1. Very low risk product

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Product Disclosure Statement

2-Year Hungarian Government Bond

Product description

2-Year Hungarian Government Securities are securities with a fixed interest rate and a maturity period of two years that are issued by the Hungarian State. 2-Year Hungarian Government Securities (2MAP) are issued in the scope of cascading issues in portions, on a daily basis, with basic denominations of HUF 1. The amount of the interest (in other words the "coupon") payable in the different interest payment periods is disclosed and fixed already at the time of the issue. Interest payment takes place once a year, and principal is repaid upon maturity. The bonds are kept record of at both net and gross prices. The gross price of the security is calculated by discounting known future payments with yield to maturity available in the market. Net price is nothing else than gross price less accumulated interest.
2-Year Hungarian Government Securities are offered for sale to domestic and foreign individuals (resident and non-resident natural persons) and non-profit companies. Following issuance, in the course of secondary market trading the persons authorised to purchase the securities in the primary market may purchase and transfer, and—only and exclusively for the fulfilment of their market making obligation—the distributors having a distribution contract with ÁKK Zrt. may purchase, the securities.
Subject to specific conditions, the distributions quote daily bids for the different series of 2-Year Hungarian Government Securities, therefore they can be sold prior to maturity in accordance with the distributors' business policies.

When it is recommended?

- If you are looking for a form of investment for a 2-year term at predictable interest rates that ensures the payback of the invested capital with the guarantee of the issuing State.

Product risk

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

1. Very low risk product: Those financial instruments belong here (e.g. discount T-bills, 1-year Hungarian government bonds, liquidity funds, etc.) that in addition to the invested principal typically ensure a yield of predetermined measure upon maturity. Their risk primarily derives from the risk of the counterparty's non-payment and in the case of sale prior to maturity from the movement of market interest rates. On the basis of historical data, the potential loss calculated for a term of one year with a high probability does not exceed 5% of the invested amount. (For the assessment of potential losses, the Bank determined the risk category of the product with VaR calculation, on the basis of historic data, at a confidentiality level of 99%, considering a one-year period.)

Major risk factors

Interest rate risk	Interest rate risk arises from the fact that any change in market yields influences the value of fixed-interest securities. Rise in market yields may be caused among others by the acceleration of inflation, budget overspending, the rise of central bank interest rates, or the excessive indebtedness of the State. On the other hand, the slowdown of inflation, deflation, a decreasing indebtedness and the easing of monetary policy (interest rate cuts) may result in a fall in market yields. The longer the maturity of a bond is, the more sensitively its price will respond to yield changes. If you keep the security until maturity, interest rate risk may be disregarded.
Country risk	It means the risk of investing in the instruments of a given country, and its measure depends on the financial, economic and political stability of that country. The more stable a country, the lower its country risk premium is, therefore its risks are lower, and in line with this the yields of its government securities are also lower. This risk type does not change significantly in the short run.
Price risk	Upon an unfavourable upward change in yields, if you sell your securities prior to maturity, you may sustain a capital loss.

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Scenarios:

Example 1	Let us assume that you buy two-year government securities at a nominal value of HUF 1,000,000 today. The time to maturity of the securities is 685 days, nominal interest rate is 2.50%; the gross price of the security (net price + accumulated interest) is 100.43%, therefore the bond will cost HUF 1,004,300. If an increase in yields is seen, and after 20 days the same securities can only be sold at a gross rate of 99.07%, i.e. for HUF 990,700, you realise a loss of HUF 13,600.
Example 2	Let us assume that you buy government securities with an original maturity of 2 years at a nominal value of HUF 1,000,000 today, and keep it until maturity. The time to maturity of the security is 2 years, and its nominal interest rate is 2.50%. If you keep the security until maturity, its risks are negligible, and each year you get an interest rate of 2.50% per year as well as the nominal value upon 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
- 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 variable-rate 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.