MBH BANK

Dual Currency Deposit (DCD)

I. The key parts of the product:

A DCD is a special deposit scheme that provides investors with higher interest rates than traditional deposits. In return, our Client undertakes that the Bank may convert the committed foreign currency into another currency on the maturity date at a predetermined exchange rate. Therefore, our client forgoes part of the potential profit of the favorable exchange rate movement in order to obtain a higher interest rate. The facility consists of a HUF or foreign currency deposit and a commitment to sell the amount of the commitment (i.e. the sale of an FX option).
In the case of foreign currency DCD, the investment amount will be converted into HUF at a pre-agreed rate at maturity if the current spot rate at maturity is higher than the option rate agreed upon at the time of commitment. If the spot rate is lower than the option price at expiry, the deposit will expire in foreign currency.
In the case of HUF DCD, the investment amount will be converted into foreign currency at a pre-agreed rate at maturity if the current spot rate at maturity is lower than the option rate agreed upon at the time of commitment. If the spot price is at a higher level than the option price at expiry, the deposit will expire in HUF.

A predetermined higher interest rate means secure income and does not depend on the market price at maturity.

II. Who do we recommend it to?

- Anyone who wants to convert the committed amount to another currency later and has a target exchange rate level or expects a limited strengthening of the currency.
- Those who wish to realize interest rates higher than standard rates on their commitment and are willing to take the risk of changing the currency of their commitment.
- This instrument is especially recommended in market situations where holding a currency asset is unfavorable due to the low interest rate, but at the same time our Client wants to convert the amount at a higher level than the current spot rate and does not expect a drastic improvement in the exchange rate.

III. Benefits:

- The facility provides higher interest rates than standard deposit rates, the difference can range from a few basis points to several percent.
- Any interest in excess of the predetermined, standard deposit rates will be paid to the Client at the end of the term, regardless of whether conversion occurs at maturity or not.

IV. Risks:

- The product does not provide protection against the unfavorable movement of the spot rate.
- You may be forced to convert at a lower rate than the spot rate at maturity.
- The commitment cannot be opened during the maturity period.
- We hereby draw your attention to the fact that, according to the relevant regulations, the protection of the National Deposit Insurance Fund does not extend to deposits on which the depositor receives significantly higher interest than deposits of the same size and term placed under the contract at the time of conclusion of the contract.

V. The most important elements of committing combined with the Conversion option are:

Amount of commitment:	The amount of principal committed in respect of which interest is paid by the Bank for the duration of the commitment. A minimum amount of 50 000 euro per transaction.
Currency pair:	The currency of the commitment and the currency into which the amount of the commitment will be converted at maturity in case of exercise of the option.
Interest rate:	The rate of interest paid on the amount committed.
Option price:	The exchange rate at which the Bank may convert the amount of the commitment is if on the expiry date of the option at 12 o'clock in the case of a HUF option or at 4 p.m. in the case of a foreign currency option the exchange rate is lower or equal to the option rate in the case of a HUF commitment, or higher or equal to the option rate in the case of a foreign currency commitment.
Maturity:	Any period from 2 weeks to 12 months, typically 1-3 months, according to the Client's needs.
Initial value date:	The starting date of the commitment on which the deposited amount will be committed and blocked.
Option expiration date:	The second working day preceding the maturity of the commitment, in which the currency in which the Bank will credit the amount of the commitment at the maturity of the commitment shall be determined.
Commitment expiration date, conversion value date:	The date of expiry of the commitment on which the committed amount and interest or, in case of conversion, the consideration calculated at the option exchange rate will be credited to the Client's account.

VI. Relationship between interest rate and option price

In general, the closer (but definitely more favorable) the option rate our Client chooses to the forward price, the higher the interest rate can be achieved on the deposit and the greater the chance that the committed amount will be converted at expiry.
It is more conservative, i.e. the option rate is further away from the forward level and is accompanied by a lower interest rate and at the same time there is less chance that the Bank will exercise its option right and convert the committed amount.

VII. Conditions for entering into an option commitment arrangement:

- Preliminary conclusion of a framework contract called "Framework agreement for entering into derivatives outside an exchange or other regulated market".
- valid LEU code and MIFID suitability test.
- A minimum commitment amount of 50 000 euro per transaction.

VIII. Settlement:

In the case of a currency commitment, the Bank shall exercise the option if, on the second working day preceding the maturity of the commitment, the spot rate is at a higher level than the predetermined option rate. In this case, the committed foreign currency amount will be converted into HUF by the Bank at the predetermined option rate. If the spot rate is lower than the predetermined option price, no conversion will take place and the commitment will expire in the original currency.
In the case of HUF commitments, the Bank will exercise the option if the spot rate is at a lower level than the predetermined option rate on the second working day preceding expiry. In this case, the HUF commitment is converted into foreign currency by the Bank at the predetermined option rate. If the spot rate is at a higher level than the predetermined option price, no conversion takes place, the commitment expires in HUF.

IX. Example currency commitment combined with conversion option:

Your company decides not to convert the 1 million EUR export revenue into HUF because the current market exchange rate of 393 HUF is not suitable, but if the exchange rate of 396 EUR/HUF is reached, you would be happy to convert the amount into HUF. However, the interest rate of the euro is low, so in order to avoid interest losses, it concludes a "Commitment Agreement with a Conversion Option" with the Bank for 1 month. According to the agreement, the Bank will pay an annual interest rate of 5,00% for the 1-month commitment period, which is higher than the interest rate available on the standard deposit commitment.

If on the second working day preceding expiry, the EUR/HUF exchange rate

- It is above 396, the Bank converts the amount of the commitment into HUF at the exchange rate of EUR 396.
- It is below 396, no conversion occurs. The commitment shall expire in euro.

X. Example of HUF commitment combined with conversion option:

Your company decides not to enter into a forward deal for the import of €1 million due in one month time because, on the one hand, your core business would not be profitable with a forward rate of 395 calculated from the current market rate 393 and, on the other hand, a lower euro exchange rate at maturity is realistic. However, he would be happy to pay his foreign currency debt at an exchange rate of 392.
He would like to receive a higher interest rate from the Bank on the assets of HUF that will be indispensable until the end of 1 month, so he concludes a "HUF commitment agreement combined with conversion option" with the Bank for a period of 1 month. According to the agreement, the Bank will pay an annual interest rate of 8,00% for the 1-month commitment period, which is higher than the interest rate achievable with a standard commitment.

If on the second working day preceding expiry, the EUR/HUF exchange rate

- is below 392, the Bank converts the HUF amount of the commitment into euro at the exchange rate of 392.
- is above 392, no conversion occurs. The commitment expires in HUF.