

3. Moderate risk product



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Product brochure

Capital-protected 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 basic or underlying product). The issuer (the issuers of certificates are generally banks) ensures permanent and continuous quoting. Information on the specific characteristics of certificates should be sought prior to making an investment.

Capital-protected certificates are securities offered for a tenor of several years, with yield depending on the developments in the price of a share or bond index, or of a raw material or raw material index. Capital protection can be enforced by the investor upon maturity, at the end of the term. In exchange for capital protection, generally the investor is only entitled to a predefined proportion of positive changes in the underlying product price, referred to as the participation rate. Capital-protected certificates, in function of the offered yield, may feature a fixed or variable yield: fixed yield certificates are bond substituting instruments, while the yield of variable-yield certificates is calculated at the closing price of the underlying product upon maturity, or at the average price of the underlying product recorded during predefined periods.

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
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3. Moderate-risk product: This category includes financial instruments (e.g. unstructured corporate bond, 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

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 also a complex transaction shaped by multiple risk factors. The price of the capital-protected certificate may, besides shifts in the price of the underlying product, also be shaped by the volatility of the underlying product price, the tracking error, 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. Generally, the issuer ensures continuous quoting for the certificates issued by it, decreasing liquidity risk. 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.

3. Moderate risk product



Scenarios*

- Example 1 Let's assume that you have available euro assets and want to reallocate a portion of your portfolio from low interest bearing EUR deposits to riskier instruments. Because you are expecting an increase in the price of agro-industrial products in the upcoming years, you invest EUR 10,000 for a longer term in capital-protected certificates featuring a 90% participation rate (10 certificates), with an underlying product consisting of a basket of agricultural goods. Let's assume that the value of agro-industrial products rise in line with your expectations, and you are able to sell your certificates one year later for EUR 11,345. In this case, you will realise a profit of EUR 1,345.
- Example 2 Let's assume that you have available euro assets and want to reallocate a portion of your portfolio from low interest bearing EUR deposits to riskier instruments. Because you are expecting an increase in the price of agro-industrial products in the upcoming years, you invest EUR 10,000 for a longer term in capital-protected certificates featuring a 90% participation rate (10 certificates), with an underlying product consisting of a basket of agricultural goods. Let's assume that the value of agro-industrial products rise in line with your expectations, and is 30% of the average yield of the underlying product at the time of observation upon maturity of the certificate. In this case, profit amounts to EUR 2,700 (90% x 30% x EUR 10,000 EUR).
- Example 3 Let's assume that you have available euro assets and want to reallocate a portion of your portfolio from low interest bearing EUR deposits to riskier instruments. Because you are expecting an increase in the price of agro-industrial products in the upcoming years, you invest EUR 5,000 for a longer term in capital-protected certificates featuring an 85% participation rate (5 certificates), with an underlying product consisting of a basket of agricultural goods. Let's assume that the value of agro-industrial products fall in line with your expectations, and the average yield of the underlying product at the time of observation is negative. In this case, the capital protection takes effect, as the payout is EUR 10,000 alongside profit/loss of EUR 0.

***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 capital-protected 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.