

STANBIC IBTC FIXED INCOME PRODUCT GUIDE

Commercial Papers (CPs)

ISSUER	RISK PROFILE	TAX STATUS	MIN. ENTRY
Corporate Issuers	Dependent on Credit Rating of Issuer	10% WHT & 7.5% VAT Tax applies	₦5,000,000 (Primary) ₦500,000 (BluNest)

1. What is a Commercial Paper (CP)?

Commercial Papers (CPs) are short-term, unsecured debt instruments issued by a company to raise short-term working capital and meet immediate operational financing needs. Because a company not a sovereign stands behind the promise, a commercial paper carries that issuer's credit risk. To compensate investors for taking on that risk, commercial papers pay a premium over risk-free instruments like NTBs and OMO Bills. The stronger the issuer's credit rating, the smaller that premium tends to be and vice versa.

Most Commercial papers are discounted instruments; you pay less than the face value (*this amount is called the discounted Value/Amount*) and you receive the full face value at maturity. The difference is your return.

CPs are standardly issued for tenors ranging from 15 days to a maximum of 270 days (9 months) in line with SEC/FMDQ regulatory guidelines. This range of tenors reinforces the instrument as a short-term investment vehicle allowing investors to lock in relatively competitive corporate yields.

2. Primary Market vs. Secondary Market Dynamics

You can invest in a Commercial paper either when a company first issues it (*Primary Auction*) or by buying an already issued Commercial paper from another holder before it matures (Secondary Market, Via BluNest).

Feature / Dimension	Primary Market Auction (PMA)	BluNest
Minimum Entry	Varies by issuance but usually a Min. of ₦5,000,000 (Primary Institutional Book Build)	₦500,000
Access Mechanism	FMDQ Primary Issuance/ Book Build	BluNest "Explore" products page
Pricing Model	Fixed Rate at Corporate Book Build	Transparent Secondary Market Yields

3. Buying through BluNest

BluNest lowers access barriers by enabling fractionalized entry starting at just ₦500,000, compared to traditional multi-million Naira institutional thresholds.

PLATFORM FEATURES

Live Instrument Discovery: Investors can log into BluNest and navigate to the 'Explore' menu to view listings of available NTBs, OMO Bills, and Commercial Papers with upfront visibility on quoted Discount Rate, Issuer, and Tenor.

Automated Maturity Simulator: Upon selecting an instrument, BluNest dynamically calculates and displays the exact simulated payout at maturity, showing total principal returned plus interest earned.

Tax Deduction Clarity: Note: Simulated maturity payouts display gross interest earned. For taxable instruments (such as CPs), 10% Withholding Tax (WHT) is deducted on the actual interest realized at maturity date.

4. Risk & Return Profile Evaluation

- ✚ **Issuer Credit Risk:** if the company runs into financial difficulty, it could delay or fail to repay you. The higher the credit risk, the higher the premium above similar government instruments.
- ✚ **Liquidity Risk:** Commercial Papers are generally harder to sell before maturity than government instruments.
- ✚ **Price Risk** if you sell early: if you hold to maturity, the price you locked in doesn't change. Selling early on the secondary market exposes you to price moves as interest rates shift.
- ✚ **Tax Consideration:** interest is subject to 10% withholding tax.
- ✚ **Reinvestment Risk:** at maturity, prevailing commercial paper rates may be lower than what you originally earned.

5. Who Should Consider Commercial Papers?

Commercial Papers suit investors with a short-term horizon who want a yield pickup over sovereign instruments and are comfortable taking on rated corporate credit risk in exchange for it. These instruments are accessible via BluNest at a minimum entry amount of ₦500,000.

✓ HIGHLY SUITABLE IF YOU NEED:

- Higher yields compared to risk-free sovereign instruments
- Your investment Horizon is short term
- Upfront interest payment to boost liquidity
- Diversification across rated Nigerian corporate issuers

⚠ CONSIDER ALTERNATIVES IF:

- You require 100% zero-default sovereign guarantee (prefer NTBs/FGN Bonds)
- You require ultra-long investment horizons (> 1 Year)
- You prefer capital growth via equity markets

READY TO INVEST IN NIGERIAN TREASURY BILLS?

Sign in to your BluNest account at <https://blunest.stanbicibtc.com> and explore available instruments under the "Explore" menu.