

# Key Information Document ("KID")

## Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## Product

### Factor Certificate linked to Factor 3 Long Z Index

German Securities Code (WKN): XYN34R / ISIN: DE000XYN34R4

**Manufacturer of the Product: XY Bank AG (Issuer)** / [www.xy-bank.com/contact](http://www.xy-bank.com/contact) / call [phone number] for more information

Competent Authority: Federal Financial Supervisory Authority (BaFin), Germany

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**You are about to purchase a product that is not simple and may be difficult to understand.**

## 1. What is this product?

### Type

This product is a bearer bond issued under German law.

### Objectives

Objective of the product is to provide you with a specified entitlement according to predefined conditions. The product does not have a fixed lifetime. You may exercise the product on any Exercise Date. The Issuer has the right to terminate the product on any Exercise Date. After exercise or termination, you will receive a Redemption Amount on the relevant Redemption Date. The Redemption Amount will correspond to the Reference Price of the Underlying on the Exercise Date multiplied by the Multiplier.

### Underlying

The Underlying refers to the share of Z-AG. The Underlying is calculated by the Index Sponsor. The Underlying aims to reflect the daily percentage price movements of the Z share, using a factor of 3. The Underlying consists of a leverage component and a financing component and is continuously recalculated during the hours when the Z share is traded.

Where there is an increase in the value of the Z share between two consecutive closing levels of the Factor 3 Long 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 share, the leverage component has the reverse effect. Both positive and negative movements of the Z share therefore have a disproportionate effect on the Underlying. One special feature of the Underlying is activated in unusual market situations in response to any particularly heavy fall in the Z share 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 index value from occurring. However, the mechanism does not prevent a loss close to a total loss from occurring.

The financing component in the Underlying consists of costs of a (hypothetical) short-term borrowing on the money market, plus fees of the Underlying and the (hypothetical) costs of replicating the performance of the Z-AG share. Since the financing component is usually negative, it will have an adverse effect on the Underlying on each index calculation day.

Due to the daily readjustment of the reference value, the Underlying and the Z share 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 share can lead within a few days to completely different price movements between the Underlying and the Z share over a particular period of time; this can include a decrease in the price of the Underlying when the Z share price increases, and vice versa. Due to the triple leverage effect in the Underlying, price losses on the Z share can significantly increase price losses on the product. Where the price of the Z share decreases significantly, the value of the Underlying will fall to a very low level. Albeit, all subsequent gains in the price of the Z share will lead to gains in the value of the Underlying. However, the starting level for a recovery in the value of the Underlying would then be very low, meaning that significant gains in the Z share price would have only a minor effect on the recovery of the Underlying.

Moreover, even if the Z share is subject to fluctuations over longer periods of time, this may have an adverse effect on the price of the Underlying due to its construction, despite the fact that the price of the Z share has not changed significantly in absolute terms over a longer period of time.

For the reasons mentioned above, Factor Certificates are not suitable for a longer-term investment.

The Index Sponsor charges a fee of 0.5 percent p.a. of the daily closing level of the Underlying which is deducted daily on a pro-rata basis from the calculation of the Underlying.

Underlying (ISIN)	Factor 3 Long Z Index (DE0001234565)	Reference Price	Index closing price determined by the Index Sponsor on the Exercise Date, whereby 1 point is equivalent to 1.00 units of the Currency of the Underlying
Currency of the Product	Euro (EUR)	Index Sponsor	IS AG
Currency of the Underlying	EUR	Exercise Date	On the third Friday in June and in December, for the first time on 17 June 2016
Issue Date	10 December 2015	Redemption Date	Five bank business days after the relevant Exercise Date
[Issue Price	EUR 50.00]	Termination by the Issuer	On each Exercise Date with a notice period of 3 months, for the first time on 17 June 2016

Multiplier	1.00	Type of Settlement	Cash
Price of the Underlying at Issue of the Product	50 points		

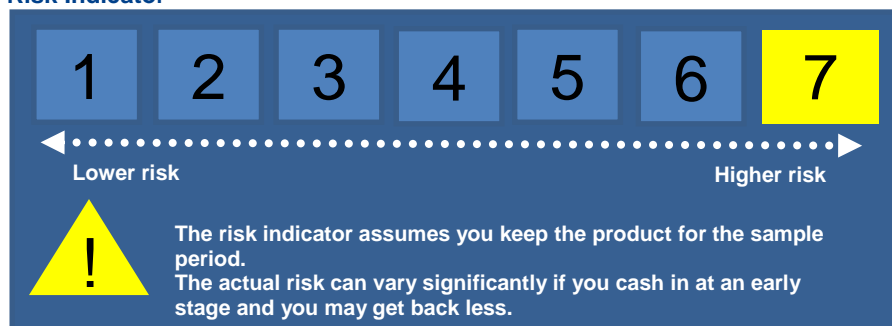
The Issuer is entitled to terminate the product with immediate effect, if an extraordinary event occurs. Examples of extraordinary events include [the cessation of calculation of the Underlying by the Index Sponsor,] [changes in legislation,] [tax events] [and the discontinuation of the Issuer's ability to carry out the necessary hedging transactions]. In the case of any termination, the termination amount may possibly be significantly below the [purchase price] [Issue Price]. A total loss of the investment is even possible. You also bear the risk that the product will be called in at a time unfavourable to you, and you may only be able to reinvest the termination amount on less favourable terms.

#### Intended retail investor

The product is intended for private clients who pursue the disproportionate participation in price changes and / or hedging and have a short-term investment horizon. This product is a product for clients with extensive knowledge and / or experience with financial products. The investor may bear losses up to the total loss of the capital invested and attaches no importance to a capital protection.

## 2. What are the risks and what could I get in return?

### Risk Indicator



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class.

This rates the potential losses from future performance at a very high level, and poor market conditions are very unlikely to impact our capacity to pay you.

This product does not include any protection from future market performance so you could lose some or all of your investment.

If we are not able to pay you what is owed, you could lose your entire investment.

### Performance Scenarios

Investment EUR 10,000		Sample period (1 calendar day)
Scenarios		
Stress scenario	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %
Unfavourable scenario	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %
Moderate scenario	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %
Favourable scenario	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %

This table shows the money you could get back at the end of the sample period under different scenarios, assuming that you invest EUR 10,000.

The scenarios shown illustrate how your investment could perform. The figures are not calculated per year, but for the sample period. Figures in this section and "4. What are the costs?" are not comparable with figures on products with a recommended holding period that deviates from the sample period.

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product.

The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

## 3. What happens if XY Bank is unable to pay out?

You are exposed to the risk that the Issuer might be unable to fulfil its obligations in respect of the product – e.g. in the event of insolvency (inability to pay / over-indebtedness) or an administrative order of resolution measures. In case of a crisis of the Issuer such an order can also be issued by a resolution authority in the run-up of an insolvency proceeding. Thereby the resolution authority has extensive intervention powers. Among other

things, it can reduce rights of the investors to zero, terminate the product or convert it into shares of the Issuer and suspend rights of the investors. With regard to the basic ranking of the issuer's obligations in the event of action by the resolution authority, please see [www.bafin.de](http://www.bafin.de) and search for the keyword "Haftungskaskade". A total loss of your capital invested is possible. The product is a debt instrument and as such is not covered by any deposit protection scheme.

## 4. What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off and ongoing costs.

The amounts shown here are the cumulative costs of the product itself. The figures assume you invest EUR 10,000. The figures are estimates and may change in the future.

### Costs over time

Investment EUR 10,000	
Scenario	If you cash in at the end of the sample period (1 calendar day)
<b>Total costs</b>	<b>EUR [●]</b>
Impact on return (RIY)	[●] %

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

### Composition of Costs

The table below shows:

- the impact of the different types of costs on the investment return you might get at the end of the sample period;
- the meaning of the different cost categories.

This table shows the impact on return			
One-off costs	Entry costs	[●] %	The impact of the costs already included in the price. [This is the most you will pay and you could pay less].
	Exit costs	-	Not applicable.
Ongoing costs	Portfolio transaction costs	-	Not applicable.
	Other ongoing costs	-	Not applicable.

## 5. How long should I hold it and can I take money out early?

### Recommended holding period: 1 calendar day (sample period)

It is not possible to make an individual recommendation to a holding period. The product reacts due to its leverage to smallest price movements of the Underlying leading to losses or profits within unpredictable time periods. Against the background of their functioning, Factor Certificates are not suitable for longer-term investment. Any individual recommendation regarding the holding period would be misleading information for a speculative investor. For investors purchasing the product for hedging purposes the holding period depends on the hedging horizon of the individual investor.

In addition to selling the product through the exchange where the product is listed or off-exchange you may exercise the product on the Exercise Dates by transmission of an Exercise Notice to the Issuer. You must instruct your depository bank, which is responsible for the order of the transfer of the specified products. Upon effective exercise you will receive a Redemption Amount as described in more detail under "1. What is this product?" above. If you should exercise or sell the product before the end of the sample period, the amount you will receive could be – even significantly – lower than the amount you would have otherwise received.

Exchange Listing	Stuttgart Stock Exchange (Freiverkehr); Frankfurt Stock Exchange (Freiverkehr)	Last Exchange Trading Day	1 trading day prior to the termination day in case of a termination by the Issuer
Smallest Tradable Unit	1 product	Price Quotation	Unit quotation

In unusual market situations, or in the event of technical faults/disruptions, a purchase and/or sale of the product can be temporarily hindered, or may not be possible at all.

## 6. How can I complain?

Any complaint regarding the person advising on, or selling, the product can be submitted directly to that person via the relevant website.

Any complaint regarding the product or the conduct of the Issuer of this product can be submitted in text form (e.g. by letter or e-mail) to XY Bank under the following address: [postal address of XY Bank, Department, contact details of the complaints office within the organization of the Issuer, e-mail address, [www.xy-bank.com/complaints](http://www.xy-bank.com/complaints)].

## 7. Other relevant information

The prospectus, any supplements thereto and the final terms are published on the Issuer's website ([www.xy-bank.com](http://www.xy-bank.com)); the prospectus and the supplements under "Service / Prospectuses"; the final terms after entering the relevant ISIN or WKN and then under "Downloads", all in accordance with legal requirements. In order to obtain more detailed information - and in particular details of the structure of and risks associated with an investment in the product - you should read these documents.