COMMERZBANK

Product Group

Promissory notes (maturity up to 397 days)

In this information sheet, Commerzbank provides information on the underlying characteristics as well as the opportunities and risks of the promissory notes (maturity up to 397 days) product group.

General characteristics and investment opportunities
Promissory notes are short-, medium- or long-term bilateral monetary loans usually covered by a promissory note. The creditor (loan provider) grants the debtor (borrower/ issuer), e.g. a company or a bank, a loan denominated in euro or foreign currency. The promissory note represents a claim to capital repayment and, typically, to fixed or variable interest payments as compensation for the provision of capital. Its yield is determined by the nominal interest rate of the loan, the issue price, the redemption price, and its term. The specific characteristics are agreed bilaterally in the terms and conditions of the loan.

Typical product characteristics
Creditor and debtor can agree on fixed, variable and other forms of interest and redemption payments (e.g. bullet, instalment). Because the contractual agreement is bilateral, the debtor knows his creditor(s) by name. Interest and redemption payments are therefore always made directly from the debtor to the creditor(s). Both the creditor and the debtor may be granted termination or prolongation rights. Promissory notes may be amended, restructured or extended by mutual agreement during the term of the agreement. They are often - depending on the issuer/conditions - transferable by assignment and tradable via banks. In most cases, however, the liquidity of such an investment is limited (liquidity risk) and it is usually an investment until maturity. Accrued interest is not usually settled upon sale. Instead, the seller retains his interest claim until the next interest payment date. If a promissory note is sold and assigned, the debtor will pay the seller and the buyer the pro rata interest attributable to each on the next interest payment date. The minimum investment amount is dependent on the individual borrower and is usually between EUR 1 and 10 million.

Promissory notes with an (original) term of no more than 397 days are considered money market instruments within the meaning of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) if their current value can be determined at any time and they are not derivatives.

Material risks of the product group
By investing in these products, investors benefit from return opportunities, but are also exposed to additional material risks. These include the following:
Issuer risk - also referred to as default risk - when the borrower fails to meet its obligations or can only meet them in part, for example because of insolvency. Promissory notes issued by banks are subject to special regulations. If the issuing bank runs into financial difficulties, a regulatory intervention may result in a bailout of the bank, partial or total loss of the investment, or a compulsory conversion into equity, such as shares. As a general rule: The worse the credit rating of a borrower, the higher the default risk, but also the risk premium and the resulting yield. Promissory bites are generally not covered by deposit protection. Sustainability-related decisions relating to the environment, social aspects and corporate governance also impact on the borrower.
Liquidity risks: A lender who wishes to sell the promissory note is generally required to find a suitable buyer. Selling the promissory note is difficult or, in some market situations, impossible at all, as there is no active market for promissory notes. They are not traded on a securities exchange.
Sales price risk: When selling a promissory note before maturity, the realisable sales price may be significantly lower than the price at which the investor acquired the promissory note. The lender suffers a loss if selling a promissory note below its acquisition price. This risk arises primarily if the underlying interest rate rises or if the borrower's credit rating (credit quality) deteriorates.
Foreign currency risk - Investors are exposed to currency risk when investing in a foreign currency denominated promissory note as performance could be adversely affected by exchange rate movements.
Early redemption and reinvestment risk - Lenders are exposed to the risk that the borrower may exercise an ordinary or

extraordinary option to call the promissory note at a time or in a financial market environment that is unfavourable for the lender, as the lender can reinvest the redemption amount only on less favourable terms.

Further information and costs
For further details on these aspects and the product, please refer to the relevant terms and conditions of the respective promissory note. In principle, inflation trends impact your investment performance. A resulting loss of purchasing power affects both the income generated and your capital invested. When acquiring, holding, and eventually selling a promissory note, costs will impact returns. For further details, please refer to the respective cost information before entering into a securities transaction.

For further details on the characteristics and risks of the product group, please refer to your contact person.