COMMERZBANK

Product Group

Capital Protection Certificates

In this information sheet, Commerzbank provides information on the underlying characteristics as well as the opportunities and risks of the capital protection certificates product group.

General characteristics and investment opportunities
These products are “debt securities with special repayment terms” denominated in euro or another currency and linked to an underlying, e.g., an equity or an equity index. By investing in capital protection certificates, investors can benefit from a positive performance of the underlying, while at the same time enjoying full capital protection at the fixed maturity date. The capital protection may be guaranteed by the issuer or by a third party and would be dependent on the credit rating of the guarantor. As an exception, certain capital protected certificates offer regular interest payments or distributions during the term depending on the trend of the underlying or a minimum redemption above the fixed amount. The holder of a capital protection certificate is not entitled to receive dividends or distributions from the underlying.
Both capital protection and participation in the performance of the underlying are only guaranteed at maturity; during the term, the certificate price depends not only on price changes of the underlying but also on other factors such as the expected volatility of the underlying, interest rate changes, expected dividend payments and the Issuer's credit rating.

Typical product characteristics
In general, capital protection certificates consist of two components. One component is a zero-coupon bond of the respective issuer, which is intended to ensure capital protection at maturity. The other is an option component, which is purchased from the remaining difference between the issue price of the capital protection certificate and the zero coupon bond price after consideration of the initial product costs. This option component ensures participation in the performance of the underlying at the end of the term. Since the available funds are usually not sufficient for full and unlimited participation, various mechanisms are used to reduce the cost of the option component. These mechanisms include the limitation of the participation at maturity through a maximum amount (cap), a reduced participation rate, a termination right for the issuer or averaging when determining the initial purchase price or the final valuation price of the underlying.
This product group only includes certificates with almost complete capital protection in relation to the fixed amount at maturity. Any surcharges at purchase are not covered by the capital protection. Furthermore, especially in low-interest phases, partial capital protection certificates with e.g., only 90% capital protection are also available to investors, which, however, are not part of this product group.

Material risks of the product group
By investing in these capital protection certificates, 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 issuer fails to meet its obligations or can only meet them in part, for example as a result of insolvency. The issuer is usually a bank. If the 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. Generally: The worse the credit rating of an issuer, the higher the default risk, but also the risk premium. Certificates are generally not covered by deposit insurance.
Risk of loss - as the capital protection is only effective at the end of the term. Investors are exposed to the risk that, in the event of an early sale, they will receive reduced sales proceeds that are significantly less than the purchase price. Sustainability-related decisions relating to the environment, social aspects and corporate governance also impact on the performance of the underlying and the issuer.
Liquidity risk - during the term, investors may not be able to sell the security or may only be able to sell it at a possibly much lower price.
Foreign currency risk - Investors are exposed to currency risk when investing in a foreign currency denominated security as

performance could be adversely affected by exchange rate movements.
Early redemption and reinvestment risk - investors are exposed to the risk that the issuer may exercise an ordinary or extraordinary option to call the fixed income security at a time or in a financial market environment that is unfavourable for the investor, as the investor 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 sales prospectus and basic information sheet. 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 securities and derivatives, 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 products, please refer to the brochure “Basic Information on Securities and Other Investments”.