

### 3. Moderate risk product



Updated: 01/08/2019

## Product brochure

### Raiffeisen 191212 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 the fixed-rate bonds issued by Raiffeisen Bank, the nominal interest (coupon) payable on the bonds is set at the time of issuance for the entire term. Fixed-rate bonds are generally denominated in HUF or EUR with a term of 2-3 years and annual coupon payment or can also be so-called long term investment bonds that pay capital plus interest in one sum on maturity.

#### Basic Data

Product name: Raiff. 191212 HUF kötvény  
Product identifier: RAIFF191212  
ISIN code: HU0000353677  
Term and maturity: 72 months, 12.12.2019  
Currency: Hungarian forint  
Interest rate: 2.00%  
Interest basis: actual/365  
Coupon payment dates: 12.12.2019.

#### When is it recommended?

- If you are looking for a short or medium-term investment vehicle with a higher yield than government securities and are willing to take additional credit and liquidity risk in return.

#### Product risk

1. VERY LOW	2. LOW	3. MODERATE	4. MEDIUM	5. INCREASED	6. HIGH	7. EXTREMELY
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**3. Moderate-risk product:** This category includes financial instruments (e.g. unstructured corporate bonds, capital-protected certificates, etc.) that typically repay the capital invested at maturity, but the possible rate of return is initially unknown. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 15% 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.
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).
Price risk	In the event of an adverse, upward shift in yields, a sale before maturity may result in a price loss.
Exchange rate risk	Securities may be denominated in different currencies, so the value of a security expressed in a foreign currency may, when converted into the settlement currency, change depending on the exchange rate fluctuations between the given currencies. If an investor buys securities denominated in a foreign currency (not forints), a change in the exchange rate will also affect the forint value of the coupon payments and principal repayments of the securities.

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**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 today you buy a Raiffeisen fixed-rate bond with a par value of HUF 1,000,000 and a term of almost 1 year. The bond's term to maturity is 0.65 years, its nominal interest rate is 5.50%, its standardised rate of return (EHM) is 1.06%, and the corresponding gross price (net price + accrued interest) is 104.77%, that is, the bond costs HUF 1,047,700. If there is a yield increase and 20 days later the bond can be sold at 104.52%, which corresponds to a 1.56% EHM – that is, at a price of HUF 1,045,200 only – you will realise a loss of HUF 2,500.

**Example 2** Let's assume that today you buy a Raiffeisen fixed-rate bond with a par value of HUF 1,000,000 and an original term of almost 3 years. The bond's term to maturity is 1.52 years, its nominal interest rate is 5.50%, its standardised rate of return (EHM) is 1.04%, and the corresponding gross price (net price + accrued interest) is 109.33%, that is, the bond costs HUF 1,093,300. If there is a yield increase and 20 days later the bond can be sold at 108.63%, which corresponds to a 1.54% EHM – that is, at a price of HUF 1,086,300 – you will realise a loss of HUF 7,000.  
If we compare bonds by term, we can say that the longer the bond'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 (with a yield increase of 0.5 percentage points in the two examples above).

**Example 3** Let's assume that today you buy a Raiffeisen fixed-rate bond with a par value of HUF 1,000,000 and an original term of 3 years and hold it to maturity. The bond's term to maturity is 1.52 years, its nominal interest rate is 5.50%, its standardised rate of return (EHM) is 1.04%, and the corresponding gross price (net price + accrued interest) is 109.33%, that is, the bond costs HUF 1,093,300. If you hold the security to maturity, your risks will be negligible, your realised EHM will be 1.04% and you will receive 5.50% annual interest per year and the par value at maturity.

**\*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>
- Final terms and conditions: [https://www.raiffeisen.hu/documents/global/raiportal/pdf/kotvenyprogram/vegl\\_felt\\_bank\\_191212\\_HUF.pdf](https://www.raiffeisen.hu/documents/global/raiportal/pdf/kotvenyprogram/vegl_felt_bank_191212_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)
- 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.
- 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.