position.
- The features of ETFs are individual. Detailed information is available for investors in prospectuses.

VI.2. Warrants

VI.2.1 Overview

Warrants are securitised options traded on stock exchanges. They are derivative securities representing rights to buy or sell financial instruments (base products or underlying products) at a pre-defined rate. The obligor of warrants is always the issuer of the warrant and not the investor or the central clearinghouse.
Tha largest issuers are the Citigroup, Deutsche Bank, HSBC Trinkaus, BNP Paribas, Commerzbank and the Raiffeisen Centrobank. Most of the stock exchange turnover is carried trough the systems of Börse Stuttgart in Germany. Investing in warrants requires significantly less capital than investing directly in the underlying asset. So one of the main features of warrants is leverage.

VI.1.2 Types of Warrants

There are two main categories of Warrants:

- **Call Warrants**: representing right to buy. Investors profits stem from the increase in the exchange rate of the basic product.
- **Put Warrants**: representing right to sell. The source of investors profit is the decrease in the the exchange rate of the basic product.

Types of Warrants:

- **European Warrants**: the buyer can automatically excercise its right to buy or sell at maturity.
- **American Warrants**: the buyer can excercise its right to buy or sell at any time until maturity.
- **Bermuda Warrants**: the buyer can excercise its right to buy or sell on a pre-defined date until maturity.

VI.2.3 Advantages of warrants:

- They facilitate high leverage. Investors can open a position that is higher than the value of its assets.
- Due to high leverage, investors can benefit from market volatility olso on an intra-day basis.
- Potential loss is limited. It cannot exceed the invested amount.
- Despite they are standardised, warrants can be tailored to the investors needs, as issuers, base products, maturity and rates are available in a broad range.
- Due to being traded on stock exchanges, limit price, market price and stop orders are available.

VI.2.4 Disadvantages of warrants:

- Due to high leverage, loss can be as much as the full invested amount.
- The evolvement of exchange rates is complicated. A negative exchange rate development in the base product, volatility, tenor, expected dividend and interest rates influence the exchange rate of Warrants. These impacts are not linear, therefore, they can be hardly calculated.
- Exchange rate movements and changes in volatility can have a deteriorating effect on the value of Warrants.
- The yield on Warrants can be lower than the yield on investing directly int he basic product.
- Spreads can differ from quotaion to quotation.
- There is issuer risk inherent.
- Most of the Warrants have a fixed maturity. Therefore, the investment period is limited.
- Warrants are issued in a limited quantity. Although most of the exchange traded Warrants are quoted, the product can have liquidity risk.
- Numerous Warrants are traded in a currency different from the currency of the basic product. This represents currency risk.
- Warratnts are not capital protected products.

VII. Taxation

Taxation always depends on the individual circumstances of a particular person or entity. Therefore this summary does not cover all possible tax consequences and is not intended to be a tax advice to any person or entity.

VII.1. Withholding tax (dividends, interest)

Hungary does not levy witholding tax on dividends and on interest paid to foreign companies.

Dividens paid to a private idividual are subject to withholding tax at 15%, unless the rate is reduced under an applicable tax treaty.
Dividends from securities not listed on a recognised stock exchange in an EEA Member State is taxed at 14% healthcare contribution as well.

The tax on income from dividends can be reduced by credit for foreign withholding taxes on dividends paid from double tax treaty countries.

Private individual's interest income is also subject to tax at 15%, but in certain cases the tax rate is 0% on interest received from investments that have been kept for at least five years, and 10% on investments that have been kept for three years on a "long-term investment account".

On the basis of the European Union Savings Directive 2003/48/EC no withholding tax will be deducted by the Hungarian Bank from interest if the Beneficial Owner is a member of a country which has also signed the Savings Directive.
The Bank will transmit information regarding the Beneficial Owner's identity and earned interest income to the HungarianTax Autherity who will in turn pass on such information to the tax authorities of the Beneficial Owner's country of residence.

VII.2. Capital gains

Gains derived from the sale of assets, securities (e.g. bonds, shares, ETF, certificates, warrants, investment founds) are treated as ordinary business income which are included in the corporate tax base.
The corporate tax is 10% of the positive tax base up to HUF 500 million, and 19% of the remaining portion of the tax base.

Income from the sale of securities which is received from the Bank by a private individual is taxed at 15% and double tax treaty must be applied. If certain conditions are not met, an additional 14% healthcare tax is also payable.
The income from capital gains should be reported in the annual tax return, and the taxes on capital gains income have to be paid when the annual tax returns are filed.

VIII. Deposit Insurance and investor protection

VIII.1. National Deposit Insurance Fund (OBA)

In accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (the "Banking Act") Raiffeisen Bank is an NDIF institute.

The National Deposit Insurance Fund was established to protect the registered deposits (and bonds and certificates of deposits issued by banks after January 1st, 2003) placed with banks headquartered in Hungary and with their foreign subsidiaries.

NDIF pays compensation – aggregated by per client and per institute – on the principal and interest of frozen deposits up to the HUF equivalent of EUR 100 000 (one hundred thousand). (The compensation limit is defined by the law in EUR, and payments are made in HUF.) More information can be found on the following web-site: www.oba.hu.

Please be advised that in accordance with the modification of the Banking Act, effective as of 3rd July 2015, the insurance provided by the National Deposit Insurance Fund (NDIF) shall not cover the bonds /

certificates of deposit issued starting from that date. Bonds and certificates of deposit issued prior to 2 July 2015 shall continue to be covered by the NDIF under the same conditions until their maturity.

VIII.2. Investor Protection Fund (BEVA)

In accordance with the provisions of Act CXXV of 2001 on the Capital Market Raiffeisen Bank is a BEVA institute.

The Investor Protection Fund had been established to provide coverage (at least partially) in respect of investments placed with any Hungarian investment service provider financial institution if any of its members cannot effect delivery against certain customer claims – securities or cash – due to lack of funds.
The insurance only covers customer claims arising from such contractual relationship between the investor and the member institute which started after 1st July 1997.

As of 1st of January, 2016 Investor Protectin Fund provides protection in maximum value of 100.000 EUR per client and per institute. Payments are always payed in forint equivalent. The compensation rate under one million forints is one hundred percent, for the amount over this limit the rate uis ninety percent. More detailed information is available on the organisation's web-site: www.bva.hu.

IX. Investment related fees; general information

Securities are electronically produced, therefore one should have a securities account to keep record of them. Securities account keeping entails costs, whose exact measure is set out in the Bank's List of Terms & Conditions from time to time in effect.

The fees and commissions connected to the different investment products available at Raiffeisen Bank are set out by business lines in the relevant List of Terms & Conditions from time to time in effect.

When entering a buy order for any investment or securities, the financial coverage must be available in the account of the customer in the relevant currency, and in the case of a sell order, the securities must be available. The exact definition of such availability may vary by business lines.

Information regarding the foreign currencies involved in the different deals, and the costs of investment and conversion are available in the Bank's List of Terms & Conditions from time to time in effect. The exchange rates from time to time prevailing are available in the Bank's branches as well as on the Bank's website www.raiffeisen.hu.

X. Disclaimer

The information included in this information document is not comprehensive, and does not qualify as an investment recommendation, investment analysis, financial analysis or investment advice. It is the obligation of the customer to monitor changes in the information, data and facts which are from time to time relevant for the topics mentioned in this information document. The Bank will not be held liable for any loss arising from the customer's omission of such obligation. The provisions hereof related to taxation do not qualify as

tax advice, and in order to have a comprehensive awareness of taxation issues it is recommended for the customer to consult a tax advisor before giving the order for the relevant deal in the scope of the investment service or ancillary service. The information, data and facts included in this information document are not to be understood in any form as guarantees for the actually realised or expectable gain of the investment from time to time held by the customer, and the Bank will not be liable to make reimbursement on claims arising from such demands, without prejudice to the mandatory provisions set out in the relevant laws.

The Tax-related information in this information memorandum is for information only, a simplified summary of the tax rules and does not cover all the circumstances affecting the tax treatment. The Bank will not be held liable for any loss arising from the use of the information contained herein.

According to the Act CXXXVIII of 2007 on Investment Firms and Commodities Dealers, and on the Regulations their Activities the information included in this information memorandum should not be considered as a preliminary briefing and does not substitute that. For full preliminary information, please contact our investment advisors.

Before taking an investment decision, please study carefully the pruduct related documents (i.e. prospectus, term sheet, key investment information document…etc). For these documents and for any further information, please contact our investment advisors.