5. Increased risk product

Raiffeisen BANK

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Product brochure

Bonus certificate

Product description

Certificates are structured derivative securities that are traded on or outside the stock exchange, and the price and price fluctuations of which depend on the changes in the price of another financial instrument (the underlying product). The issuer (the issuers of certificates are generally banks) ensure permanent and continuous quoting. Information should be sought on the specific characteristics of certificates prior to making an investment.

Bonus certificates are securities for which the issuer guarantees a so-called bonus yield upon maturity of the certificate over and above the invested capital and higher than the yields on deposits if the price of the certificate's underlying product does not breach a predefined threshold (barrier) at any moment during maturity. If the price of the underlying product reaches the barrier at any time during maturity, the bonus certificate becomes an index certificate (with the value of the investment fully tied to the price of the following product, and the investor being eligible for the prevailing price of the underlying product). In the case of classic bonus certificates, investors may profit unlimitedly from changes in the underlying product's price (with no maximum level defined for the attainable yield), but issuers define a maximum level of attainable yield for most bonus certificates. The barrier, the amount of bonus and the maximum yield are defined at the time of issuance and remain unchanged during the entire term. If the barrier is not breached at any time during the term, bonus yield or a higher value is paid out. If the issuer has defined a maximum yield level, then this maximum amount is the most that may be paid out, otherwise higher yields may be attained.

When is it recommended?

- If you are aiming for a yield that is higher than the risk-free rate and are willing to undertake the risk associated with the underlying product.

Product risk

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

5. Increased-risk product: This category includes financial instruments (such as shares or derivative funds) that characteristically carry substantial risk, featuring a price that may fluctuate significantly even in the short run, but investors are generally shielded from losing the entire value of their capital investment unless some extraordinary market event occurs. Based on historical data, the possible loss calculated for a one-year period is highly unlikely to exceed 65% 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

Exchange rate risk	The financial instruments may be denominated in different currencies, so the value (payment) of these securities expressed in a foreign currency may, when converted into the settlement currency, change depending on the exchange rate fluctuations between the given currencies.
Issuer risk	Issuer risk is the risk of 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. Risk arising from poor financial management is reflected primarily in the price of the issued shares, and receivables arising based on the securities may go unpaid due to insolvency or the issuer's refusal to pay.
Exchange rate risk of the underlying product	The exchange rate risk of the underlying product is the risk that the certificate loses some of its value as a consequence of adverse changes in the price of the underlying product. The underlying product is often itself a complex transaction shaped by multiple risk factors. The price of the bonus certificate may, besides shifts in the price of the underlying product, also be shaped by the volatility of the underlying product price, the maximum yield level, the barrier, maturity and interest levels.
Liquidity risk	Liquidity risk arises when a customer cannot buy/sell a product because there is no counterparty in the market who would sell/buy it to/from them. This type of risk mainly occurs during times of crisis or in the case of rare markets or products where demand and supply are difficult to match. Such risk is quite rare in case of blue-chip shares. There is a trade-off between liquidity and the quantity of a product to be sold/bought: when selling/buying smaller quantities, the investor may perceive higher liquidity, while liquidity may fall as the quantity increases.
Spread risk	As the issuer has an interest in investors holding certificates until their maturity, issuers may quote a lower bid price than offer price (with the bid and offer price interpreted from the distributor's perspective). In practice, this

translates to a wide spread between the offer and bid price, which may incur a loss for the investor in case of a sale before expiry.

Scenarios*

Example 1

Let's assume that you want to reallocate a portion of your portfolio from low interest bearing EUR deposits to stock market instruments. As you do not want to undertake individual share risk, you opt for the bonus certificate tracking the EURO STOXX 50 index. The EURO STOXX 50 index published by STOXX Ltd. contains the 50 blue-chip shares of the European Monetary Union (the shares traded in the largest volume). You purchase 100 certificates at a price of EUR 41.80 each (adding up to a total of EUR 4,180). If the price of the EURO STOXX 50 index reaches the EUR 2,650 barrier during the term, you will receive a EUR payout equal to the official closing price of the EURO STOXX 50 index at the time of maturity adjusted by the conversion ratio. As the certificate's conversion ratio is 0.01 and the closing price of the EURO STOXX 50 upon maturity is EUR 2,750, the payout of the certificate is EUR 27.50 (EUR 2,750 x 0.01) per unit. You will incur a loss of EUR 1,430 (EUR 2,750 – EUR 4,180) on the transaction.

Example 2

Let's assume that you want to reallocate a portion of your portfolio from low interest bearing EUR deposits to stock market instruments. As you do not want to undertake individual share risk, you opt for the bonus certificate tracking the EURO STOXX 50 index. The EURO STOXX 50 index published by STOXX Ltd. contains the 50 blue-chip shares of the European Monetary Union (the shares traded in the largest volume). You purchase 100 certificates at a price of EUR 40.80 each (adding up to a total of EUR 4,080). If the price of the EURO STOXX 50 index does not breach EUR 2,600 at any time during the term, you will be entitled to the maximum yield level defined for the certificate at the time of its issuance. As the certificate's conversion ratio is 0.01 and the closing price of the EURO STOXX 50 upon maturity is EUR 4,550, the payout of the certificate is EUR 45.50 (EUR 4,550 x 0.01) per unit. You will realise of profit of EUR 470 (EUR 4,550 – EUR 4,080) on the transaction.

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)
- In the case of bonus certificates, 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.