

Product information sheet

on financial instruments in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG)

As of 10 June 2015

The financial instrument described below is only suitable for experienced investors with a high risk tolerance.

This document provides you with an overview of the essential features of this financial instrument; in particular it explains the functionality and the risks. Please read the following information carefully before you make an investment decision.

Product name: Factor Certificate linked to the Factor 3 Long Z Index

German securities code (WKN): XYN34R / ISIN: DE000XYN34R4

Exchanges: Börse Frankfurt Zertifikate Premium; EUWAX, Stuttgart

Issuer (issuer of the Factor Certificate): XY Bank (credit institution; www.bank/savings bank.com)

Product class: Factor Certificate

1. Product description / functionality

General description of functionality

This Factor Certificate is linked to the Factor 3 Long Z Index (index / underlying). It does not have a fixed lifetime. In addition to the option of being sold on an exchange or on the OTC market (for tradability, see Clause 4.), the investor may exercise the Factor Certificate on certain exercise dates. The issuer may terminate the Factor Certificate on any exercise date.

The investor will participate in the performance of the index via the Factor Certificate. After exercise or termination, the investor will receive a redemption amount on the relevant redemption date, the amount of which will depend on the level of the index on the relevant exercise date. The redemption amount will correspond to the closing level of the index on the exercise date (reference price), whereby 1 point is equivalent to EUR 1.00, multiplied by the multiplier (1.0).

Investors will not receive any regular income (e.g. interest or dividends) during the lifetime. Furthermore, they have no right to any entitlement resulting from the components of the index (e.g. voting rights).

Underlying (optional)

The Factor 3 Long Z Index is an index which refers to a Z futures contract traded on the Eurex Exchange (forward transaction), usually with the shortest residual term to maturity. The index is calculated by IS, the index sponsor. The Factor 3 Long Z Index aims to reflect the daily percentage price movements of the Z futures contract, using a factor of 3. The index consists of a leverage component and an interest component and is continuously recalculated during the hours when the Z futures contract is traded.

Where there is an increase in the value of the Z futures contract between two consecutive closing levels of the Z Index (reference value) the leverage component causes a three-fold percentage increase in this component. In the event of a decline in the value of the Z futures contract, the leverage component has the reverse effect. Both positive and negative movements of the Z futures contract therefore have a disproportionate effect on the index. One special feature of the Z futures contract is activated in unusual market situations in response to any particularly heavy fall in the Z futures contract compared with either the previous day or earlier the same day. When a threshold of minus X percent is reached (adjustment threshold) the adjustment threshold becomes the new reference value. This is designed to prevent a negative daily yield from occurring. However, the mechanism does not prevent a loss close to a total loss from occurring.

The interest component in the Factor 3 Long Z Index consists of a (hypothetical) short-term money market deposit, less index fees and the (hypothetical) cost of the collateral for the Z futures contracts. If, on a particular day, the cost of the collateral plus index charges exceeds the interest yield for that day, losses rather than interest gains are incurred. In this case, the interest component is negative and will have an adverse effect on the index on that day.

Due to the daily readjustment of the reference value, the Factor 3 Long Z Index and the Z futures contract generally do not move in parallel over a period longer than one day; the likelihood that they will follow significantly different courses increases with each passing day. In particular, daily up-and-down fluctuations of the Z futures contract can lead within a few days to completely different price movements between the Factor 3 Long Z Index and the Z futures contract over a particular period of time; this can include a decrease in the index price when the Z futures contract price increases, and vice versa. Due to the triple leverage effect in the index, price losses on the Z futures contract can significantly increase price losses on the Factor Certificate. Where the price of the Z futures contract decreases significantly, the value of the index will fall to a very low level. Albeit, all subsequent gains in the price of the Z futures contract will lead to gains in the index value. However, the starting level for a recovery in the index value would then be very low, meaning that significant gains in the Z futures contract price would have only a minor effect on the recovery of the index.

The index sponsor charges an annual index fee of 0.5 percent p.a. of the daily closing level of the index which is deducted daily on a pro-rata basis from the index calculation.

Market expectation (optional)

The Factor Certificate is aimed at investors who assume that the price of the index will increase. Factor Certificates are not suitable for longer-term investment.

2. Product data

Underlying (German securities code (WKN)/ISIN)	Factor 3 Long Z Index (123456/DE0001234561)	Reference price	Index closing level on the relevant exercise date
Currency of the Factor Certificate	EUR	Exercise date	From 2 May 2013, on the third Friday in June and in December, for the first time on 20 December 2013
Currency of the underlying	EUR	Termination by the issuer	From 18 September 2014 on each exercise date with a notice period of 3 months, for the first time on 18 December 2014
Current price of the underlying (optional)	48 points	Redemption date	On the third bank working day following the relevant exercise date
Issue date	26 April 2013	Multiplier	1.0
Initial issue price	EUR 50.00	Smallest tradable unit	1 Factor Certificate
Price of the index at issue of the Factor Certificate (optional)	50 points (index closing level on issue date)	Exchange listing	EUWAX, Stuttgart; Börse Frankfurt Zertifikate Premium

3. Risks

Risks at maturity (in the case of exercise or termination)

The investor will incur a loss if, on the exercise date, the reference price [multiplied by the multiplier] is below the purchase price of the Factor Certificate. Worst case: total loss of the capital invested if the index is quoted at zero on the relevant exercise date.

Termination and reinvestment risk

The investor will bear the risk that the issuer will exercise the right of termination at a time unfavourable to the investor or in a capital market situation unfavourable to the investor and that the investor can only reinvest the redemption amount at less favourable conditions.

Issuer risk / credit risk

Investors are exposed to the risk that the issuer might be unable to fulfil its obligations in respect of the Factor Certificate e.g. in the event of insolvency (inability to pay / over-indebtedness) or an administrative order. A total loss of the capital invested is possible. The Factor Certificate is a debt instrument and as such is not covered by any deposit protection scheme¹.

Price fluctuation risk

The investor will bear the risk that the value of this Factor Certificate will be adversely affected during the lifetime, in particular due to the factors which determine the market price mentioned in Clause 4, and can also be significantly below the purchase price.

Call-in / reinvestment risk

The issuer may, with immediate effect, call in the Factor Certificate if an extraordinary event occurs. Examples of extraordinary events include [the cessation of calculation of the index by the calculation agent, changes in legislation, tax events and the discontinuation of the issuer's ability to carry out the necessary hedging transactions.] In this case, the redemption amount may possibly also be significantly below the [purchase price] [nominal value]. [A total loss of investment is even possible.] Investors also bear the risk that the product will be called in at a time unfavourable to them, and they may only be able to reinvest the redemption amount on less favourable terms.

4. Availability

Tradability

After the issue date, the Factor Certificate can, as a rule, be bought or sold on an exchange or on the OTC market. The issuer will continually quote indicative (non-binding) buy and sell prices for the Factor Certificate under normal market conditions (market making). However, it is not under any legal obligation to do so. The issuer determines the buy and sell prices using conventional pricing models, taking into account the factors that determine the market price. This means that the price is not derived directly from supply and demand, unlike in exchange trading of, for instance, equities. In unusual market situations, or in the event of technical faults/disruptions, a purchase and/or sale of the Factor Certificate can be temporarily hindered, or may not be possible at all.

Factors determining the market price during the lifetime

- In particular, the following factors can adversely affect the value of the Factor Certificate:
- the level of the index decreases;
- the cost of collateral for futures contracts increases;
- the general interest rate level decreases;
- a deterioration in the credit worthiness of the issuer.

Conversely, the factors can also increase the value of the Factor Certificate. Individual factors can have a mutually bolstering effect, or the opposite.

¹ If applicable

5. Scenario analysis by way of example

The following scenario analysis is not an indicator of the actual value performance of the Factor Certificate. The scenario analysis is based on the following assumptions: **1.** OTC market purchase of the Factor Certificate at the [initial issue price] [issue price] [purchase price] [plus issuance premium] and exercise by the investor. **2.** Standardised costs amounting to [1.2] percent of the [initial issue price] [issue price] [purchase price]. These will include normal market purchase costs and additional follow-up purchase costs such as commission and custody fees. The costs actually incurred by the investor can (possibly even considerably) deviate from the costs assumed in the scenario analysis. **3.** Tax effects will not be considered in the scenario analysis.

Scenario 1 – positive for the investor (optional):

The reference price is 100 points. The investor will receive EUR 100.00 (after deduction of the costs this will correspond to a net amount of EUR 99.40) on the redemption date. In this case, the investor will make a profit.

Scenario 2 – neutral for the investor (optional):

The reference price is 50.60 points. The investor will receive EUR 50.60 (EUR 50.00 net) on the redemption date. In this case, the investor will neither make a profit nor make a loss.

Scenario 3 – negative for the investor (optional):

The reference price is 10 points. The investor will receive EUR 10.00 (EUR 9.40 net) on the redemption date. In this case, the investor will make a loss.

Reference price	Gross redemption amount	<u>Alternative 1</u> Net amount (gross amount less costs)	<u>Alternative 2</u> Net performance to maturity based on the purchase price inclusive of costs
100	EUR 100.00	EUR 99.40	+97.63 percent
75	EUR 75.00	EUR 74.40	+48.22 percent
50.60	EUR 50.60	EUR 50.00	0.00 percent
25	EUR 25.00	EUR 24.40	-50.59 percent
10	EUR 10.00	EUR 9.40	-80.24 percent

Positive development for the investor / Neutral development for the investor / **Negative development for the investor**

6. Costs / sales remuneration

Purchase costs

Where the transaction between the investor and the bank / savings bank is agreed at a fixed or specific price (fixed-price transaction), this price includes all purchase costs and normally comprises a profit for the bank / savings bank. Otherwise, the transaction will be concluded on behalf of the bank / savings bank with a third party for the account of the investor (commission transaction). The remuneration for this amounting to up to [1 percent], however at least up to [EUR 50], and third-party costs and expenses (e.g. exchange fees and charges) will be separately disclosed in the securities settlement statement or contract note.

Ongoing costs

The costs agreed with the custodian bank / savings bank for holding the Factor Certificate in the investor's securities account will have to be borne by the investor (custody fee).

The index sponsor will charge an annual index fee amounting to 0.5 percent p.a. of the daily closing level of the index which is deducted pro rata daily from the index calculation.

Sales remuneration

The bank / savings bank will receive up to 1.00 percent of the initial issue price from the issuer as sales remuneration.

7. Taxation

Investors are advised to avail themselves of the services of a tax advisor in order to clarify any individual tax effects of buying, holding, selling and/or redeeming the Factor Certificate.

8. Miscellaneous information

All details of the financial instrument contained in this product information sheet do not represent a recommendation in respect of the purchase or sale of the Factor Certificate, nor can it replace the advice provided on a one-to-one basis by the bank / savings bank or an advisor of the investor. This product information sheet contains essential information relevant to the Factor Certificate. In line with Section 14, paragraph 2, page 1, no. 3a of the German Securities Prospectus Act (*Wertpapierprospektgesetz, WpPG*), the prospectus is published on the issuer's website (www.xy-bank.de), along with any supplements and the final terms. In order to obtain further more detailed information - and in particular details of the structure of and risks associated with an investment in the Factor Certificate - potential investors should read these documents.