

## Structured Securities General Product Information

Structured Securities are securitised investment products that typically combine a traditional investment (equity, bond, foreign exchange, commodity market, investment fund) and one or more derivative financial products (derivatives). They are complex financial products which can provide a flexible alternative to traditional investment products, while offering attractive solutions such as partial or full capital protection, yield enhancement with fixed or conditional coupons, participation in the performance of the underlying product, leverage or a combination of the above.

The payout of Structured Securities during the term or at maturity is always conditional, typically depending on the performance of one or more underlying products, such as equity market indices, individual stocks, currency cross rates. As a result, payouts can vary widely depending on the structure chosen. The specific payout conditions may vary from issuer to issuer, structure to structure and product to product, and are described in the Product Information or English language Final Terms for the relevant securities.

### 1. To whom do we recommend Structured Securities?

- To Customers who want to achieve a **return above the market risk-free rate of return**.
- To Customers who are willing to **take more risk** and prefer more exciting investment structures.
- To Customers who typically seek attractive investment opportunities with short to medium maturities.
- To Customers who **are willing to forego capital protection for the possibility of an attractive return on non-capital protected structures**.
- To those of our Customers who **do not wish to invest directly in the underlying product**, or run the risk of the underlying product directly, but prefer the opportunity and payout structure offered by a structured product.
- To those of our Customers who wish to invest in instruments (e.g. commodity indices, foreign exchange cross rates) that are not available on their own or not cost-effective.

### 2. Product parameters, definitions

|                                     |  |
|-------------------------------------|--|
| Amount invested                     | The amount of capital invested by an investor when purchasing Structured Securities.   |
| Currency                            | The currency of the Structured Securities.   |
| Structure                           | The type of Structured Securities traded by Erste Befektetési Zrt.                     |
| Underlying Product of the structure | The financial product(s) on which the payment during the term and at maturity depends. |
| Price fixing date                   | A predetermined specific date on which the Initial Price is determined.                |

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| <b>Valuation date / observation period</b> | The predetermined period or specific dates on which the prices of the underlying products are observed. These values may be crucial in determining conditional coupon payments, early maturity (automatic recall) or payout at maturity. |
| <b>Initial price</b>                       | The closing price of the underlying products on the Price Fixing Date.   |
| <b>Strike price</b>                        | A specified percentage of the closing price of the underlying products on the Price Fixing Date.   |
| <b>Issue price</b>                         | The issue (trading) price of the Structured Securities.  |
| <b>Participation</b>                       | The extent of participation in the performance of the Underlying Product, i.e. a specified percentage of the performance of the Underlying Product.  |
| <b>Coupon payment limit</b>                | A fixed percentage of the initial price (Initial Price), the achievement of which is a factor in the conditional coupon payment during the maturity.   |
| <b>Call barrier</b>                        | A specified percentage of the initial price (Initial Price) at which automatic call is triggered.  |
| <b>Capital protection limit</b>            | A fixed percentage of the initial price (Initial Price), the achievement of which is a factor in the payout upon the maturity.   |
| <b>Maximum payout (Cap)</b>                | A maximum amount (>100%) that can be paid at maturity, defined as a percentage of the Nominal Value.   |
| <b>Minimum payout</b>                      | A minimum amount that can be paid at maturity, defined as a percentage of the Nominal Value. In the case of full capital protection, 100% of the Nominal Value.  |
| <b>Coupon</b>                              | A payment set as a percentage of the Nominal Value during the term and/or at maturity.   |
| <b>Nominal value</b>                       | The nominal value of the Structured Securities.  |
| <b>Automatic call (early maturity)</b>     | Early maturity of securities prior to their original maturity date.  |
| <b>Automatic call dates</b>                | The specific predetermined dates on which Structured Securities may be automatically called, i.e. allowed to mature, prior to their original maturity date.  |
| <b>Subscription price</b>                  | The bid price applied during the subscription period.<br>During the subscription period, there may be minimal changes payable to market fluctuations.  |
| <b>Term, settlement</b>                    | The period between the Issue Date and the Maturity Date.<br>Settlement date: The second business day following the Maturity Date.  |
| <b>Result / maturity value</b>             | The result of the performance of the Structured Securities due at maturity.  |

### Put options before maturity

There is limited scope for put before maturity and the Issuer and the Distributor do not undertake to repurchase the Securities. As a result, an investor may not be able or may not be able as intended to sell these securities during the term.

## 3. Main types of Structured Securities

### Capital protected products

Capital protected products offer full or partial protection for the nominal value invested by the Customer in the event that the product is held to maturity. In addition, customers can benefit from the price movements of the underlying products in the event of favourable market movements.

### Products offering enhanced returns

These products offer an attractive rate of return compared to current risk-free rates, but are usually limited by a predetermined coupon. These Structured Securities may also provide conditional capital protection in the event that predetermined conditions are met, e.g. the barrier is not reached or crossed by the underlying product(s). They offer an alternative to direct investment in the underlying product in the event of sideways or uncertain market expectations.

### Equity products

Equity products offer a participation in the price movements of the underlying product(s) without leverage. These Structured Securities may also offer conditional capital protection in the event that predefined conditions are met, e.g. the barrier is not reached or crossed by the underlying product(s). Recommended for customers who have an established view on market developments over the life of the product.

### Leveraged products

These Structured Securities offer a speculative opportunity to take leveraged positions with a relatively low initial investment. Their main risk is the increased possibility of total loss of the amount invested and they should therefore only be considered as a suitable alternative for Customers with a high risk appetite. Leveraged products can also be used as a hedge to reduce the risk of an existing portfolio. They are recommended to customers who have a strong view on expected market movements and expect significant upside or growth.

## 4. Issuers

Erste Befektetési Zrt. is primarily involved in the distribution of securities issued by Erste Group Bank AG, but also arranges/undertakes/makes available the primary distribution of securities issued by other Issuers in order to ensure a wider range of products and diversification.

Erste Befektetési Zrt. cooperates with the following issuers (the list may change according to market developments and customer demands):

- Credit Suisse
- Société Générale (SG Issuer)
- Commerzbank
- Vontobel
- BNP Paribas

## 5. General structures distributed by Erste Befektetési Zrt.

The Structured Securities market is extremely broad and diverse. Erste Befektetési Zrt. endeavours to offer standardised products where the product features and payout mechanisms within the given structure do not change. More information on the specifics and details of these different structures can be found on the website of Erste Befektetési Zrt: [https://www.ersteinvestment.hu/hu/strukturalt\\_ertekpapiro.html](https://www.ersteinvestment.hu/hu/strukturalt_ertekpapiro.html)

### Typical structures

- Protect Pro
- Protect Multi
- Protect Express (formerly Protect Multi Coupon Express)
- Express Note
- Garant Note

**Before investing in a particular structure, please carefully study its characteristics and risk factors.**

## 6. General risk factors

The payout of Structured Securities depends on the closing price of the Underlying Products during the Observation Period or at maturity and therefore involves not only the risks associated with the Issuer of the product but also the risks of the components of the Structure (e.g. payout risks). In order to make an informed investment decision, please also take into account the following major risks:

- The security is subject to the provisions of the law of the country of issue.
- The Issuer of the Structured Securities is liable for the payment of the Maturity Value, if it is insolvent, the payment of the Maturity Value is doubtful.
- In the case of a not capital protected product, there may be a lack of capital protection or, in extreme cases, a total loss of capital.
- In the case of multiple underlying products, the performance of any one or more products may affect the maturity payout.
- In the event of a payout in the underlying product at maturity (e.g. physical delivery of a share), the risks and other characteristics of the product so received will continue to apply to that product.
- In the case of a leveraged product, the transaction magnifies market movements through leverage. If the price of the underlying product moves in the opposite direction to the position taken (i.e. if the price falls in the case of a long/buy transaction and rises in the case of a short/sell transaction), due to the leverage the loss on the position taken will be a multiple of the loss the Customer would have realised on the spot market.

- A change in the price of the Underlying Product(s) will not necessarily be reflected proportionally and immediately by a change in the price of the Structured Securities.
- An investment in a Structured Security does not entitle the Customer to any rights of direct ownership of the Underlying Product(s), such as dividend payments and voting rights.
- Limited marketability, low liquidity.

**Due to the risk factors listed, the risk of the Structured Security may exceed the sum of the risks of the individual components!**

## 7. Tax information

### **Structured Bonds with full capital protection:**

For domestic individuals, the yield and the income on redemption or transfer of a structured bond are deemed to be income from interests under Section 65 of the Personal Income Tax Act and is subject to 15% tax in Hungary and other taxes and/or contributions under the laws in effect from time to time, provided that if the sale, the payment of the yield or interest is made through a paying agent under the law, the tax is assessed, deducted and paid by such paying agent on a transaction-by-transaction basis and is not required to be reported by the individual in his/her tax return. The loss cannot be taken into account in the case of this tax assessment, but if the statutory conditions are met, the individual may, on the basis of a prior annual declaration, claim the price loss on the sale in his/her tax return, if permitted by the laws in effect from time to time.

The above rules also apply to non-resident individual investors, with the difference that in possession of a certificate of residence issued by the foreign state in which the individual is resident for tax purposes, the paying agent determines the tax deduction liability and the tax rate on the basis of double taxation treaty, or, failing this, in accordance with the provisions of the Personal Income Tax Act. In the case of individuals who are tax resident in a member state of the European Union other than Hungary, the paying agent is obliged to provide information on interest income, but in this case no tax is deducted, except as provided for in the relevant EU acts. In addition, in the case of a foreign individual whose state of residence does not have a double taxation treaty with Hungary, the organisation that is deemed to be the paying agent under the law must deduct 15% tax on the interest income.

In the case of investment under a long-term investment agreement with an investment service provider pursuant to the provisions of the Personal Income Tax Act in effect at the time of the preparation of this Product Information, the investor may apply the preferential tax rules provided for by the Act under the conditions set out in the Personal Income Tax Act. In addition, it is also possible, subject to compliance with the conditions laid down by law, to place the bonds in a pension savings account.

For more information on the pension savings account scheme, its advantages and tax features, please visit our website ([http://ersteinvestment.hu/hu/erste\\_nyugdijjelotakarekossagi\\_szamla.html](http://ersteinvestment.hu/hu/erste_nyugdijjelotakarekossagi_szamla.html)).

Bonds can also be bought in a Long-Term Investment Account. For more information on the Long-Term Investment Account, its advantages and tax features, please visit our website ([http://ersteinvestment.hu/hu/erste\\_tbsz.html](http://ersteinvestment.hu/hu/erste_tbsz.html)).

### **In all other cases where the Structured Securities do NOT have full capital protection:**

Subject to the exception provided for in the Personal Income Tax Act, a transaction with/by way of an investment service provider is deemed to be a controlled capital market transaction, inter alia, for a financial instrument as defined under the Act on Investment Firms and Commodity Dealers and the Regulations on their Activities (the "Investment Services Act"), including Structured Securities, if it complies with the relevant provisions of the Act.

The tax on the capital gains arising from a controlled capital market transaction is 15%, with no tax deduction or assessment by the payer, which will have to be self-assessed by the individual in his/her tax return for the relevant year. Losses incurred on transactions which qualify as such may then be set off against gains on such transactions and the result will be assessed on an annual basis for the tax year: thus, in this case, income will be deemed to be the excess of the aggregate amount of the gains on controlled capital market transactions recognised in cash in the tax year over the aggregate amount of losses from controlled capital market transactions recognised in cash in the tax year to which the individual is subject. Please remember that you are required to file a tax return on the results of these products and you are the person who must pay the tax. Our company is not required by law to assess, deduct or pay tax on these transactions.

Given that in the case of Structured Securities, the amount invested may be paid in foreign currency and the proceeds may be paid in foreign currency, the conversion rules under the Personal Income Tax Act will apply in these cases for the purposes of meeting your tax liability. Therefore, the exchange rate applicable under the law may differ from the rate actually applied, resulting in a gain/loss different from the actual gain/loss.

Structured Securities can also be bought in a Long-Term Investment Account. In the case of a Long-Term Investment Account (TBSZ), the investor may apply the preferential tax rules set out in the Personal Income Tax Act under the conditions set out in the Act, if he/she places his/her investments and savings in the TBSZ and does not withdraw from the account for 3-5 years after the year of opening.

The tax information is not exhaustive. Before making your decision, please check out the information in detail on the tax treatment of controlled capital market transactions, the legal conditions for a long-term investment account (TBSZ) and other taxation issues (including if the transaction is not concluded through an investment service provider) and consult your tax adviser as the tax conditions and the choice of the TBSZ scheme can only be assessed on the basis of the investor's individual circumstances. Tax laws and their interpretation may change and Erste Befektetési Zrt. cannot be held liable for the consequences thereof.

## **8. Further Conditions**

The information contained in this document is not exhaustive and is intended solely to provide investors with general information about Structured Securities. Please note that the Base Prospectus - Programme of Issuance of certain Structured Securities as well as the Final Terms made in relation to the admission to trading of certain Structured Securities also traded in Hungary and their summary in Hungarian are available from the Issuers and on the website of the distributor, Erste Befektetési Zrt. (1138 Budapest, Népfürdő u. 24- 26., activity licence no.: E-III/324/2008 and

III/75.005-19/2002, stock exchange member of the BSE) ([http://www.ersteinvestment.hu/hu/strukturalt\\_ertekpapiro.html](http://www.ersteinvestment.hu/hu/strukturalt_ertekpapiro.html)), which you should read carefully before making your investment decision. Before making your investment decision, you should carefully consider the object of your investment, its risks, its charges, the fees and expenses associated with the keeping of your account and the potential losses that may arise from your investment and familiarise yourself with the risks associated with Structured Securities, which may be different from the risks of the instruments underlying the product, and about which information is provided in this document as well. A review of the leaflet is not a substitute for knowledge of the issuer's documents.

Please note that, in addition to the above, other Structured Securities are also available from our Company, a list of which and the related product information material can also be found on the website of Erste Befektetési Zrt. ([http://www.ersteinvestment.hu/hu/strukturalt\\_ertekpapiro.html](http://www.ersteinvestment.hu/hu/strukturalt_ertekpapiro.html)).

The information contained in the product information materials allows for an easy comparison of the terms and conditions of the individual Structured Securities.

We would like to draw your attention to the MNB's consumer protection website, which provides you with a range of applications to help you find answers for your financial questions with features to facilitate comparisons and choices. Access the MNB's consumer website: <http://www.mnb.hu/fogyasztovedelem>

The contents of this product information do not constitute an investment offer, recommendation, invitation to make an offer, investment advice or tax advice, and no claims may be brought against Erste Befektetési Zrt. or the Issuer on the basis of the contents hereof.