

# KEY INFORMATION DOCUMENT

## PURPOSE

This document informs you of the key information regarding this investment product. This document is not a marketing material. The communication of information is provisioned by the law with the purpose of helping you to understand the type, risks, costs and the potential gain as well as losses of this product and it assists you to compare this product with other products.

## PRODUCT

**Barrier foreign exchange option agreement - EUR/USD Double Knock Out long put option for the tenor of 6 months**

**This present prominent investor's information presents the barrier foreign exchange option deal in a currency pair (EUR/USD) for a chosen tenor (6 months) selected by the Bank and via the long put option.**

|   |  |
|---|--|
| <b>Producer of the product:</b> MKB Bank Zrt.<br><b>Website:</b> <a href="http://www.mkb.hu">www.mkb.hu</a> | <b>Competent authority:</b> National Bank of Hungary<br><b>(Hungarian acronym: MNB)</b><br>pursuant to article 4 (9) of Act CXXXIX of 2013 |
| Please call +36 1 472 6743 for further information  | <b>Date of revision:</b> 13 Feb 2019   |

**You are to purchase a product, which is complex and the understanding of which may be difficult.**

## WHAT IS THIS PRODUCT?

**Type:** The barrier foreign exchange rate option (barrier option) is an exotic type of option, in the case of which the option right may become exercisable or the right of exercising it terminates if a previously specified rate level (barrier) is reached during the tenor. The barrier option may be call (buy) or put (sale) option. This document presents the barrier exchange rate option purchase providing long put with lower and upper - Double Knock Out - barrier levels. The essence of the product is that if the conditions detailed in the document are met - i.e. during the tenor the exchange rate of the foreign currency pair serving as the basis of the contract does never reach the lower or upper barrier - the customer of the Bank will have the right to convert the amount in a given currency to another currency at a rate more favourable than the spot rate.

In the case of the Double Knock Out deal at the expiry the buyer of the long put option (the customer of the Bank in the present case) may exercise its right of sale if during the tenor of the option deal (which is 6 months in this example) the EUR/USD rate never reaches the lower and upper barrier specified when the deal was concluded.

If during the tenor of the option deal the exchange rate reaches the lower or upper barrier on minimum one occasion, the purchased option ceases.

Example for the Double Knock Out EUR/USD 6 months tenor long put purchase deal:

- **Face value:** EUR 10,000
- **Drawing rate** (when conversion can be performed at the end of the tenor): EUR/USD 1,2000
- **Lower barrier level:** EUR/USD 1,1200
- **Upper barrier level:** EUR/USD 1,2800
- **Spot rate at contract conclusion:** EUR/USD 1,2270
- **Price of purchasing the option:** USD 72.79

### Outcomes:

1. If during the tenor the spot rate reaches the 1.1200 (lower) or the 1.2800 (upper) level at any time, the right terminates, the loss of the buyer of the option is the option fee, USD 72.79 and conversion can be performed at the spot rate;
2. If during the tenor the spot rate does not reach the 1.1200 (lower) or the 1.2800 (upper) level and the market rate is higher than the drawing rate of 1.2000, the buyer of the option does not exercise its right of sale, its loss is the option fee, USD 72.79 and conversion is performed at the more favourable market rate.
3. If during the tenor the spot rate does not reach the 1.1200 (lower) or the 1.2800 (upper) level and the market rate is lower than the drawing rate of 1.200, the buyer of the option exercises long put and the result is the exchange rate gain amount resulting from the drawing minus the option premium.

**Purposes:** The purpose of concluding the barrier foreign exchange rate option agreement is hedging the exchange rate risk, on the one hand, and the exploitation of the changes in the market rates, on the other hand. If you wish to have your share from the changes in the market rates, by concluding the barrier foreign exchange rate option agreement you expose yourself to the risk of market rate changes.

**Targeted retail investors:** Investors finding the product suitable based on their knowledge of the product and their experiences. Investors wishing to have the Product to hedge an already existing risk. In the case of speculative contracting the investors, who are willing to assume risks significantly exceeding the general level of risk assumption and whose financial position permit the bearing of potentially occurring losses and for whom capital protection is not a consideration when the investment decisions are made.

## WHAT ARE THE RISKS OF THE PRODUCT AND WHAT CAN I RECEIVE IN EXCHANGE?

In the case of barrier options the option right is subject to a condition (in this present case the condition is that during the tenor the exchange rate of the given foreign exchange pair should not reach the lower or upper barrier values). If this condition is not met the buyer (customer) cannot call the option and can only perform the conversion at the spot rate valid at the expiry. The market value of the purchased EUR/USD option is the EUR/USD rate change, the change in the market rate of the currencies in the construction, the implicated volatility of the currency pair, which may change subject to the time still to go until the expiry, which may result in the reduction of the option's value.

In this present case, if during the tenor the exchange rate of the EUR/USD currency pair reaches the lower or upper barrier limit even on one occasion, the option right purchased by the customer is terminated and the customer can perform the wished conversion at the spot rate valid at the time of the expiry. The loss of the customer is the option fee paid at the contract conclusion.

### Risk indicator

Low risk < 

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

 > High risk

The summary risk indicator gives a guideline as to the risk level of this Product compared to other products. It shows the probability of the investor purchasing the Product suffering a financial loss due to market changes and the potential insolvency of the producer of the product.

We categorised this product class 7 out of 7 classes, which is the highest risk category.

The risk indicator assumes that you will hold on to the product until the expiry (which is 6 months in this case).

The actual risk can be significantly different, if you close the contract prior to the expiry, in which case you may realise a loss on the investment and in a special market situation it may even occur that you cannot close the contract in the wished time. During the tenor of the contract you will also have the opportunity to conclude a mirror contract, however, this contract may also result in significant losses in special market circumstances.

**Performance scenarios:** Principal amount: EUR 10,000

| Possibilities of market shifts Scenarios | How big an amount can you receive or pay? | Annualised average profit, loss for the invested capital |
|--|---|--|
| Stress scenario                          | 9745,67 EUR                               | -5,09%   |
| Adverse scenario                         | 10 000 EUR                                | 0,00%  |
| Moderate scenario                        | 10 000 EUR                                | 0,00%  |
| Favourable scenario                      | 10 070 EUR                                | 1,41%  |

The presented scenarios are future estimates given based on the changes in the value of the product in the past, assuming that you will hold on to the product until its expiry. The effective performance of the product may differ from the scenarios presented above, i.e. the performance realised by you at the expiry may change subject to the performance of the market.

The above table presents the profits and losses, which may be gained in the case of different scenarios, assuming EUR 10,000 face value. The scenarios present the performance of the product in different market circumstances, therefore you have the opportunity to compare them with the scenarios of other products.

The stress scenario presents the performance (loss) expected in extreme market circumstances and does not consider the partner risk, i.e. the possibility of the insolvency of MKB Bank.

The presented figures include all the costs of the product, however, they do not show the costs paid to your adviser by your person. The figures do not consider your personal tax situation, which may also influence the amount received/paid at the expiry.

## WHAT HAPPENS IF MKB BANK ZRT. CANNOT PERFORM PAYMENT?

The product is not insured by an investor protection system (neither OBA nor BEVA protection applies to the product), therefore if in the case of a potential insolvency MKB Bank Zrt. cannot perform its payment obligations, the resulting risks are not covered by the guarantee system.

## WHAT COSTS WILL ARISE?

In the case of the barrier foreign exchange rate option agreement the arising cost is the margin for the premium for the option obligation undertaken during contracting the product.

The costs presented in % or amount here will arise during the conclusion of the contract.

The figures are based on the assumption that you plan to conclude a contract in EUR 10,000 face value and the Bank will enforce 0,7% deal margin. The figures are estimates and may change in the future.

## CHANGES IN THE COSTS IN TIME

| Expiry scenarios  | Exclusion during the tenor with mirror contract | Closure at expiry with mirror contract | Delivery at expiry |
|-------------------|---|--|--------------------|
| Total cost        | margin x 2                                      | margin x 2                             | margin x 1         |
| Total cost %      | 1.4%  | 1.4%                                   | 0.7%               |
| Total cost in EUR | EUR 140   | EUR 140                                | EUR 70             |

## COMPOSITION OF THE COSTS

The following table presents how the different cost types will have an annual impact on the investment profit achievable by you at the end of the recommended holding period. These costs can be compared with the achieved yield. The meaning of the different cost categories were also included in the table.

### Costs

|                 |   |            |   |
|-----------------|---|------------|---|
| One-off costs   | Entrance costs                            | margin x 1 | Payable during contracting                      |
|                 | Exit costs                                | margin x 1 | Exclusion during the tenor with mirror contract |
|                 |   | 0          | Delivery at expiry                              |
| Current costs   | Annual transaction costs of the portfolio | 0          | Not applicable                                  |
|                 | Other continuous costs                    | 0          | Not applicable                                  |
| Accessory costs | Performance fees                          | 0          | Not applicable                                  |
|                 | Share in profits                          | 0          | Not applicable                                  |

## HOW LONG SHOULD I HOLD ON TO THE PRODUCT AND HOW CAN I RECEIVE MY MONEY EARLIER?

**Recommended holding period: 6 months, which is the tenor of the product.** It is possible to terminate the product prior to its expiry, which, however, is deemed a separate contract conclusion and may result in significant additional costs.

## HOW CAN I FILE A COMPLAINT?

If you wish to file a complaint with respect to the sale of the product, you can visit any of our branches at MKB Bank Zrt. or you can do so by telephone, telefax, by mail or e-mail. Central address of correspondence: 1056 Budapest, Váci utca 38., Pf: 1821 Central e-mail address: [mkb@mkb.hu](mailto:mkb@mkb.hu).

Further information concerning complaint reports and the reporting form are at our <https://www.mkb.hu/elerhetosegek/panaszkezeles> website.

## ADDITIONAL KEY INFORMATION

<https://www.mkb.hu/uzleti/vallalatoknak/befektetessekkel-kapcsolatos-tajekoztatasok/kiemelt-befektetoi-informaciok>

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