

Schedule 1 to the Terms and Conditions of the Certificates

The Commerzbank Variable Basket Index

Index Description

I. General

1. The Index

The Commerzbank Variable Basket Index (the "**Index**") is composed of the following components (the "**Index Components**") with variable weightings:

- a fund component (the "**Fund Component**"); and
- a theoretical asset which grows at overnight Euribor compounded (the "**Theoretical Component**").

The weightings of the Index Components are determined in accordance with the prevailing market conditions on the last Business Day of each week. ("**Business Day**" means a day on which banks in Frankfurt am Main and London are open.)

The Index, the Index Components and the weightings of the Index Components are determined by Commerzbank Aktiengesellschaft (the "**Sponsor**"). The Sponsor will adapt the weightings in accordance with the formula below and will constantly monitor the performance of the Index Components.

The Sponsor is responsible for the calculation and determination of the Index. These responsibilities include in particular the following tasks:

- the adaptation of the weighting of the Index Components;
- the calculation of the daily Index level (the "**Reference Level**") on the basis of the formula below; and
- the publication of such Reference Level.

The Sponsor will calculate the Reference Level of the Index with respect to the last Business Day of each week (each an "**Index Determination Date**").

As far as the calculation of the Index is concerned, the Sponsor will subtract a fee (the "**Index Calculation Factor**") of 1.75% per cent. per annum. The subtraction of the Index Calculation Factor shall be effected in accordance with the formula of the determination of the Reference Level of the Index as described in paragraph II.2.(c).

2. The Fund Component

The Fund Component shall be comprised of certain shares of funds denominated in Euro and selected from the following list (the "**Fund Group**"):

<i>Fund</i>	<i>ISIN Code</i>	<i>Bloomberg Ticker</i>
<i>Union Invest – UniNordamerika</i>	<i>DE0009750075</i>	<i>UNINOAM GR</i>
<i>DWS Invest Top 50 Asia</i>	<i>LU0145648290</i>	<i>DWSTALC LX</i>
<i>HSBC Global Investment Funds - Euroland Equity</i>	<i>LU0165074666</i>	<i>HSBEURQ LX</i>
<i>ADIG Fund – European Emerging Market Equity</i>	<i>LU0081500794</i>	<i>ALEMEEA LX</i>

<i>Baring Latin America Fund</i>	<i>IE0004851022</i>	<i>BRGLAME ID</i>
<i>Morgan Stanley SICAV - EM Europe, ME and NA</i>	<i>LU0118140002</i>	<i>MORSEEA LX</i>
<i>DWS Invest – European Dividend Plus</i>	<i>LU0195139042</i>	<i>DWSEDFC LX</i>
<i>DWS Japan</i>	<i>DE0008490905</i>	<i>DWSJAPF GR</i>
<i>DWS China</i>	<i>LU0146865505</i>	<i>DWSCHIN LX</i>
<i>DWS Russia</i>	<i>LU0146864797</i>	<i>DWSRUSS LX</i>
<i>MLIIF World Financials</i>	<i>LU0171304719</i>	<i>MWORLEA LX</i>
<i>MLIIF World Technology</i>	<i>LU0171310955</i>	<i>MWOTEEA LX</i>
<i>ABN Amro Telecommunication Service</i>	<i>LU0195061774</i>	<i>AATELSE LX</i>
<i>ABN Amro Industrials Fund</i>	<i>LU0195061261</i>	<i>AAINDUE LX</i>
<i>ABN Amro Utilities</i>	<i>LU0195061428</i>	<i>AAUTILE LX</i>
<i>SGAM Fund - Equities Euroland Cyclical</i>	<i>LU0090724625</i>	<i>SOGEEENC LX</i>
<i>Fortis L Fund - Equity Consumer Goods World</i>	<i>LU0080609679</i>	<i>GEQ4428 LX</i>
<i>Fortis L Fund - Equity Pharma World</i>	<i>LU0074280149</i>	<i>GEQ4308 LX</i>
<i>MLIIF- World Energy fund</i>	<i>LU0171301533</i>	<i>MERENYA LX</i>
<i>MLIIF - World Mining</i>	<i>LU0172157363</i>	<i>MIGWMEE LX</i>
<i>Pictet Funds – Water</i>	<i>LU0104884860</i>	<i>PICWARA LX</i>
<i>Credit Suisse Commodity Plus Fund</i>	<i>CH0016912419</i>	<i>CSCOMPE SW</i>
<i>Robeco Lux-O-Rente</i>	<i>LU0084302339</i>	<i>RGLUXOR LX</i>
<i>DWS Invest Euro Reserve - FC</i>	<i>LU0145659578</i>	<i>DWSERFC LX</i>

Triglav D.O.O., Ljubljana (the "**Fund Selector**") may, but is not obliged to, on each anniversary of the Issue Date request the substitution of up to five of the funds in the Fund Group. The Fund Selector shall propose substitute funds which shall be subject to the approval of the Index Sponsor.

The Fund Component must at all times be conformant to the following guidelines:

<u>Certificate Volume</u>	<u>Number of Basket Components</u>	<u>Permitted Weighting</u>
Up to 4,000 Certificates	3 funds	Equally Weighted
More than 4,000 Certificates	No less than 3 funds, and no more than 4 funds	Equally Weighted

The Fund Selector will determine the funds to comprise the Fund Component on the Issue Date.

At the end of each semi-annual period following the Start Date the Fund Selector may, but is not obliged to, change the composition of the Fund Component, provided that the above guidelines are adhered to.

II. Calculation of the Index

1. General

The Index start is on 6 July 2006 (the "**Start Date**") with an initial level of 1,000 (the "**Initial Level of the Index**").

The Sponsor will calculate the Reference Level of the Index as of each Index Determination Date based on the values of the Fund Component and the Theoretical Component as of such date and the Index Calculation Factor. The value of the Fund Component shall be the weighted sum of the net asset value of the shares of the funds comprised in the Fund Component as communicated to the Sponsor by the respective fund or the entity responsible for the determination of the net asset value of the Shares of the fund according to the regulations of the prospectus of the fund as of such Index Determination Date.

2. Calculation of the Reference Level of the Index

- (a) On each Index Determination Date, a threshold level (the "**Threshold Level**") THR_t is defined as follows:

$$THR_t = Floor \times Max(Index_{t-1}^{t-52})$$

where:

- Floor = 80.0%
- $Max(Index_{t-1}^{t-52})$ = The Maximum Index Level is the highest observed level of the Index during the immediately preceding 52 week period, not including Observation Date t.
- t = the actual number of weeks elapsed since the Start Date until the respective calendar day (t)

- (b) On the same Index Determination Date, the weighting W_t is calculated in accordance with the following formula:

$$W_t = Max \left[MinW, Min \left[Gearing \times \left(1 - \frac{THR_{t-1}}{Index_{t-1}} \right), MaxW \right] \right]$$

where:

- THR_{t-1} = the Threshold Level on the previous Index Determination Date (t-1)
- $Index_{t-1}$ = the Reference Level of the Index on the previous Index Determination Date (t-1)
- Gearing = 5.0
- MinW = 0.0%
- MaxW = 100.0%

- (c) The Reference Level of the Index is calculated on the same date in accordance with the following formula:

$$Index_t = Max \left[THR_t, Index_{t-1} \times \left(1 - \frac{ICF}{52} + Risky_t + RiskFree_t \right) \right]$$

where:

- $Index_t$ = Reference Level of the Index on the respective Index Determination Date (t)
- $Index_{t-1}$ = Reference Level of the Index on the previous Index Determination Date (t-1)
- ICF = Index Calculation Factor = 1.75%
- $Risky_t$ = The return on the Risky Asset component is calculated in accordance with the following formula:

$$Risky_t = \left(\frac{BasketValue_t}{BasketValue_{t-1}} - 1 \right) \times W_t$$

Where, $BasketValue_t$ = A value for the Basket determined by reference to the net asset value per share of each Fund in the Basket, weighted accordingly in respect of calendar day (t).

- RiskFree $_{t-1}$ = The return on the Risk-free Asset component is calculated as follows,

$$RiskFree_t = \left(\frac{1 \text{ week euribor}_{t-1}}{52} \right) \times \text{Max}(0, 1 - W_{t-1})$$

Where, 1 week euribor $_{t-1}$ = 1 week Euribor rate observed at t-1.

3. Substitution of a fund in the Fund Component

Upon the occurrence of an event which the Sponsor determines to be a Substitution Event (Paragraph 4) in relation to a fund included in the Fund Component, the Sponsor may, but is not required to:

- determine the net asset value of the shares of the affected fund on the basis of the next available net asset value of the shares (the "**Removal Value**"). The date on which the Removal Value is determined shall be the "**Removal Date**"; and
- use reasonable efforts to identify an alternative fund in substitution for the affected fund (the "**Successor Fund**"). The Successor Fund will be a fund with similar characteristics, investment objectives and policies to those of the affected fund immediately prior to the occurrence of the Substitution Event.

If the Sponsor is unable to identify a Successor Fund, then the Index shall be calculated as of the Removal Date according to the following provisions:

Any reference made in this Index Description to the affected fund shall, with effect from the Removal Date, be read as a reference to the Successor Fund and all related definitions shall be amended accordingly. Furthermore, the Sponsor will make all necessary adjustments to the terms and conditions of this Index Description resulting from a substitution of a Fund.

Where the affected fund is a component of the Fund Component and if the Sponsor is unable to identify a Successor Fund, the affected fund will be replaced with the Removal Value and the Removal Value shall be deemed to be a component of the Fund Component with effect from the Removal Date. In such case, the net asset value in respect of the affected fund on any date following the Removal Date shall be calculated in accordance with the following formula:

$$\text{RemovalValue} \times \left(1 + \text{InterestRate} \right)^{\frac{\text{Days}}{360}}$$

Where:

"**Interest Rate**" means the fixed rate (expressed as a rate per annum on the basis of the Euro interest rate market) at which deposits are bid in the underlying currency of the affected fund for a tenor approximately equal to the period from and including the Removal Date to but excluding the relevant date. If such deposit rate is not available, the Sponsor shall determine an appropriate rate in good faith and in a commercially acceptable manner.

"**Days**" means the number of calendar days from and including the Removal Date to but excluding the relevant date.

4. Substitution Event

A "**Substitution Event**" means any of the following events which, in the sole opinion of the Sponsor, the Sponsor considers to be a Substitution Event:

1. The implementation of any change to the terms and conditions of the affected fund, as detailed in the prospectus of the affected fund which, in the sole opinion of the Sponsor, is of a material nature including but not limited to such changes as (i) a change in the risk profile of the affected fund; (ii) a change in the voting rights, if any, associated with the voting shares of the affected fund; (iii) an alteration to the investment objectives of the affected fund; or (iv) a change

in the currency in which the shares of the affected fund are denominated so that the net asset value is quoted in a different currency from that in which it was quoted on the Start Date;

2. The breach of the investment objectives of the affected fund (as defined in the prospectus of the affected fund) if such breach, in the sole opinion of the Sponsor, is of a material nature;

3. If subscription and/or redemption fees, or taxes or other similar fees, payable in respect of a purchase or redemption of the shares of the affected fund are imposed or increased after the Start Date;

4. If the net asset value of the shares of the affected fund are, for reasons other than of a technical or operational nature, not calculated for two consecutive calendar months;

5. If the activities of the affected fund or its management are placed under review by their regulators for reasons of wrongdoing, breach of any rule or regulation or other similar reason;

6. The compulsory redemption of the shares of the affected fund for any reason;

7. The suspension of the issue of additional shares of the affected fund or the redemption of existing shares and any such suspension continues for two consecutive calendar months;

8. If the affected fund is wound up or terminated for any reason;

9. If the affected fund is superseded by a successor fund (the "**Successor**") following a merger or similar event unless, in the sole opinion of the Sponsor, the Successor has similar investment objectives to those of the affected fund, is incorporated in the same jurisdiction as the affected fund (or another jurisdiction acceptable to the Sponsor), is denominated in the same currency as the affected fund and is managed and administered by one or more individuals who, or corporate entities which, are reputable and experienced in their field;

10. The cancellation of the registration, or of the approval, of the affected fund or its management by any relevant authority or body;

11. If the management of the affected fund is replaced by an individual or person unless, in the sole opinion of the Sponsor, the relevant replacement is an individual or group of individuals who, or a corporate entity which, is reputable and experienced in their field;

12. If the Sponsor is required, pursuant to any accounting or other applicable regulations in accordance with which it prepares financial statements, to consolidate the affected fund in its accounts or financial statements;

13. Any other event in respect of the affected fund which, in the opinion of the Sponsor, has an analogous effect to any of the events specified above.