

Errata of K&H Treasury Risk Handbook of Market Risk Management issued in May 2013

Page 36: on the right hand side description: „in the event of rolling over (provided that the interest rate of the primary currency is higher than that of the secondary currency) because of the applicable swap points.”

Correctly: „in the event of rolling over (provided that the interest rate of the primary currency is lower than that of the secondary currency) because of the applicable swap points.”

Page 134: “For a given forward extra rate a European type trigger has a less favorable knock in level than an American trigger. In other words, the obligation to sell foreign currency may come into effect at a smaller appreciation of the forint. However, in case of a European type trigger the exchange rate is not monitored during the whole tenor, it will be decided whether the obligation to buy will come into effect on the spot exchange rate at only 12 p.m. on the expiry date.”

Correctly: “For a given forward extra rate a European type trigger has a less favorable knock in level than an American trigger. In other words, the obligation to buy foreign currency may come into effect at a smaller appreciation of the forint. However, in case of a European type trigger the exchange rate is not monitored during the whole tenor, it will be decided whether the obligation to buy will come into effect on the spot exchange rate at only 12 p.m. on the expiry date.”

Page 160-161: All tables contain right to sell and obligation to sell incorrectly

Correctly: “original deal: right to buy and obligation to buy EUR and “new deal: right to buy and obligation to buy EUR.

Page 190: in the description below the chart: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month BUBOR. “

Correctly: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month EURIBOR.”

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Page 194: in the description below the chart: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month BUBOR. “

Correctly: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month EURIBOR.“

Page 197: in the first table, when presenting the possible scenarios:

“A/3) 3-month EURIBOR below 0.30% - your company pays 0.50% interest on the loan in every interest period.”

Correctly: “your company pays 0.30% interest on the loan in every interest period.”

Page 198: in the description below the chart: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month BUBOR. “

Correctly: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month EURIBOR.“

Page 199: “ Knock-in cap collar concluded for a loan: the company buys a cap and sells a knock-in floor option:

Possible scenarios on the pre-agreed maturity dates:

Correctly:

market interest rate \leq knock-in barrier

the floor comes into effect, You have an obligation to pay interest at the floor rate, which means that you will pay to the Bank the time proportional difference between the market interest rate and the floor interest rate

knock-in level $<$ market interest rate \leq floor strike

there is no settlement between the Parties

floor strike $<$ market interest rate \leq cap interest rate

there is no settlement between the Parties

cap interest rate \leq market interest rate

you are entitled to pay cap interest rate instead of market interest rate, i.e the Bank will pay the company the time proportional difference between the market and the cap interest rates.

Page 201: in the description below the chart: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month BUBOR. “

Correctly: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month EURIBOR.“

Page 204: in the description below the chart: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month BUBOR. “

Correctly: “The chart shows the interest level(s) of the treasury deal and the historical evolution of 3 month EURIBOR.“

Page 220: cross-currency interest rate swap MIFID Complexity FX2

Correctly: MIFID Complexity IR2

Page 220: “the swapping of interest may take various forms – fixed interest rates in both currencies, floating interest rate in both currencies, fixed interest rate in one currency and variable in the other. There is a net settlement of interest payments at the end of the interest period. The potential interest rate gain or loss realized on this deal equals the difference between the interest received from and payable to, the bank (interest rate risk).”

Correctly: “the swapping of interest may take various forms – fixed interest rates in both currencies, floating interest rate in both currencies, fixed interest rate in one currency and variable in the other. There is a gross settlement of interest payments at the end of the interest period. The potential interest rate gain or loss realized on this deal equals the difference between the interest received from and payable to, the bank (interest rate risk).”

Page 249: letterhead of the second table: “parameters of the dual currency tower deposit (upon choosing the first column)”

Correctly: “parameters of the dual currency tower deposit (upon choosing the first row)”

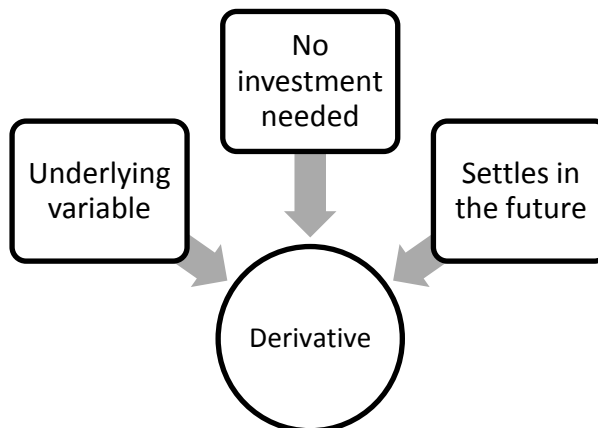
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Page 255: “It is important to note that interest on term deposits are calculated with 365 days/ year, while yield on treasury bill is calculated using 360 days / year. Due to the different day count for example a 6% yield on a treasury bill is equivalent to 6.083% interest in a term deposit, as $6\% / (365/360) = 6.083\%$ ”

Correctly: “It is important to note that interest on term deposits are calculated with 365 days/ year, while yield on treasury bill is calculated using 360 days / year. Due to the different day count for example a 6% yield on a treasury bill is equivalent to 6.083% interest in a term deposit, as $6\% * (365/360) = 6.083\%$ ”

Page 289: Diagram of presenting derivatives

Correctly:



Page 63: In right handed description: „Deals cannot be rolled over on quarters. That means, between the start date and maturity date cannot be March 31., June 30., Sept 30. and Dec 31.”

Correctly: „Deals with historical prices cannot be rolled over on quarters. That means, between the start date and maturity date cannot be March 31., June 30., Sept 30. and Dec 31., if the difference between your dealt strike and spot exchange rate exceeded 1%.”

Page 117: In right handed description: „Deals cannot be rolled over on quarters. That means, between the start date and maturity date cannot be March 31., June 30., Sept 30. and Dec 31.”

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