

DEUTSCHE BANK AKTIENGESELLSCHAFT  
Form FWP  
December 22, 2015

Term Sheet No. 2608B

*To underlying supplement No. 1 dated August 17, 2015,*

**Registration Statement No. 333-206013**

*product supplement B dated July 31, 2015,*

**Dated December 22, 2015; Rule 433**

*prospectus supplement dated July 31, 2015 and*

*prospectus dated July 31, 2015*

## **Deutsche Bank AG**

### **\$ Buffered Securities Linked to a Basket due July 3, 2019**

#### **General**

The securities (the “**securities**”) are designed for investors who seek a return at maturity linked to the performance of an equally weighted basket (the “**Basket**”) consisting of the iShares® U.S. Real Estate ETF (the “**Fund**”) and the Russell 2000® Index (the “**Index**”). If the Final Basket Level (calculated on the Final Valuation Date) is greater than or equal to the Buffer Level (85.00% of the Initial Basket Level), for each \$1,000 Face Amount of securities, investors will receive at maturity the Face Amount *plus* a return on the Face Amount equal to between 140.50% and 145.50% (to be determined on the Trade Date, the “**Upside Leverage Factor**”) *times* the Average Basket Return, calculated based on the arithmetic average of the closing levels of the Basket on the four quarterly Averaging Dates starting on September 28, 2018 and ending on June 28, 2019, subject to a minimum of 0.00%. However, if the Final Basket Level is less than the Buffer Level, investors may receive less than the Face Amount per \$1,000 Face Amount of securities depending on the Average Basket Return. If the Average Basket Level is less than or equal to the Initial Basket Level so that the Average Basket Return is zero, for each \$1,000 Face Amount of securities, investors will lose 1.17647% of the Face Amount for every 1.00% by which the Final Basket Level is less than the Initial Basket Level by an amount greater than the Buffer Amount of 15.00%. But, if the Final Basket Level is less than the Buffer Level and the Average Basket Return is positive, investors will also receive a payment at maturity that will also reflect the Upside Leverage Factor *times* the Average Basket Return, which may moderate, offset or more than offset the negative effect the Final Basket Level has on the return of the securities.

The securities do not pay any coupons or dividends and investors should be willing to lose some or all of their investment if the Final Basket Level is less than the Buffer Level. Any payment on the securities is subject to the credit of the Issuer.

Because the Average Basket Return is calculated based on the arithmetic average of the closing levels of the Basket on the four quarterly Averaging Dates, increases in the level of the Basket on one or more Averaging Dates may be moderated, offset or more than offset by lesser increases or declines in the level of the Basket on the other Averaging Dates. Therefore, your investment in the securities may not perform as well as an investment based solely on the performance of the Basket on a single day.

- Senior unsecured obligations of Deutsche Bank AG due July 3, 2019

Minimum purchase of \$1,000. Minimum denominations of \$1,000 (the “**Face Amount**”) and integral multiples thereof.

- The securities are expected to price on or about December 28, 2015 (the “**Trade Date**”) and are expected to settle on or about December 31, 2015 (the “**Settlement Date**”).

## Key Terms

Issuer: Deutsche Bank AG, London Branch  
 Issue Price: 100% of the Face Amount  
 Basket: The securities are linked to an equally weighted basket consisting of the iShares® U.S. Real Estate ETF and the Russell 2000® Index (each, a “Basket Component” and collectively, the “Basket Components”).

Basket Components	Ticker Symbol	Basket Component Weighting	Initial Component Level <sup>†</sup>
iShares® U.S. Real Estate ETF (the “ <b>Fund</b> ”)	IYR	50.00%	
Russell 2000® Index (the “ <b>Index</b> ”)	RTY	50.00%	

<sup>†</sup>The Initial Component Level for each Basket Component will be set on the Trade Date.

Payment at Maturity:

- **If the Final Basket Level is greater than or equal to the Buffer Level**, you will receive a cash payment at maturity per \$1,000 Face Amount of securities, calculated as follows:  
 $\$1,000 + (\$1,000 \times \text{Average Basket Return} \times \text{Upside Leverage Factor})$
- **If the Final Basket Level is less than the Buffer Level**, you will receive a cash payment at maturity per \$1,000 Face Amount of securities, calculated as follows:

$\$1,000 + [\$1,000 \times (((\text{Final Basket Return} + \text{Buffer Amount}) \times \text{Downside Participation Factor}) + (\text{Average Basket Return} \times \text{Upside Leverage Factor}))]$

*If the Final Basket Level is less than the Buffer Level and the Average Basket Return is zero, for each \$1,000 Face Amount of securities, you will lose 1.17647% of the Face Amount for every 1.00% by which the Final Basket Level is less than the Initial Basket Level by an amount greater than the Buffer Amount of 15.00%. In this circumstance, you will lose some or all of your investment at maturity. Even if the Average Basket Return is positive in this circumstance, you may lose some or a significant portion of your investment if the Average Basket Return is not sufficient to offset the loss resulting from the negative Final Basket Return. Any payment at maturity is subject to the credit of the Issuer.*

The Final Basket Return, expressed as a percentage, will equal:

$$\frac{\text{Final Basket Level} - \text{Initial Basket Level}}{\text{Initial Basket Level}}$$

Final Basket Return:

Initial Basket Level

*The Final Basket Return may be positive, zero or negative.*

(Key Terms continued on next page)

**Investing in the securities involves a number of risks. See “Risk Factors” beginning on page 12 of the accompanying prospectus, PS-5 of the accompanying prospectus supplement and page 7 of the accompanying product supplement and “Selected Risk Considerations” beginning on page TS-10 of this term sheet.**

**The Issuer’s estimated value of the securities on the Trade Date is approximately \$960.70 to \$980.70 per \$1,000 Face Amount of securities, which is less than the Issue Price. Please see “Issuer’s Estimated Value of the securities” on page TS-3 of this term sheet for additional information.**

**By acquiring the securities, you will be bound by, and deemed to consent to, the imposition of any Resolution Measure (as defined below) by our competent resolution authority, which may include the write down of all, or a portion, of any payment on the securities. If any Resolution Measure becomes applicable to us, you may lose some or all of your investment in the securities. Please see “Resolution Measures” on page TS-4 of this term sheet for more information.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of this term sheet or the accompanying underlying supplement, product supplement, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense.

	<b>Price to Public</b>	<b>Discounts and Commissions<sup>(1)</sup></b>	<b>Proceeds to Us</b>
<b>Per Security</b>	\$1,000.00	\$0.00	\$1,000.00
<b>Total</b>	\$	\$	\$

<sup>(1)</sup> For more detailed information about discounts and commissions, please see “Supplemental Plan of Distribution (Conflicts of Interest)” in this term sheet. Deutsche Bank Securities Inc. (“**DBSI**”), acting as agent for Deutsche Bank AG, will not receive a selling concession in connection with the sale of the securities. Investors that purchase and hold the securities in fee-based advisory accounts may be charged fees based on the amount of assets held in those accounts, including the securities.

The agent for this offering is our affiliate. For more information see “Supplemental Plan of Distribution (Conflicts of Interest)” in this term sheet.

*The securities are not bank deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. or foreign governmental agency or instrumentality.*

## **Deutsche Bank Securities**

December 22, 2015

(Key Terms continued from previous page)

The Average Basket Return, expressed as a percentage, will equal:

Average Basket  
Return:

*The Average Basket Return may be positive or zero.*

Buffer Amount: 15.00%

Upside Leverage  
Factor: 140.50% - 145.50% (to be determined on the Trade Date)

Downside  
Participation Factor: 117.647%

Buffer Level: Set equal to 85 on the Trade Date, which is equal to 85.00% of the Initial Basket Level.

Initial Basket Level: Set equal to 100 on the Trade Date.

Final Basket Level: The Basket Closing Level on the Final Valuation Date.

Average Basket  
Level: The arithmetic average of the Basket Closing Level on each of the four quarterly Averaging  
Dates.

The Basket Closing Level on each Averaging Date will be calculated as follows:

Basket Closing  
Level:  $100 \times [1 + (\text{Fund return} \times 50.00\%) + (\text{Index return} \times 50.00\%) ]$

The Fund return and Index return refer to the Basket Component Return for the Fund and the Index, respectively.

With respect to each Basket Component, the Basket Component Return, expressed as a percentage, will equal:

Basket Component  
Return: Closing Component Level – Initial Component Level

Initial Component Level

Initial Component  
Level: The Closing Component Levels of the applicable Basket Component on the Trade Date.

Closing Component  
Level: For the Fund, the closing price of one share of the Fund on the relevant date of calculation  
*multiplied* by the then-current Share Adjustment Factor, as determined by the calculation agent.

For the Index, the closing level of the Index on the relevant date of calculation.

Share Adjustment  
Factor: Initially 1.0, subject to adjustment for certain actions affecting the Fund. See “Description of Securities — Anti-Dilution Adjustments for Funds” in the accompanying product supplement.

Trade Date<sup>2</sup>: December 28, 2015

Settlement Date<sup>2</sup>: December 31, 2015

Averaging Dates<sup>1, 2</sup>: September 28, 2018, December 31, 2018, March 29, 2019 and June 28, 2019

Final Valuation  
Date<sup>1, 2</sup>: June 28, 2019, which is also the last Averaging Date

Maturity Date<sup>1, 2</sup>: July 3, 2019

Listing: The securities will not be listed on any securities exchange.

CUSIP: 25152RYH0

ISIN: US25152RYH01

<sup>1</sup> Subject to adjustment as described under “Description of Securities — Adjustments to Valuation Dates and Payment Dates” in the accompanying product supplement.

<sup>2</sup> In the event that we make any change to the expected Trade Date or Settlement Date, the Averaging Dates (including the Final Valuation Date) and Maturity Date may be changed so that the stated term of the securities

remains the same.

### **Issuer's Estimated Value of the Securities**

The Issuer's estimated value of the securities is equal to the sum of our valuations of the following two components of the securities: (i) a bond and (ii) an embedded derivative(s). The value of the bond component of the securities is calculated based on the present value of the stream of cash payments associated with a conventional bond with a principal amount equal to the Face Amount of securities, discounted at an internal funding rate, which is determined primarily based on our market-based yield curve, adjusted to account for our funding needs and objectives for the period matching the term of the securities. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. The value of the embedded derivative(s) is calculated based on our internal pricing models using relevant parameter inputs such as expected interest and dividend rates and mid-market levels of price and volatility of the assets underlying the securities or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this term sheet) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the securities on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our securities for use on customer account statements would generally be determined on the same basis. However, during the period of approximately three months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

## Resolution Measures

On May 15, 2014, the European Parliament and the Council of the European Union published a directive for establishing a framework for the recovery and resolution of credit institutions and investment firms (commonly referred to as the “**Bank Recovery and Resolution Directive**”). The Bank Recovery and Resolution Directive requires each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. Germany has adopted the Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, or “**Resolution Act**”), which became effective on January 1, 2015. The Resolution Act may result in the securities being subject to any Resolution Measure by our competent resolution authority if we become, or are deemed by our competent supervisory authority to have become, “non-viable” (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. By acquiring the securities, you will be bound by and deemed to consent to the provisions set forth in the accompanying prospectus, which we have summarized below.

By acquiring the securities, you will be bound by and will be deemed to consent to the imposition of any Resolution Measure by our competent resolution authority. Under the relevant resolution laws and regulations as applicable to us from time to time, the securities may be subject to the powers exercised by our competent resolution authority to: (i) write down, including to zero, any payment (or delivery obligations) on the securities; (ii) convert the securities into ordinary shares or other instruments qualifying as core equity tier 1 capital; and/or (iii) apply any other resolution measure, including (but not limited to) a transfer of the securities to another entity, an amendment of the terms and conditions of the securities or the cancellation of the securities. We refer to each of these measures as a “**Resolution Measure**.”

Furthermore, by acquiring the securities, you:

are deemed irrevocably to have agreed, and you will agree: (i) to be bound by any Resolution Measure; (ii) that you will have no claim or other right against us arising out of any Resolution Measure; and (iii) that the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the senior indenture dated November 22, 2006 among us, Law Debenture Trust Company of New York, as trustee, and Deutsche Bank Trust Company Americas, as issuing agent, paying agent, authenticating agent and registrar, as amended and supplemented from time to time (the “**Indenture**”), or for the purpose of the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”);

waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the paying agent for, agree not to initiate a suit against the trustee and the paying agent in respect of, and agree that neither the trustee nor the paying agent will be liable for, any action that the trustee or the paying agent takes, or abstains from taking, in either case in accordance with the imposition of a Resolution Measure by our competent resolution authority with respect to the securities; and

will be deemed irrevocably to have (i) consented to the imposition of any Resolution Measure as it may be imposed without any prior notice by the competent resolution authority of its decision to exercise such power with respect to

the securities and (ii) authorized, directed and requested The Depository Trust Company (“**DTC**”) and any participant in DTC or other intermediary through which you hold such securities to take any and all necessary action, if required, to implement the imposition of any Resolution Measure with respect to the securities as it may be imposed, without any further action or direction on your part or on the part of the trustee, paying agent, issuing agent, authenticating agent, registrar or calculation agent.

*This is only a summary, for more information please see the accompanying prospectus dated July 31, 2015, including the risk factor “The securities may become subordinated to the claims of other creditors, be written down, be converted or become subject to other resolution measures. You may lose part or all of your investment if any such measure becomes applicable to us.”*

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**Additional Terms Specific to the Securities**

You should read this term sheet together with underlying supplement No. 1 dated August 17, 2015, product supplement B dated July 31, 2015, the prospectus supplement dated July 31, 2015 relating to our Series A global notes of which these securities are a part and the prospectus dated July 31, 2015. You may access these documents on the website of the Securities and Exchange Commission (the “SEC”) at [www.sec.gov](http://www.sec.gov) as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Underlying supplement No. 1 dated August 17, 2015:

[http://www.sec.gov/Archives/edgar/data/1159508/000095010315006546/crt\\_dp58829-424b2.pdf](http://www.sec.gov/Archives/edgar/data/1159508/000095010315006546/crt_dp58829-424b2.pdf)

- Product supplement B dated July 31, 2015:

[http://www.sec.gov/Archives/edgar/data/1159508/000095010315006059/crt\\_dp58181-424b2.pdf](http://www.sec.gov/Archives/edgar/data/1159508/000095010315006059/crt_dp58181-424b2.pdf)

- Prospectus supplement dated July 31, 2015:

[http://www.sec.gov/Archives/edgar/data/1159508/000095010315006048/crt-dp58161\\_424b2.pdf](http://www.sec.gov/Archives/edgar/data/1159508/000095010315006048/crt-dp58161_424b2.pdf)

- Prospectus dated July 31, 2015:

<http://www.sec.gov/Archives/edgar/data/1159508/000119312515273165/d40464d424b2.htm>

Our Central Index Key, or CIK, on the SEC website is 0001159508. As used in this term sheet, “we,” “us” or “our” refers to Deutsche Bank AG, including, as the context requires, acting through one of its branches.

This term sheet, together with the documents listed above, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in this term sheet and in “Risk Factors” in the accompanying product supplement, prospectus supplement and prospectus, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the securities.

**Deutsche Bank AG has filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offering to which this term sheet relates. Before you invest, you should read the prospectus in that registration statement and the other documents relating to this offering that Deutsche Bank AG has filed with the SEC for more complete information about Deutsche Bank AG and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, Deutsche Bank AG, any agent or any dealer participating in this offering will arrange to send you the prospectus, prospectus supplement, product supplement, underlying supplement and this term sheet if you so request by calling toll-free 1-800-311-4409.**

**You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the securities prior to their issuance. We will notify you in the event of any changes to the terms of the securities, and you will be asked to accept such changes in connection with your purchase of any securities. You may also choose to reject such changes, in which case we may reject your offer to purchase the securities.**

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## What Are the Possible Payments on the Securities, Assuming a Range of Hypothetical Performances for the Basket?

The tables and hypothetical examples set below illustrate the hypothetical payments on the securities per \$1,000 Face Amount of securities. The tables and hypothetical examples below are for illustrative purposes only. The actual returns applicable to a purchaser of the securities will depend on the Basket Closing Level on each of the Averaging Dates (including the Final Valuation Date). The following results are based solely on the hypothetical examples cited. You should consider carefully whether the securities are suitable to your investment goals. The numbers appearing in the table and examples below may have been rounded for ease of analysis.

The table below illustrates the hypothetical Payment at Maturity per \$1,000 Face Amount of securities for a range of performances for the Basket from -100.00% to +100.00%, assuming that the Average Basket Level is less than or equal to the Initial Basket Level so that the Average Basket Return is 0.00%. The table below reflects the Buffer Amount of 15.00% and the Downside Participation Factor of 117.647%. The actual Initial Basket Level and Buffer Level will be set equal to 100 and 85, respectively, on the Trade Date.

<b>Final Basket Return (%)</b>	<b>Average Basket Return (%)</b>	<b>Payment at Maturity (\$)</b>	<b>Return on Securities (%)</b>
100.00%	0.00%	\$1,000.00	0.00%
75.00%	0.00%	\$1,000.00	0.00%
50.00%	0.00%	\$1,000.00	0.00%
25.00%	0.00%	\$1,000.00	0.00%
15.00%	0.00%	\$1,000.00	0.00%
10.00%	0.00%	\$1,000.00	0.00%
5.00%	0.00%	\$1,000.00	0.00%
0.00%	0.00%	\$1,000.00	0.00%
-5.00%	0.00%	\$1,000.00	0.00%
-10.00%	0.00%	\$1,000.00	0.00%
-15.00%	0.00%	\$1,000.00	0.00%
-20.00%	0.00%	\$941.18	-5.88%
-30.00%	0.00%	\$823.53	-17.65%
-50.00%	0.00%	\$588.24	-41.18%
-75.00%	0.00%	\$294.12	-70.59%
-100.00%	0.00%	\$0.00	-100.00%

## Hypothetical Examples of Amounts Payable at Maturity

The following hypothetical examples illustrate how the hypothetical Payments at Maturity per \$1,000 Face Amount of securities are calculated. The hypothetical examples below assume an Upside Leverage Factor of 143.00% (the midpoint of the range of 140.50% to 145.50%). The actual Upside Leverage Factor will be determined on the Trade Date.

**Example 1: The Final Basket Level is greater than the Initial Basket Level, resulting in a Final Basket Return of 30.00%, and the Average Basket Level is 120, resulting in an Average Basket Return of 20.00%.** Because the Final Basket Level is greater than the Buffer Level, only the Average Basket Return will be used to determine the Payment at Maturity. In this circumstance, the investor receives a Payment at Maturity of \$1,286.00 per \$1,000 Face Amount of securities, reflecting a return on the securities equal to the Average Basket Return *multiplied by* the Upside Leverage Factor, calculated as follows:

$$\$1,000 + (\$1,000 \times \text{Average Basket Return} \times \text{Upside Leverage Factor})$$

$$\$1,000 + (\$1,000 \times 20.00\% \times 143.00\%) = \$1,286.00$$

**Example 2: The Final Basket Level is less than the Initial Basket Level but greater than the Buffer Level, resulting in a Final Basket Return of -10.00%, and the Average Basket Level is 110, resulting in an Average Basket Return of 10.00%.** Because the Final Basket Level is greater than the Buffer Level, only the Average Basket Return will be used to determine the Payment at Maturity. In this circumstance, the investor receives a Payment at Maturity of \$1,143.00 per \$1,000 Face Amount of securities, reflecting a return on the securities equal to the Average Basket Return *multiplied by* the Upside Leverage Factor, calculated as follows:

$$\$1,000 + (\$1,000 \times \text{Average Basket Return} \times \text{Upside Leverage Factor})$$

$$\$1,000 + (\$1,000 \times 10.00\% \times 143.00\%) = \$1,143.00$$

**Example 3: The Final Basket Level is less than the Initial Basket Level but greater than the Buffer Level, resulting in a Final Basket Return of -10.00%, and the Average Basket Level is 90, resulting in an Average Basket Return of 0.00%.** Because the Average Basket Level is less than the Initial Basket Level, the Average Basket Return is 0.00%. Because the Final Basket Level is greater than the Buffer Level, only the Average Basket

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Return will be used to determine the Payment at Maturity. In this circumstance, the investor receives a Payment at Maturity of \$1,000.00 per \$1,000 Face Amount of securities, calculated as follows:

$$\$1,000 + (\$1,000 \times \text{Average Basket Return} \times \text{Upside Leverage Factor})$$

$$\$1,000 + (\$1,000 \times 0.00\% \times 143.00\%) = \$1,000.00$$

**Example 4: The Final Basket Level is less than the Buffer Level, resulting in a Final Basket Return of -20.00%, and the Average Basket Level is 110, resulting in an Average Basket Return of 10.00%.** Because the Final Basket Level is less than the Buffer Level, both the Final Basket Return and the Average Basket Return will be used to determine the Payment at Maturity. Because the positive Average Basket Return *multiplied* by the Upside Leverage Factor is sufficient to more than offset the loss resulting from the negative Final Basket Return, the investor receives a Payment at Maturity of \$1,084.18 per \$1,000 Face Amount of securities, calculated as follows:

$$\$1,000 + [\$1,000 \times (((\text{Final Basket Return} + \text{Buffer Amount}) \times \text{Downside Participation Factor}) + (\text{Average Basket Return} \times \text{Upside Leverage Factor}))]$$

$$\$1,000 + [\$1,000 \times (((-20.00\% + 15.00\%) \times 117.647\%) + (10.00\% \times 143.00\%))] = \$1,084.18$$

**Example 5: The Final Basket Level is less than the Buffer Level, resulting in a Final Basket Return of -40.00%, and the Average Basket Level is 105, resulting in an Average Basket Return of 5.00%.** Because the Final Basket Level is less than the Buffer Level, both the Final Basket Return and the Average Basket Return will be used to determine the Payment at Maturity. Because the positive Average Basket Return *multiplied* by the Upside Leverage Factor is not sufficient to completely offset the loss resulting from the negative Final Basket Return, the investor receives a Payment at Maturity of \$777.38 per \$1,000 Face Amount of securities, calculated as follows:

$$\$1,000 + [\$1,000 \times (((\text{Final Basket Return} + \text{Buffer Amount}) \times \text{Downside Participation Factor}) + (\text{Average Basket Return} \times \text{Upside Leverage Factor}))]$$

$$\$1,000 + [\$1,000 \times (((-40.00\% + 15.00\%) \times 117.647\%) + (5.00\% \times 143.00\%))] = \$777.38$$

**Example 6: The Final Basket Level is less than the Buffer Level, resulting in a Final Basket Return of -50.00%, and the Average Basket Level is 80, resulting in an Average Basket Return of 0.00%.** Because the Final Basket Level is less than the Buffer Level and the Average Basket Return is zero, the Final Basket Return will be used to determine the Payment at Maturity. The investor will lose 1.17647% of the Face Amount for every 1.00% by which the Final Basket Level is less than the Initial Basket Level by an amount greater than the Buffer Amount of 15.00%. In this circumstance, the investor receives a Payment at Maturity of \$588.24 per \$1,000 Face Amount of securities, calculated as follows:

$$\$1,000 + [\$1,000 \times (((\text{Final Basket Return} + \text{Buffer Amount}) \times \text{Downside Participation Factor}) + (\text{Average Basket Return} \times \text{Upside Leverage Factor}))]$$

$$\$1,000 + [\$1,000 \times (((-50.00\% + 15.00\%) \times 117.647\%) + (0.00\% \times 143.00\%))] = \$588.24$$

### Hypothetical Examples of Final Average Level Calculation

The following hypothetical examples illustrate how the Average Basket Return is calculated based on the hypothetical Basket Closing Levels for each Averaging Date set forth in the tables below and the effect it has on the return on the securities.

**Example 7: The Final Basket Level is greater than the Initial Basket Level, resulting in a Final Basket Return of 20.00%, and the Average Basket Level is 110, resulting in an Average Basket Return of 10.00%.**

<b>Averaging Date</b>	<b>Basket Closing Level</b>	<b>Performance of the Basket, as Measured from the Initial Basket Level to the Final Basket Level (%)</b>
September 28, 2018	101	N/A
December 31, 2018	105	N/A
March 29, 2019	114	N/A
June 28, 2019	120	20.00%
<b>Average Basket Level:</b>	<b>110</b>	
<b>Average Basket Return:</b>	<b>10.00%</b>	
<b>Final Basket Return:</b>	<b>20.00%</b>	
<b>Payment at Maturity:</b>	<b>\$1,143.00</b>	

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In Example 7, the Average Basket Level is calculated as follows:

$$\text{Average Basket Level} = (101 + 105 + 114 + 120) / 4$$

$$= 110$$

Because the level of the Basket increases steadily over the term of the securities, the Average Basket Level is less than the Basket Closing Level on the Final Valuation Date. In this circumstance, you will not receive the full benefit of the increase in the level of the Basket from the Trade Date to the Final Valuation Date.

**Example 8: The Final Basket Level is less than the Buffer Level, resulting in a Final Basket Return of -20.00%, and the Average Basket Level is 110, resulting in an Average Basket Return of 10.00%.**

<b>Averaging Date</b>	<b>Basket Closing Level</b>	<b>Performance of the Basket, as Measured from the Initial Basket Level to the Final Basket Level (%)</b>
September 28, 2018	119	N/A
December 31, 2018	127	N/A
March 29, 2019	114	N/A
June 28, 2019	80	-20.00%
<b>Average Basket Level:</b>	<b>110</b>	
<b>Average Basket Return:</b>	<b>10.00%</b>	
<b>Final Basket Return:</b>	<b>-20.00%</b>	
<b>Payment at Maturity:</b>	<b>\$1,084.18</b>	

In Example 8, the Average Basket Level is calculated as follows:

$$\text{Average Basket Level} = (119 + 127 + 114 + 80) / 4$$

$$= 110$$

Because the level of the Basket increases during the first half of the term of the securities before decreasing during the second half, the Average Basket Level is greater than the Basket Closing Level on the Final Valuation Date. In this circumstance, the method for calculating the Average Basket Level causes the securities to outperform the performance of the Basket from the Trade Date to the Final Valuation Date even though the Final Basket Level is less than the Buffer Level.

**Example 9: The Final Basket Level is greater than the Initial Basket Level, resulting in a Final Basket Return of 30.00%, and the Average Basket Level is 94, resulting in an Average Basket Return of 0.00%.**

<b>Averaging Date</b>	<b>Basket Closing Level</b>	<b>Performance of the Basket, as Measured from the Initial Basket Level to the Final Basket Level (%)</b>
September 28, 2018	80	N/A
December 31, 2018	77	N/A
March 29, 2019	89	N/A
June 28, 2019	130	30.00%
<b>Average Basket Level:</b>	<b>94</b>	
<b>Average Basket Return:</b>	<b>0.00%</b>	
<b>Final Basket Return:</b>	<b>30.00%</b>	
<b>Payment at Maturity:</b>	<b>\$1,000.00</b>	

In Example 9, the Average Basket Level is calculated as follows:

$$\text{Average Basket Level} = (80 + 77 + 89 + 130) / 4$$

$$= 94$$

Because the level of the Basket decreases dramatically during the first half of the term of the securities before recovering and increasing well above the Initial Basket Level by the end of the second half, the Average Basket Level is less than the Initial Basket Level, resulting in an Average Basket Return of 0.00%. In this circumstances, you will not receive any benefit of the increase in the level of the Basket from the Trade Date to the Final Valuation Date even though the Final Basket Level is greater than the Initial Basket Level.

### **Selected Purchase Considerations**

**UNCAPPED APPRECIATION POTENTIAL BASED ON THE AVERAGE BASKET RETURN** — The securities provide the opportunity to enhance potential positive returns by multiplying any positive Average Basket Return by the Upside Leverage Factor of between 140.50% and 145.50% (to be determined on the



Trade Date) if the Final Basket Level (calculated on the Final Valuation Date) is greater than or equal to the Buffer Level. Furthermore, because the product of the Average Basket Return and the Upside Leverage Factor is included in the calculation of the Payment at Maturity even if the Final Basket Level is less than the Buffer Level, a positive Average Basket Return will moderate, offset or more than offset the effect of a negative Final Basket Return on the Payment at Maturity. The Average Basket Return is calculated based on the arithmetic average of the Basket Closing Levels on the four quarterly Averaging Dates starting on September 28, 2018 and ending on June 28, 2019. Any payment on the securities is subject to our ability to satisfy our obligations as they become due.

**LIMITED PROTECTION AGAINST LOSS** — Payment at maturity of the Face Amount per \$1,000 Face Amount of securities is protected against a percentage decline in the Final Basket Level, as compared to the Initial Basket Level, of up to the Buffer Amount of 15.00%. If such percentage decline is greater than the Buffer Amount, investors may suffer a loss of principal depending on the Average Basket Return. If the Average Basket Level is equal to or less than the Initial Basket Level so that the Average Basket Return is zero, for each \$1,000 Face Amount of securities, you will lose 1.17647% of the Face Amount for every 1.00% by which the Final Basket Level is less than the Initial Basket Level by an amount greater than the Buffer Amount of 15.00%. In this circumstance, you will lose some or all of your investment in the securities. But, if the Final Basket Level is less than the Buffer Level and the Average Basket Return is positive, investors will also receive a payment at maturity that will also reflect the Upside Leverage Factor *times* the Average Basket Return, which may moderate, offset or more than offset the negative effect the Final Basket Level has on the return of the securities.

**RETURN LINKED TO THE PERFORMANCE OF AN EQUALLY WEIGHTED BASKET OF TWO BASKET COMPONENTS** — The return on the securities, which may be positive, zero or negative, is linked to the performance of an equally weighted basket, consisting of the iShares<sup>®</sup> U.S. Real Estate ETF and the Russell 2000<sup>®</sup> Index, as described herein.

#### ***The iShares<sup>®</sup> U.S. Real Estate ETF***

The iShares<sup>®</sup> U.S. Real Estate ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in the real estate sector of the U.S equity market, as measured by the Dow Jones U.S. Real Estate Index (the “**Tracked Index**”). The Dow Jones U.S. Real Estate Index measures the performance of the real estate industry of the U.S. equity market, including real estate holding and developing and real estate investment trusts (REITS) subsectors. The index is a subset of the Dow Jones U.S. Index and is capitalization-weighted. Component companies are adjusted for available float and must meet objective criteria for inclusion to the index. Index reconstitution is quarterly. The investment advisor (the “**Fund Advisor**”) to the iShares<sup>®</sup> U.S. Real Estate ETF is Blackrock Fund Advisors. *This is only a summary of the iShares<sup>®</sup> U.S. Real Estate ETF. For more information on the iShares<sup>®</sup> U.S. Real Estate ETF, including information concerning its composition, calculation methodology and adjustment policy, please see the section entitled “The iShares Exchange Traded Funds — The iShares<sup>®</sup> U.S. Real Estate ETF” in the accompanying underlying supplement No. 1 dated August 17, 2015. For information about the Dow Jones U.S. Real Estate Index, please see the section entitled “The S&P Dow Jones Indices — The Dow Jones U.S. Real Estate Index” in the accompanying underlying supplement No. 1 dated August 17, 2015.*

#### ***The Russell 2000<sup>®</sup> Index***

The Russell 2000® Index is designed to track the performance of the small capitalization segment of the U.S. equity market. The Index measures the composite price performance of stocks of approximately 2,000 companies domiciled in the U.S. and its territories and consists of the smallest 2,000 companies included in the Russell 3000® Index. The Russell 2000® Index represents approximately 10% of the total market capitalization of the Russell 3000® Index. *This is only a summary of the Russell 2000® Index. For more information on the Russell 2000® Index, including information concerning its composition, calculation methodology and adjustment policy, please see the section entitled “The Russell Indices — The Russell 2000 Index” in the accompanying underlying supplement No. 1 dated August 17, 2015.*

**TAX CONSEQUENCES** — In the opinion of our special tax counsel, Davis Polk & Wardwell LLP, which is based on prevailing market conditions, it is more likely than not that the securities will be treated for U.S. federal income tax purposes as prepaid financial contracts that are not debt. Generally, if this treatment is respected, (i) you should not recognize taxable income or loss prior to the maturity or other taxable disposition of your securities and (ii) subject to the potential application of the “constructive ownership” regime discussed below, the gain or loss on your securities should be capital gain or loss and should be long-term capital gain or loss if you have held the securities for more than one year. The Internal Revenue Service (the “**IRS**”) or a court might not agree with this treatment, however, in which case the timing and character of income or loss on your securities could be materially and adversely affected.

Even if the treatment of the securities as prepaid financial contracts is respected, purchasing a security could be treated as entering into a “constructive ownership transaction” within the meaning of Section 1260 of the

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Internal Revenue Code (“**Section 1260**”). In that case, all or a portion of any long-term capital gain you would otherwise recognize upon the taxable disposition of the security would be recharacterized as ordinary income to the extent such gain exceeded the “net underlying long-term capital gain” as defined in Section 1260. Any long-term capital gain recharacterized as ordinary income would be treated as accruing at a constant rate over the period you held the security, and you would be subject to a notional interest charge in respect of the deemed tax liability on the income treated as accruing in prior tax years. Due to the lack of direct legal authority, our special tax counsel is unable to opine as to whether or how Section 1260 applies to the securities.

Withholding under legislation commonly referred to as “FATCA” might (if the securities were recharacterized as debt instruments) apply to amounts treated as interest paid with respect to the securities, as well as to the payment of gross proceeds of a taxable disposition, including redemption at maturity, of a security. However, under a recent IRS notice, this regime will not apply to payments of gross proceeds (other than any amount treated as interest) with respect to dispositions occurring before January 1, 2019. You should consult your tax adviser regarding the potential application of FATCA to the securities.

Non-U.S. holders should note that, notwithstanding anything to the contrary in the section of the accompanying product supplement entitled “U.S. Federal Income Tax Consequences,” recently promulgated Treasury regulations imposing a withholding tax on certain “dividend equivalents” under certain “equity linked instruments” will not apply to the securities.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether beneficial owners of these instruments should be required to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. persons should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” regime discussed above. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect.

You should review carefully the section of the accompanying product supplement entitled “U.S. Federal Income Tax Consequences.” The preceding discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the securities.

Under current law, the United Kingdom will not impose withholding tax on payments made with respect to the securities.

For a discussion of certain German tax considerations