

ZENTRALER KREDITAUSSCHUSS

MITGLIEDER: BUNDESVERBAND DER DEUTSCHEN VOLKSBANKEN UND RAIFFEISENBANKEN E.V. BERLIN · BUNDESVERBAND DEUTSCHER BANKEN E.V. BERLIN
BUNDESVERBAND ÖFFENTLICHER BANKEN DEUTSCHLANDS E.V. BERLIN · DEUTSCHER SPARKASSEN- UND GIROVERBAND E.V. BERLIN-BONN
VERBAND DEUTSCHER PFANDBRIEFBANKEN E.V. BERLIN

Response of the Zentraler Kreditausschuss¹ to the Call for Evidence by ESMA

- Request for technical advice on possible delegated acts concerning the Prospectus Directive (2003/71/EC) as amended by the Directive 2010/73/EU von ESMA (ESMA 2011/35) -

Ref.: ESMA/2011/35

25 February 2011

¹ The ZKA (www.zka-online.de) is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks financial group, and the Verband deutscher Pfandbriefbanken (VdP), for the mortgage banks. Collectively, they represent more than 2,300 banks.

I. Summary

Before commenting on individual points of the consultation document, we should like to draw attention to two key aspects of our response:

1. When drafting the format of the final terms, it should be borne in mind that the base prospectus regime is not affected by the amendments to the Prospectus Directive. The requirements for the format of the final terms should therefore not contain any specific content-related requirements but should allow maximum flexibility so that a wide range of securities can continue to be issued under the base prospectus regime.
2. The requirements for the format of the summary, which will also include key information in future, should be agreed as closely as possible with the legislation on PRIIPs to, on the one hand, avoid confusing investors with different information on one and the same product and, on the other hand, to avoid needlessly obligating issuers to draw up different documents for one single product.

II. Format of the final terms of the base prospectus (Article 5(5))

1. Format of final terms

Before considering whether and, if so, to what extent additional requirements for the format of the final terms need to be set, it should be noted that the base prospectus regime and the rules governing the final terms remain in place unchanged also after the entry into force of Directive 2010/73/EC amending Directive 2003/71/EC (Directive amending the Prospectus Directive). The final terms of an offer can therefore still be subsequently published if they are not yet available on publication of the base prospectus (cf. Article 5(4), third subparagraph, of the Directive amending the Prospectus Directive). In the absence of any substantive amendment of the Prospectus Directive, Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC (Prospectus Regulation) should be adhered to. Article 26 thereof stipulates, for example, with regard to the format of the final terms that these can be presented either as a stand-alone document containing only the final terms of the offer or as a long version through inclusion of the final terms in the base prospectus.

Specifying which parts of the securities note are suitable for inclusion in the final terms is inappropriate in our view. This is already thwarted by the fact that the products which can be issued under a base prospectus regime differ widely in practice. Detailed content-related requirements will scarcely be able to reflect this situation. There is also the danger that innovative products cannot be made consistent with the statutory requirements and would then no longer be suitable for inclusion in the base prospectus regime. What is more, current

supervisory practice has coped very well so far with an assessment of the content of the final terms based on Article 22(2) of the Prospectus Regulation.

2. Relationship between supplement and final terms

In addition, the current line drawn between the requirement to publish a supplement and the requirement to present final terms should be retained. The Directive amending the Prospectus Directive did not bring any substantive changes on this point either. The issuer and the securities are still described in the base prospectus, which may have to be supplemented in the event of any significant changes. Only information that relates to the securities note and was not available on publication of the base prospectus can be included in the final terms. Cases of doubt can in our view be resolved in a practice-oriented manner by national supervisors and by implementing the recommendations made by CESR in its FAQs on the Prospectus Directive. There is therefore no need for further regulation.

3. Inclusion of the summary in the final terms

We prefer the possibility to supplement the future key information by means of the final terms (cf. recital 17 of the Prospectus Directive). The final terms are already the main practice-oriented means of supplementing the information relating to securities that is not known at the time the prospectus is approved. They should also be used in the case of the key information. Inclusion of the entire summary in the final terms would not be a practice-oriented approach on the other hand, as a great deal of information contained in the prospectus would be repeated.

Part of the German banking sector – the Association of German Cooperative Banks (BVR), the German Savings Banks Association (DSGV) and the Association of German Public-Sector Banks (VÖB) – has drafted a proposal outlining how the section “Summary – Key Information” in base prospectuses could be designed in future, taking into account the provisions of the Directive amending the Prospectus Directive. This proposal is enclosed.

III. Format of the summary of the prospectus and detailed content and specific form of the key information to be included in the summary (Article 5(5))

Against the backdrop of the ongoing discussion on improved investor protection, the Directive Amending the Prospectus Directive sets new requirements for the summary. Under Article 5(2), prospectuses will in future contain not only summaries providing, in conjunction with the prospectus, appropriate information about essential elements of the securities concerned, the risks and the issuer, but additionally also key information on the securities concerned to aid investors when considering whether to invest in such securities. The new Article 2(1)(s) gives further details of what is meant by “key information”. Article 2(1)(s)(iii) raises questions, as an

estimate of the expenses charged to the investor by the issuer or the offeror is envisaged. The issuer often does not know the expenses charged to the investor by the offeror. It is unclear how the expenses are to be estimated in such cases – whether, for example, average customary expenses such as transaction and custody fees are to be indicated.

Article 2(1)(s) means that the future content of the summary, which in base prospectuses (see 1. above) must be supplemented individually for each securities offering by the final terms, has already been outlined by European lawmakers. For this reason, the requirements to be adopted at Level 2 should provide enough flexibility to allow their application to various types of product. The key information must incorporate the characteristics of each product. As different products have different characteristics, this rules out detailed requirements for the content of the key information. The comparability of products can be ensured primarily by means of uniform format requirements. The format requirements should take the PRIIPs initiative into account and be so broadly applicable that products which are simultaneously covered by the legislation on PRIIPs (consultation by Commission Services on legislative steps for the Packaged Retail Investment Products initiative) can comply with them at the same time. Consultation between ESMA and the Commission is urgently required in this connection. If the approach proposed in the present comments is adopted, it is possible that a prospectus summary which also contains key information as developed under the PRIIPs initiative will make it unnecessary to publish another key information document. Should two documents nevertheless be published, at least the key information would be identical.

When setting the requirements for key information, the current rules governing the summary should be retained. The aim is that the investor receives, overall, sufficient information about the issuer and the securities offered in concise, easy-to-understand form. This by no means relieves the investor of the obligation to study the entire prospectus.

IV. Proportionate disclosure regime (Article 7)

We understand the provision on a proportionate disclosure regime for credit institutions to mean that it covers all securities issued by credit institutions which are specified in Article 1(2)(j) without any limitation in terms of the total consideration of the offer. The reference in Article 7 to Article 1(2)(j) is thus to be understood as a purely qualitative, and not quantitative, reference. The less stringent prospectus requirements therefore generally apply to credit institutions which issue securities as defined in Article 1(2)(j) in a continuous or repeated manner.

The non-equity securities referred to in Article 1(2)(j) are not suitable for speculative purposes. The investors in question are predominantly small investors. For these, many of the items referred to in Annexes V and XI of Regulation (EC) 809/2004 implementing the Prospectus Directive are irrelevant when it comes to making a decision on whether or not to buy a product. There is more of a danger that too much information will push the key aspects into the background. Less information limited to a few items that are important for making a decision will consequently improve the quality of investor information.

Finally, when considering which information should be included in a proportionate disclosure regime, any inconsistency with the Transparency Directive (2004/109/EC) and the Market Abuse Directive (2003/6/EC) should be avoided.

We believe that the following items do not need to be indicated when issuing the non-equity securities referred to in Article 1(2)(j):

Annex V:

- 3. – Key information
- 4.10, 4.11, 4.14 – Information concerning the securities to be offered/admitted to trading
- 5.1.4, 5.2.5, 5.1.6, 5.2, 5.4 – Terms and conditions of the offer
- 7.1 - 7.4 – Additional information

Annex XI:

- 2. – Statutory auditors
- 6. – Organisational structure
- 7. – Trend information
- 8. – Profit forecasts or estimates
- 9. – Administrative, management, and supervisory bodies
- 10. – Major shareholders
- 11.1 - 11.5 – Financial information
- 13. – Third-party information and statement by experts and declarations of any interest

V. The consent to use a prospectus in a retail cascade (Articles 3 and 7)

The Directive amending the Prospective Directive provides for an exemption from the requirement to publish a prospectus where securities are subsequently resold (retail cascade) if a valid prospectus is available and the issuer or the person responsible for drawing up the prospectus has consented to its use by means of a written agreement. The requirement to obtain such consent, which is now to be specified further through a delegated act, is thus new. In our

view, there is no need for detailed rules regulating the format and terms of consent. The wording of the Directive is already sufficiently specific. In addition, it must be ensured that the consent to use a prospectus can be given at any time so that the group of persons entitled to use the prospectus can also be extended at any time.

We also believe that publication of the consent should not be mandatory, since the consent is the content of a bilateral agreement between the issuer or the person responsible for drawing up the prospectus and the financial intermediary used by it to sell the securities. Recital 10 of the Directive Amending the Prospectus Directive also merely assumes that the written agreement enables the “relevant parties” to assess whether the resale or final placement of securities complies with the agreement.

The competent supervisory authority has the means of verifying such agreements even without the disclosure requirement – it can obtain information from the relevant parties where necessary.

VI. Review of the provisions of the Prospectus Regulation (Articles 5 and 7)

We believe that the clarification in relation to the prospectus information on taxes proposed in the first indent (items 4.11 of Annex III, 4.14 of Annex V, 27.11 and 28.11 of Annex X, and 4.1.14 of Annex XII of the Prospectus Regulation) is necessary and thus welcome it. Such clarification should comply with the reply to FAQ 45 in the *Frequently asked questions regarding prospectuses* published by CESR. We should like to take this as an opportunity to suggest that consideration be given in general to incorporating further positions outlined by CESR in the FAQs into the Level 2 rules. We likewise welcome the proposal in the second indent stating that, when drawing up the prospectus for derivative securities (Annex XII of the Prospectus Regulation), it is also sufficient in item 4.2.2 to merely point out where information about the underlying can be obtained instead of printing this information in the prospectus if the issuer did not also issue the underlying itself.

We endorse the proposal to repeal the requirement that profit forecasts or estimates should be accompanied by a report prepared by independent auditors or accountants stating that these forecasts or estimates have been properly compiled. The provisional figures that are usually announced at the balance sheet press conference ahead of publication of the audited financial information are not inspected by auditors or accountants. On the other hand, the requirement to present up-to-date information calls for the inclusion of these provisional figures in the prospectus. The impracticable requirement for them to be accompanied by a related report prepared by auditors or accountants should be dropped.

We endorse the proposal by ESMA that historical information (item 20.1. of Annexes I and X) should be limited to the last two financial years and should only cover the last three financial years if an initial public offering is involved. We believe that this information is sufficient for investors and at the same time reduces the burden on issuers.

VII. Comparative table of liability regimes

We expressly welcome the proposal that there should be a comparative table of the prospectus liability regimes in the different Member States. It would then have to be assessed on this basis whether harmonisation of national prospectus liability regimes – to standardise the conditions for access to Member States' capital markets – should be sought.



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The following sample “Summary” refers to traditional notes of an issuer. It intends to outline a short and clear introduction to the Base Prospectus. The length of and the description in the sample “Summary” will substantially depend on the final version of the Commission Regulation (EC) No 809/2004 of 29 April 2004 based on the Prospectus Directive, which is still to be amended; this also applies to a debt issuance programme to be arranged for one or more issuers and to enable the issuance of further securities.

The following sample “Summary” should be amended, accordingly, for other products, for example certificates or warrants.

Sample “Summary”

The following contains key information concerning the characteristics and risks associated with the Issuer and the Notes to be issued under this Programme (“Summary”). This Summary should be read as an introduction to this Base Prospectus (“Prospectus”). Any decision by an investor to invest in any Tranche of the Notes should be based on consideration of this Prospectus as a whole, including the documents incorporated by reference, any supplement to this Prospectus and the applicable Final Terms. Where a claim relating to the information contained in this Prospectus, the documents incorporated by reference, any supplement to this Prospectus and the applicable Final Terms is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating this Prospectus, the documents incorporated by reference, any supplement to this Prospectus and the applicable Final Terms before the legal proceedings are initiated. Civil liability attaches to the Issuer, who has tabled this Summary (including any translation thereof) and applied for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

The following Summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Prospectus and, in relation to the terms and conditions of the relevant Tranche of Notes, the applicable Final Terms.

1	Summary regarding the Programme	
1.1	Name of the programme	EUR XX Debt Issuance Programme („Programme“)
1.2	Name of the issuer	XY-Bank Aktiengesellschaft („XY-Bank“)
1.3	Type of issuer	Monetary financial institution
1.4	Guarantor	None
1.5	Arranger	A-Bank
1.6	Dealers	XY-Bank, A-Bank, B-Bank, C-Bank
1.7	Purpose of the programme	The Programme will be used for refinancing the business activities of the XY-Bank by issuance of unsecured and unsubordinated Notes.
1.8	Maximum outstanding aggregate principal amount	EUR XX
1.9	Characteristics and form of the notes	The Notes are issued in bearer form and represented by one or more global notes. Definitive Notes and interest coupons will not be issued. The Notes will be issued in Tranches on a continuing basis. One or more Tranches may form a Series of Notes.
1.10	Maturity of the notes	The maturity of the Notes is freely selectable, subject to such minimum and/or maximum maturities as may be allowed or required by the relevant central bank or any laws or regulations applicable to the Issuer or the relevant currency.
1.11	Interest	The Notes may either be issued on a fixed rate, floating rate, interest-structured floating rate, index-linked, inflation-related or such other type of interest bearing basis.

1.12	Redemption	Under the Programme only Notes may be issued, which shall be redeemed at their principal amount (100 per cent).
1.13	Currencies of issue of the notes	Euro or such other currency, subject in each case to compliance with the laws and regulations as well as the guidelines of the competent central bank or other competent bodies applicable to the chosen currency.
1.14	Minimum denomination of the notes	The minimum denomination of the Notes will be, if in euro, EUR 1,000 or, if in any other currency, in an amount in such other currency equal to or exceeding the equivalent of EUR 1,000 at the time of the issue.
1.15	Status of the notes / negative pledge	The Notes will constitute unsecured and unsubordinated obligations of the Issuer. The Conditions of Notes will not contain a negative pledge provision.
1.16	Governing law	The Notes will be governed by German law.
1.17	Admission to trading and listing of the notes issued under this programme	Admission: Regulated Market " <i>Bourse de Luxembourg</i> " / Listing: Official List. The Notes may also be listed on other or further stock exchanges or may not be listed at all.
1.18	Clearing systems	Clearstream Banking AG, Frankfurt am Main, Federal Republic of Germany / Clearstream Banking, société anonyme, Luxembourg, Grand Duchy of Luxembourg / Euroclear Bank SA/NV, Brussels, Kingdom of Belgium
1.19	Rating	As at the date of approval of this Prospectus the ratings ¹ assigned to XY-Bank were as follows: Moody's Investors Service, Inc. ² : long-term rating: Aa3 ; short-term rating: P-1 . Notes issued under this Programme may be rated.

¹ A rating is not a recommendation to buy, sell or hold Notes issued under this Programme and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Issuer may adversely affect the market price of the Notes issued under this Programme. The current ratings may be obtained from XY-Bank website "www.xy-bank.de".

² Moody's is established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

1.20	Selling restrictions	United States of America, United Kingdom of Great Britain and Northern Ireland, Japan; furthermore, all applicable regulations with respect to securities in any jurisdiction in which the Notes are purchased, offered, sold or delivered must be complied with.
1.21	Taxation	The respective Series of Notes may provide for a compensation of withholding tax with respect to the Federal Republic of Germany by payment of additional amounts by the Issuer. In such a case the Issuer shall be entitled to early redemption for reasons of taxation of the respective Series of Notes Holders of Notes should consider that, regularly no additional amounts shall be payable by the Issuer as compensation of flat income tax (<i>Abgeltungsteuer</i>) applicable in the Federal Republic of Germany since 1 January 2009.
1.22	Involvement of national authorities	The approval of the Base Prospectus was granted by the <i>Commission de Surveillance du Secteur Financier</i> („CSSF“) of the Grand Duchy of Luxembourg, which also effected its notification in Germany and Austria. During the term of this Programme the Issuer may request the CSSF to provide competent authorities in additional member states within the European Economic Area with a notification.

2	Summary regarding the Issuer	
2.1	Legal name	XY-Bank Aktiengesellschaft (" XY-Bank ")
2.2	Legal form	XY-Bank is a stock corporation (<i>Aktiengesellschaft</i>) organised under German law and is supervised by the German Central Bank (<i>Deutsche Bundesbank</i>) and the Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>).
2.3	Date of incorporation	<i>day, month, year</i>
2.4	Registered office	<i>street, postal code, city</i> , Federal Republic of Germany
2.5	Registration number, place of registration	HRB XX, commercial register (<i>Handelsregister</i>) of the local court (<i>Amtsgericht</i>) in <i>city</i>
2.6	Company's purpose	Pursuant to its Articles of Incorporation XY-Bank's purpose is the handling of all permissible transactions in accordance with the terms of the Banking Act (<i>Gesetz über das Kreditwesen</i>). XY-Bank may engage in all types of banking transactions, including the acquisition of equity investments. The Bank may establish subsidiary offices.
2.7	Summarised description of current activities	In addition to XY-Bank as parent company, the group consists of X subsidiaries. XY-Bank and its subsidiaries are primarily active in Germany and other European countries as an Allfinanz-group. XY-Bank has X branches in Germany and Y foreign branches. The business units of XY-Bank are payment systems, SME corporate clients and large corporate clients business as well as money markets and capital markets business.
2.8	Capital of XY-Bank	As at 31 December 2009 the equity of XY-Bank amounted to EUR XX, composed of EUR XX subscribed capital, EUR XX capital reserve, EUR XX revenue reserves and EUR XX distributable profit. The subscribed capital in the amount of EUR XX is divided into XX fully paid-up registered shares with restricted transferability, with a notional share in the subscribed capital of EUR XX per no par share.
2.9	Major shareholders	Approximately XX per cent of the subscribed capital is held by banks and approximately XX per cent by other companies of the banking sector. None of the shareholders holds more than XX per cent of the registered shares with restricted transferability

2.10	Listing of the shares of XY-Bank	The registered shares with restricted transferability are not admitted to listing on any domestic nor any foreign stock exchange.
2.11	Trend information / statement of "no material adverse change"	There has been no material adverse change in the prospects of XY-Bank since 31 December 2009 (the date of the last published audited financial statements).
2.12	Board of management / supervisory board / conflict of interests	The Board of Management currently consists of five members. X is Chairman of the Board of Management. Pursuant to XY-Bank's Articles of Incorporation the Supervisory Board consists of XX members, XX of whom shall be elected by the General Meeting and XX of whom shall be elected by the employees. Y, President of the Z Association, is Chairman of the Supervisory Board. There are no potential conflicts of interests between any duties to XY-Bank of the members of the Board of Management and the Supervisory Board and their private interests and/or other duties.
2.13	Legal and arbitration proceedings	There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on XY-Bank's and/or XY-Bank Group's financial position or profitability.
2.14	Accounting method	XY-Bank's non-consolidated financial statements for the financial year ended 31 December 2009 have been prepared in accordance with the provisions of the Commercial Code (<i>Handelsgesetzbuch</i>) in conjunction with the accounting regulation for banks and financial service institutions (<i>Verordnung über die Rechnungslegung der Kreditinstitute</i>) Pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002, the consolidated financial statements of XY-Bank for the financial year ended 31 December 2009 have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

3	Summary regarding the Notes (Key Product Information Document) The "Summary regarding the Notes (Key Product Information Document)" forms an integral part of the applicable final terms for the relevant Tranche of Notes ("Final Terms"). The following information is a general description. The characteristics of the relevant Tranche of Notes will be specified and published in the applicable Final Terms. With respect to the relevant Tranche of Notes the contents of the following information will be amended accordingly and may, therefore, differ from the following wording.	
3.1.1	Product name	<i>The relevant product name of each particular Tranche/Series of Notes issued by the Issuer will be specified in the applicable Final Terms ("Issue").</i>
3.1.2	Issuer	XY-Bank Aktiengesellschaft street postal code, city, Federal Republic of Germany
3.1.3	Product type	Bearer Notes
3.1.4	Product description	The Issue consists of unsecured and unsubordinated Notes in bearer form. The potential purchaser has a claim on interest against XY-Bank. The Issue and thus the amount invested by the potential purchaser shall be redeemed at 100 per cent.
3.2	Key product characteristics	<i>The following characteristics will be specified in the applicable Final Terms:</i> ISIN: <i>the International Securities Identification Number uniquely identifies a Series of Notes;</i> Rating³: <i>The Notes may be rated or not rated. Generally, the issue rating corresponds to the long-term rating of the Issuer;</i> Currency: <i>Euro or such other currency;</i> Aggregate Principal Amount: <i>The aggregate principal amount specifies the nominal issue volume of a Tranche of Notes, expressed in euro or any other currency;</i> Issue Price: <i>The Notes may be issued at an issue price at par or at a discount to, or premium over, par. The issue price is free of trade;</i> Issue Date: <i>The issue date is the date of settlement and payment of the Notes (generally "payment against delivery");</i> Interest: <i>The Notes may either be issued on a fixed rate, floating rate, interest-structured floating rate, index-linked, inflation-related or such other type of interest bearing basis;</i> Maturity Date: <i>The maturity date is the date of payment of the redemption amount of 100 per cent by the Issuer to the relevant clearing system, at the end of the maturity of the Notes, for subsequent transfer to the holders;</i> Denomination: <i>The minimum denomination of the Notes will</i>

³ A rating is not a recommendation to buy, sell or hold Notes issued under this Programme and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes issued under this Programme.

		be, if in euro, EUR 1,000 or, if in any other currency, in an amount in such other currency equal to or exceeding the equivalent of EUR 1,000 at the time of the issue; Admission to trading/Listing: <i>Admission: Regulated Market "Bourse de Luxembourg"/Listing: Official List; the Notes may also be listed on other or further stock exchanges or may not be listed at all.</i>
3.3.1	Key risks regarding the Issuer	The Issue entails an issuer risk, also referred to as debtor risk or credit risk. An issuer risk is the risk that the Issuer becomes temporarily or permanently insolvent and will not be able to meet its obligations to pay interest and/or the redemption amount. The issuer risk will be borne by the potential purchaser. XY-Bank is a member of the Protection Scheme of the X-banking sector (the "Protection Scheme"). Within the scope of the Institution Protection Scheme (<i>Institutsschutz</i>) all securitised liabilities issued in form of unsubordinated notes by the participating institutions and held by non-banks are protected without any limitation. Neither the participating institutions nor the holders of such unsubordinated notes do have any legal claim to assistance from the Protection Scheme or to the assets of the Protection Scheme.
3.3.2	Key risks regarding the Notes	<i>Potential purchasers should only invest in Notes which may be complex financial instruments subject to their characteristics, if the potential purchasers are able to assess the characteristics and thus are prepared to bear the inherent risks.</i> Generally, the Notes may be exposed to a liquidity risk, market price risk, risk of early redemption by the Issuer, interest rate risk and currency risk. The individual risks or the combination of the above mentioned risks may have an increasing impact on the value of a Tranche of Notes and a negative impact on the value of the investment. Under certain circumstances the potential purchaser may sustain substantial interest losses and price losses.
3.4	Charges	The total expenses of an issue (including the expenses related to admission to trading on a stock exchange) shall be borne by the Issuer; <i>If applicable to the relevant Tranche of Notes, the charges levied when purchasing, disposing of and/or holding the Notes as well as the inducements, if any, will be specified in the applicable Final Terms.</i> If a potential purchaser acquires the Notes from a third party, then the purchase price payable by the

		potential purchaser may contain third-party proceeds the amount of which is specified by the third party.
3.5	Taxation	In Germany payments of interests and capital gains are subject to income tax (<i>Einkommensteuer</i>), which is generally levied as a flat tax (<i>Abgeltungsteuer</i>) plus solidarity surcharge plus, if applicable, church tax (<i>Kirchensteuer</i>). Potential purchasers of Notes are advised to consult their own tax advisors as to the consequences of the purchase, holding and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in the Federal Republic of Germany and each country of which they are residents.
3.6	Miscellaneous	The information contained in this Key Product Information Document does not constitute investment advice but constitutes a summary regarding the Notes. Complete information on XY-Bank, the Notes and the risks regarding the Issuer and the Notes is contained in this Prospectus, the documents incorporated by reference, any supplement to this Prospectus and the applicable Final Terms. This Prospectus, the documents incorporated by reference, any supplement to this Prospectus and the applicable Final Terms may be obtained without charge from XY-Bank, <i>street, postal code, city</i>, Federal Republic of Germany.