



COMMERZBANK

## Product Group

# Enhanced Deposits

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

### General characteristics / opportunities and risks

Enhanced Deposits are structured term deposits with a potential currency exchange. The investor grants Commerzbank AG the right to repay the investment amount in the investment currency or in an alternative currency on the maturity date. Enhanced Deposits pay interest at a rate that is higher than that of term deposits without additional conditions. Interest is paid in the original investment currency.

Upon conclusion of the transaction, the parties agree specifically on the investment amount, the investment currency and the alternative currency ("exchange rate pair"), the interest rate, the exchange rate barrier, the term, the valuation date and the maturity date.

If the investment is made in the **trading currency** (e.g. euro), the investment amount is repaid in the alternative currency (e.g. US dollar) if the spot rate on the valuation date trades **above** the defined exchange rate barrier.

If the investment is made in the **reference currency** (e.g. US dollar), the investment amount is repaid in the alternative currency (e.g. euro) if the spot rate on the valuation date trades **below** the defined exchange rate barrier.

In these cases, the amount of the repayment is determined by the exchange rate barrier.

Otherwise, the repayment of the investment amount will be made in the original investment currency.

Depending on the structure, the focus can be on optimising the interest income or the possible currency exchange amount.

### Material risks of the product group:

By entering these products, investors benefit from return opportunities but are also exposed to additional material risks. These include the following:

If the repayment is made on the maturity date in the alternative currency, the investor usually suffers a financial loss. The investor will receive a lower amount in the alternative currency than the

investor would obtain if the investment amount were exchanged at the current spot rate.

The financial loss is greater the more the spot rate on the validation date diverges from the agreed exchange rate barrier. The risk that repayment will be made in the alternative currency increases with a rise in the exchange rate volatility.

### Fair value risk:

This product may have a negative fair value at the time of the transaction due to structured costs and differing buying and selling prices (bid/ask spread). The fair value of a transaction is mainly influenced by the actual and expected change in the exchange rate (volatility), the interest rate level and the remaining term. If the transaction is terminated early, the customer will have to recognise a loss on termination in case the fair value is negative.

### Liquidity risks:

This product generally cannot be terminated early.

### Transfer risk:

Government policies may impose restrictions on movement of capital, making it difficult or impossible to transfer or convert currencies.

### Default risk:

In the event of insolvency of Commerzbank AG as a counterparty, Commerzbank AG may default on some or all existing claims. Moreover, if Commerzbank's going concern as a financial institution is jeopardised due to bank supervisory regulations, customers are exposed to a default risk in the form of a bail-in even before insolvency, i.e. in the event of a resolution procedure, the relevant resolution authority may order the transaction to be terminated early. If the termination results in a right to payment for the counterparty, the resolution authority might order this to be partially or fully written down or converted into equity (shares or other partnership interests). If Commerzbank AG does not fulfil its obligations under the financial instrument, does not pay or is unable to pay, the customer loses part of the investment or suffers an unlimited financial loss.

**Further information and costs:**

For further details on these aspects and the products, please refer to the relevant key information document.

In principle, inflation trends impact the investment performance. A resulting loss of purchasing power affects both the income generated and the capital invested.

When acquiring, holding and eventually selling this product, costs will impact their fair value. For further details, please refer to the respective cost information sheet.