

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 Warrant 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 / call [phone number] for more information

The Federal Financial Supervisory Authority (BaFin), Germany, is responsible for supervising [XY Bank AG] [the manufacturer] in relation to this Key Information Document

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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.

Term

The product does not have a fixed lifetime, subject to exercise by the investor or termination by the Issuer.

Objectives

Objective of the product is to provide you with a specified entitlement according to predefined conditions. 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 a Z futures contract traded on the Eurex Exchange (forward transaction), usually with the shortest residual term to maturity. The Underlying is calculated by the Index Sponsor. The Underlying aims to reflect the daily percentage price movements of the Z futures contract, using a factor of 3. The Underlying 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 Underlying. One special feature of the Underlying 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 Underlying consists of a (hypothetical) short-term money market deposit, less fees of the Underlying and the (hypothetical) cost of the collateral for the Z futures contracts. If, on a particular day, the cost of the collateral plus fee of the Underlying 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 Underlying on that day.

Due to the daily readjustment of the reference value, the Underlying 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 Underlying and the Z futures contract over a particular period of time; this can include a decrease in the price of the Underlying when the Z futures contract price increases, and vice versa. Due to the triple leverage effect in the Underlying, price losses on the Z futures contract can significantly increase price losses on the product. Where the price of the Z futures contract decreases significantly, the value of the Underlying 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 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 futures contract price would have only a minor effect on the recovery of the Underlying.

Moreover, even if the Z future 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 future has not changed significantly in absolute terms over a longer period of time.

For the reasons mentioned above, Factor Warrants 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		

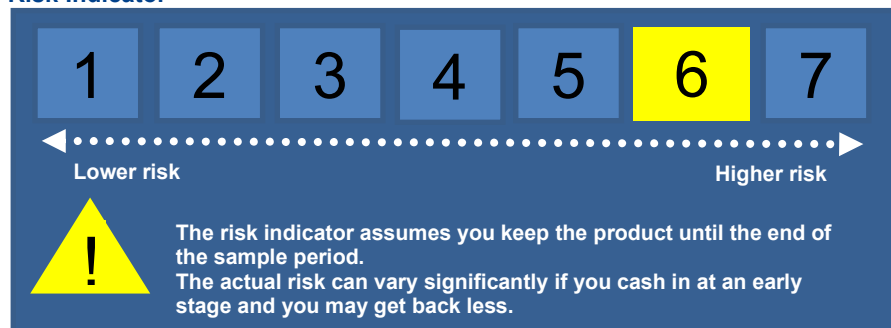
The Issuer is entitled to terminate the product with immediate effect, if an extraordinary event occurs. Examples of extraordinary events include [the cessation of calculation of the Underlying by the Index Sponsor,] [changes in legislation,] [tax events] [and the discontinuation of the Issuer's ability 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 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 6 out of 7, which is the second-highest risk class.

This rates the potential losses from future performance at a 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

What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted.

The scenarios shown are illustrations based on results from the past and on certain assumptions. Markets could develop very differently in the future.

Recommended holding period: Example Investment		Sample period (1 day) EUR 10,000 If you exercise after 1 day
Scenarios		
Minimum	There is no minimum guaranteed return. You could lose some or all of your investment.	
Stress	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %
Unfavourable	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %
Moderate	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %
Favourable	What you might get back after costs	EUR [●]
	Percentage return (not annualized)	[●] %

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.

The stress scenario shows what you might get back in extreme market circumstances.

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. 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 person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment.

Costs over time

The tables show the amounts that are taken from your investment to cover different types of costs. These amounts depend on how much you invest, how long you hold the product. The amounts shown here are illustrations based on an example investment amount and different possible investment periods.

We have assumed:

- You would get back the amount that you invested (0 % annual return).
- EUR 10,000 is invested

If you exercise at the end of the sample period (1 day)	
Total costs	EUR [●]
Cost impact*	[●] %

* This illustrates the effect of costs over a holding period of less than one year. This percentage is calculated considering the aggregated cost in the period divided by the investment amount and cannot be directly compared to the cost impact figures provided for other products.

Composition of costs

One-off costs upon entry or exit		If you exercise after 1 day
Entry costs	These costs are already included in the price you pay	[Up to] EUR [●]
Exit costs	These costs are already included in the amount you receive and are only incurred if you exit before maturity. If you hold the product until maturity, no exit costs will be incurred.	[Up to] EUR [●]
Ongoing costs taken each year		
Management fees and other administrative or operating costs	[●] % of the value of your investment relating to the recommended holding period. This is an estimate based on actual costs over the last year.	EUR [●]

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 Warrants 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].

7. Other relevant information

The prospectus, any supplements thereto and the final terms are published on the Issuer's website (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.